

## SEPTEMBER 2022 QUARTERLY REPORT

Wellfully Limited (ASX: WFL) (Wellfully or the Company) is pleased to provide an overview of its activities for the quarter ended 30 September 2022 (Q1 2023), marking the transition from a lengthy phase focussed on building infrastructure and capability to the next phase with a focus on operations, scaling of revenue, and cash efficiency.

- **Reduced cash burn:** Q1 FY2023 cash burn from operating activities amounted to A\$-1,066k, a 50% reduction compared with Q4 FY2022 cash burn of A\$-2,140k.
- **Reduced operating costs:** Q1 FY2023 cash outflows from operations amounted to A\$-1,206k, a 51% reduction compared with Q4 FY2022 cash outflow of A\$-2,485k.
- **Reduced seasonal revenue variation:** cash inflows from operations reduced by 59% from A\$345k in Q4 FY2022 to A\$140k in Q1 FY2023.

### OPERATIONS

With the majority of capability and infrastructure development projects completed with the closing of Q4 FY2022, Q1 FY2023 marks the beginning of the next phase with a continued focus on operations, scaling of revenue and cash efficiency. Cash outflows from operations continued to decrease for the third quarter in a row, reaching A\$-1,206k, in this quarter Q1 2023, i.e. significantly below A\$-2,485k in Q4 2022 (-51%); A\$-2,642k in Q3 2022 (-60%); A\$-3,130k in Q2 FY2022 (-66%).

These cost reductions improved overall operational cash flow efficiency by 50% with cash burn from operations decreasing from A\$-2,140k in Q4 FY2022 down to A\$-1,066k in Q1 FY2023; this despite the seasonal reduction in operational inflows of 59% from A\$345k in Q4 FY2022 to A\$140k in Q1 FY2023.

The Company has now arrived at a critical inflection point, building on its existing strategy and expanding from the beauty space (RÉDUIT) into healthcare and wellness (SWISSWELL). This is an important milestone, as laid out in the vision of the Company, which is “to become the world’s first fully integrated, sustainable, science-based company spanning beauty, health and wellness industries.”

It is with immense pride that Q1 FY2023 has also marked the company reaching a number of milestones, some of which have taken almost 3 years to achieve. The Lugano SWISSWELL operation has received certifications for:

#### Directors

Mr Paul Peros  
Mr Steven Schapera  
Mr Jeffrey Edwards

#### CEO

Mr Paul Peros

#### Company Secretary

Mr Henko Vos

#### Registered Office

284 Oxford Street  
Leederville  
Western Australia  
6007

#### Contact

Tel: +61 8 9443 3011  
[www.wellfully.net](http://www.wellfully.net)  
ABN: 72 056 482 636

- ISO 90001:2015 certifying quality management systems in the areas of product development and manufacturing of cosmetics products;
- ISO 14001:2015 certifying environmental management systems in the areas of product development and manufacturing of cosmetics products;
- ISO 30415:2021 certifying compliance of management systems for HR management for diversity and inclusiveness in the areas of product development and manufacturing of cosmetics products;
- ISO 22716:2007 certifying management systems compliance in cosmetics as GMP (Good Manufacturing Practices) in the areas of product development and manufacturing of cosmetics products.

In parallel, The Dongguan operation, has also completed its ISO 90001:2015 and ISO 14001:2015 certifications. Through FY2023, both facilities are expected to continue with certification processes focused on Medical Devices (ISO 13845:2016) in order to allow for the SWISSWELL patch insourcing and BOOST medical device productions in Lugano and Dongguan respectively.

## RÉDUIT

Whilst cash receipts from customers have been relatively modest due to the seasonal slowdown during the June-August period, important developments have been secured in expanding the commercial footprint of the brand: RÉDUIT has secured distribution in the GCC markets through an exclusive partner with access to all major premium retail outlets. The RÉDUIT BOOST has continued with new placements such as “feelunique” (now a part of Sephora’s new UK expansion) and has received approval of claims for placements with QVC in the UK.

## SWISSWELL

In addition to the rollout with pharmacy distributors in Italy, SWISSWELL has initiated contracting with distributors in new markets including Israel and Brazil, as well as engaged directly with other retail and wellness verticals.

The Company expects to see the positive results of these developments in the current quarter, with additional placements following.

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## PAYMENTS TO RELATED PARTIES OF THE ENTITY

The Company notes that the cash payments made to related parties and their associates outlined in Section 6.1 of the Appendix 4C of A\$108k represent payments made for directors fees to one executive director and one non-executive director, and approximately A\$7k to a related party of one director for legal services provided.

