



WATTLE HEALTH AUSTRALIA QUARTERLY ACTIVITIES AND CASHFLOW STATEMENT

- **Launch of first truly Australian organic nutritional dairy range for distribution in April 2019.**
- **Wattle Health Australia (WHA) received deposit for contracted sales of baby food for the Indian market.**
- **Construction of Australia's first dedicated organic nutritional dairy spray dryer continued on time and under budget.**
- **Expansion of distribution channels in China for WHA's natural baby food range.**

31 January 2019: Wattle Health Australia Limited (**ASX:WHA**) is pleased to announce our quarterly activities and cashflow statement for the second quarter of the 2019 financial year. This quarter built on the achievements of the previous quarter and being Australia's first truly vertically integrated organic nutritional dairy company with the launch of Australian organic nutritional dairy products 12 months ahead of schedule.

Australian Organic Nutritional Products – Uganic

WHA was able to secure through a third-party processor organic nutritional powder using 100% organic milk from our partners in the Organic Dairy Farmers of Australia (**ODFA**) for use in the Uganic brand which will be distributed both through existing and new channels domestically and internationally commencing April 2019.

WHA in securing the organic nutritional powder ceased production on conventional nutritional products, thus impacting sales for the quarter with existing retailers excited by the launch of the Uganic brand. WHA also is in final negotiations with major retailers in Australia for the distribution of the Uganic brand across their extensive retail network. WHA will update the market accordingly once these negotiations are finalised.

WHA in order to secure the organic nutritional powder pre-paid the amount of circa \$3.4 million budgeted in the previous quarterly cashflow statement announced on 30 October 2018.



Natural Baby Food – India

WHA as announced on 4 September 2018 secured contracted sales of its Australian natural baby food range for circa \$3.75 million, with a deposit received from the distributor in the December quarter.

WHA is currently developing Indian specific packaging with the first shipment under this contract planned for the current quarter.



Corio Bay Dairy Group

Corio Bay Dairy Pty Ltd (CBDG) continued works to build Australia's first dedicated organic nutritional dairy spray dryer, and as announced on 30 October 2018 continues to be under budget and on time.

ODFA which currently controls circa 75% of fresh organic milk in Australia, continues to grow its milk pool further solidifying its already strong position in the fresh organic milk market in Australia.



Natural Baby Food Range – China

WHA as announced on 16 August 2018 received formal approval of its Australian natural baby food range. WHA during the quarter cleared and sold an initial order of baby food in the Chinese market and subsequent to this order have signed an additional 8 distributors in China for distribution of WHA's Australian natural baby food range.

WHA is in the process of developing China specific packaging to facilitate these orders with delivery into China for these orders to commence during the current quarter.

Financial

WHA sales for the quarter were impacted due to the cessation of conventional nutritional dairy products in preparation for the conversion to organic nutritional products with the launch of Uganic.

WHA anticipates strong growth of sales for the remainder of the 2019 calendar year with the launch of Uganic and the continued growth of distribution of WHA's Australian natural baby food and Little Innoscents.

Cash outflows for WHA were in line as announced on 30 October 2018 with the increase being a result of a one-off expense of circa \$3.4 million used for the purchase of the organic nutritional powder and administration expense incurred by CBDG.

WHA has a strong balance sheet with nil debt and cash holdings of circa \$42.2 million and stock on hand of circa \$3.7 million.

George Karafotias

Company Secretary

Wattle Health Australia Limited

About WHA

Wattle Health aspires to become a company globally recognised for offering superior quality, organic and sustainable products which promote health and wellness at all stages of life.

Wattle Health uses natural ingredients derived from Australia's pure water, clean air and organically fertile soils. We carefully prepare and pack in ways designed to preserve nutrients. Wherever possible, we source certified organic ingredients which are totally free of fertiliser or pesticide residues. Our pristine Australian provenance and quality-assured supply chain guarantees the highest possible standards of purity.

We support Australian farmers who embrace these soil management practices. We translate consumer demand for pure organic nutrition into a reward for maintaining soil biodiversity, to produce naturally superior products that can be enjoyed for generations to come. Ultimately, our aim is to make the sustainable Australian goodness of certified organic health and wellness products widely available to families across the globe.

Media Contact

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Wattle Health Australia Limited

ABN

77 150 759 363

Quarter ended ("current quarter")

December 2018

Consolidated statement of cash flows	Current quarter (1 October 2018 – 31 December 2018) \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	289,513	462,534
1.2 Payments for		
(a) research and development	(16,555)	(38,019)
(b) product manufacturing and operating costs	(3,579,369)	(4,034,240)
(c) advertising and marketing	(604,155)	(1,065,224)
(d) leased assets	0	0
(e) staff costs	(709,045)	(1,692,958)
(f) administration and corporate costs	(764,674)	(1,698,844)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	44,579	98,811
1.5 Interest and other costs of finance paid	(25,000)	(25,000)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other – GST Received	159,090	157,588
1.9 Net cash from / (used in) operating activities	(5,205,616)	(7,835,352)

Consolidated statement of cash flows	Current quarter (1 October 2018 – 31 December 2018) \$A	Year to date (6 months) \$A
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2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment - CBDG	(4,700,203)	(5,520,263)
(b) businesses (see item 10)		
(c) investments CBDG		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) 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)		
2.6 Net cash from / (used in) investing activities	(4,700,203)	(5,520,263)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	0	(66,407)
3.5 Proceeds from borrowings – Niche Dairy		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		

Consolidated statement of cash flows		Current quarter (1 October 2018 – 31 December 2018) \$A	Year to date (6 months) \$A
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	(66,407)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	52,053,711	55,569,914
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,205,616)	(7,835,352)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,700,203)	(5,520,263)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		(66,407)
4.5	Effect of movement in exchange rates on cash held		0
4.6	Cash and cash equivalents at end of quarter	42,147,892	42,147,892

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	42,147,892	52,053,711
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	42,147,892	52,053,711

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	\$340,446
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors Fees for Wattle Health Australia and Corio Bay Dairy Group Pty Ltd

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1	Loan facilities	20,000,000	0
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Prospere Advisor Limited at an Annual Rate of 8%.
The loan is secured against the Company's interest in CBDG.

9.	Estimated cash outflows for next quarter	\$A
9.1	Research and development	15,000
9.2	Product manufacturing and operating costs	500,000
9.3	Advertising and marketing	700,000
9.4	Leased assets	0
9.5	Staff costs	750,000
9.6	Administration and corporate costs	650,000
9.7	Other – CBDG	6,000,000
9.8	Total estimated cash outflows	8,615,000

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.

Sign here:



Company secretary

Date: 31/01/2019

Print name:

George Karafotias

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.