### Other transactions with related parties noted in Appendix 4C

- a) On 10 August 2022 the Company resolved to borrow €70,000 from The Brand Laboratories FZ (Lender), a company associated with a Director of the Company, Steven Schapera, on the following terms:
- o the full amount borrowed but excluding setup fees, will be repaid within 30 days or less, but in any event as soon as possible after the Company complete a rights issue or similar fundraising;
  - o interest will be at 16.5% per annum, calculated monthly, and foreign exchange risk is the Company's; i.e. the Loan plus interest will be repaid in the same currency in which funds were provided to the Company;
  - o The interest rate will increase by 1% for each month repayment is delayed, capped at 21.5%;
  - o The loan will incur a facility setup fee of 2.5% payable by the Company to the lender, and deducted from the total loan amount at the time of setup. The net loan amount of €68,250 (approximately A\$103,000) will be drawn down in one tranche by the Company; - In the event of default, the Lender will have the right to call the Loan and any accrued but unpaid interest and/or fees, plus all enforcement costs associated with the enforcement of its security and collection; and o The Company, will at its cost, register the loan on the Australian Personal Property Securities Register (PPSR) at its own cost.
- b) On 7 July 2022 the Board of Wellfully Ltd approved the terms of a US\$70,000 (approx. A\$103k) loan from a Director of the Company, Paul Peros. On 9 August 2022 the board resolved to revise the agreement with Paul Peros thereby aligning the terms of the loan from Paul Peros and the loan from Steven Schapera.
- c) In September 2022 the board resolved to borrow A\$25k from Jeffrey Edwards (Director), €60,000 (approx. A\$90k) from Paul Peros (Director) and €20,000 (approx. A\$30k) from The Brand Laboratories FZ (Lender), a company associated

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with a Director of the Company, Steven Schapera. The terms of these loans align with the terms provided to Steven Schapera on 10 August 2022.

The loans noted under items a) and c) were subsequently repaid in October 2022. The loan noted under b) from Mr Peros is being converted into ordinary shares subject to shareholder approval at the 25 November 2022 Annual General Meeting (being part of Resolution 6).

## ABOUT WELLFULLY

Wellfully is a fully integrated, science-based wellness company. In addition to our own-brands, RÉDUIT and SWISSWELL, we also offer a portfolio of proprietary technologies and support partners by providing IP and expertise in magnetic array design, feasibility and efficacy, and claims testing, engineering and production.

## ABOUT WELLFULLY'S TECHNOLOGIES

Wellfully has developed a number of physical enhancement technologies based on the interactions between ingredient molecules and weak atomic forces, positioning the Company as a world leader in the science of magnetic fields as they relate to drug or active-ingredient delivery.

The first of Wellfully's magnetic technologies was the Magnetic Microarray. Complex 3-D magnetic fields, produced by low-cost microarray film, influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level. This was licensed and commercialised in 2014.

The second magnetic technology, the Programmable Array technology, employs powered electromagnetic fields that can be altered to suit individual consumer's skincare needs. This was licensed for skincare applications in 2020.

The third magnetic technology uses magnetic fields to alter the wettability of a surface, substantially enhancing contact between liquid and solids. Magneto-Wetting underpins the Company's current developments in haircare, skincare and surface hygiene, in conjunction with Wellfully's recently developed Ultrasonic Misting technology. International patents have been filed.

## FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements" concerning Wellfully. Where Wellfully expresses or implies an expectation or belief as to future

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events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis.

Forward-looking statements provided in this announcement are based on assumptions and contingencies which are subject to change without notice. Such forward-looking statements including statements regarding intentions, planned events and potential results are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with Wellfully and the industry which may affect the accuracy of the forward-looking statements. Wellfully does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This release has been issued with the authorisation of the Board.

- Ends -

For more information:

Madeline Howson  
madeline.howson@advisir.com.au

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Mr Steven Schapera  
Mr Jeffrey Edwards

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Wellfully Limited

**ABN**

056 482 636

**Quarter ended ("current quarter")**

30 September 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	136	136
1.2 Payments for		
(a) research and development	(7)	(7)
(b) product manufacturing and operating costs	(157)	(157)
(c) advertising and marketing	(55)	(55)
(d) leased assets	-	-
(e) staff costs	(707)	(707)
(f) administration and corporate costs	(280)	(280)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	4	4
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,066)</b>	<b>(1,066)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	287	287
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(23)	(23)
3.5	Proceeds from borrowings	550	550
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>814</b>	<b>814</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	269	269
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,066)	(1,066)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	814	814
4.5	Effect of movement in exchange rates on cash held	12	12
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>29</b>	<b>29</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	29	269
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>29</b>	<b>269</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	108
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	550	550
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		Up to 54.9m
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>a) On 30 April 2022 the Company entered into a capital funding facility agreement ("Capital Commitment Agreement") of up to A\$55 million over a three-year period with Luxembourg based GEM Global Yield LLC SCS ("GGY"). Subject to the terms of a <b>Capital Commitment Agreement</b>, the Company may choose to, on one or more occasions within the three year period, and subject to conditions precedent, draw down on the facility by giving GGY notice to subscribe for fully paid ordinary shares in the Company of no more than being 7 times average daily numbers of Wellfully shares traded on ASX during the 15 trading days (subject to certain adjustments) prior to and excluding the date of the draw down notice.</p> <p>If the Company issues a draw down notice, the subscription price of the shares to be issued to GGY (or its nominees) will be 90% of the higher of:</p> <ul style="list-style-type: none"> <li>- the volume weighted average price of Wellfully shares as quoted by ASX over the pricing period, being the 15 consecutive trading days after Wellfully gives the draw down notice to GGY (subject to certain adjustments); or</li> <li>a fixed floor price nominated by the Company in its draw down notice, which must not be higher than the closing trade price of a Wellfully share on the trading day immediately preceding the date of the draw down notice.</li> </ul> <p>The Company has given to GGY warranties, representations and indemnities as are customary for agreements of this type.</p> <p>The Company has agreed to pay a fee of A\$550,000 (exclusive of GST) to GGY in connection with the Capital Commitment Agreement. The Company may choose to pay part or all of such fee in shares calculated at 95% of the volume weighted average price of Wellfully shares during the 15 consecutive trading days prior to payment. In addition, the Company will issue to GGY or its nominee 19.3 million options, each exercisable by the option holder into one Wellfully share at an exercise price of \$0.15 within 5 years from grant date. If on 29 April 2023 the volume weighted average price of Wellfully shares for the 5 trading days immediately preceding 29 April 2023 (Market Price) is \$0.135 or less, then the exercise price will be adjusted to an amount equal to 105% of the Market Price.</p> <p>The Capital Commitment Agreement has a three year term and is not secured.</p>		

- b) On 10 August 2022 the Company resolved to borrow €70,000 from The Brand Laboratories FZ (Lender), a company associated with a Director of the Company, Steven Schapera, on the following terms:
- the full amount borrowed but excluding setup fees, will be repaid within 30 days or less, but in any event as soon as possible after the Company complete a rights issue or similar fundraising;
  - interest will be at 16.5% per annum, calculated monthly, and foreign exchange risk is the Company's; i.e. the Loan plus interest will be repaid in the same currency in which funds were provided to the Company;
  - The interest rate will increase by 1% for each month repayment is delayed, capped at 21.5%;
  - The loan will incur a facility setup fee of 2.5% payable by the Company to the lender, and deducted from the total loan amount at the time of setup. The net loan amount of €68,250 (approximately A\$100,000) will be drawn down in one tranche by the Company; - In the event of default, the Lender will have the right to call the Loan and any accrued but unpaid interest and/or fees, plus all enforcement costs associated with the enforcement of its security and collection; and o The Company, will at its cost, register the loan on the Australian Personal Property Securities Register (PPSR) at its own cost.
- c) On 7 July 2022 the Board of Wellfully Ltd approved the terms of a US\$70,000 loan from a Director of the Company, Paul Peros. On 9 August 2022 the board resolved to revise the agreement with Paul Peros thereby aligning the terms of the loan from Paul Peros and the loan from Steven Schapera.
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The loans noted under items b) and d) were subsequently repaid in October 2022. The loan noted under c) from Mr Peros is being converted into ordinary shares subject to shareholder approval at the 25 November 2022 Annual General Meeting (being part of Resolution 6).

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,066)
8.2	Cash and cash equivalents at quarter end (item 4.6)	29
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	29
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.03

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company expects receipts from customers to continue increasing in line with increased scale. The Company maintains strict control over cash outflows, however still expects a net cash outflow for the foreseeable future as it implements various planned growth strategies with the objective of generating long term positive cashflows.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is considering a number of funding options and will undertake further capital raisings, if and when these are required. The Company has a history of successfully raising funds.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company expects it will be able to continue operations and meet business objectives based on the uptake in commercial activities seen throughout and beyond the quarter.

The Company is working on the advancement of the following key activities:

- ❖ RÉDUIT marketing and sales initiatives
  - Consumer engagement via enhanced marketing (influencer, key opinion leader (KOL) and media engagement)
  - Execution of new B2B collaborations in new and existing jurisdictions
- ❖ Development and launch of new devices
  - Completion and launch of RÉDUIT Active Sunscreen and Boost Applicators
- ❖ Roll-out of SWISSWELL Lubricen pain patches - With regulatory approval just received, the B2B launch can now proceed.
- ❖ Global licensing, ODM and OEM collaborations - Continued collaborations with global partners.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: Board of Directors  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

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entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.