



Quarterly Activities Report

- Finalisation of supply agreement with International Supplies and Distribution Co. (ISDC) for the supply of dried dairy baby formula into the China market (subject to SAMR approval)
- Wattle Health entered into a conditional agreement with Mason to acquire a majority holding in leading CNCA accredited manufacturing facility, Blend and Pack
- Contract for the supply of Australia's first commercial quantity of Organic A2 Fresh Milk to CBDG for processing into dried organic base dairy product
- Highly respected Dr. Tony Mckenna appointed as CEO of Corio Bay Dairy Group (CBDG)
- Appointment of additional non-executive director to the Board of Wattle Health

30 April 2019: Wattle Health Australia Limited (**WHA, Wattle Health** or **Company**) during the first quarter of calendar year 2019 continued its journey to become Australia's genuine organic vertically integrated nutritional dairy company.

Wattle Health as announced on 31 January 2019 secured (through a third-party processor) Australian organic base powder which is intended to be used in the new WHA Uganic range. The Company received the first delivery of organic powder in March, but due to delays by the third-party processor, it is now anticipated that the remaining powder will be received in May 2019 - which will then allow the Company to manufacture its new range of organic nutritional products under the Uganic brand thereafter. The delay in receiving the organic powder has caused potential sales of organic products in the March quarter to be below expectation. However, the Company anticipates improved sales in the future.

Further to the announcements on 4 September 2018 and 30 January 2019, Wattle Health continued during the first quarter of 2019 to work with the Indian firm Vasudevan and Sons Exim Private Ltd (**VSEP**) to register the Company's natural baby food range / product labelling to allow the commencement of the 12-month supply agreement (originally VSEP supply agreement was signed in July 2018 and extended on 4 September 2018). The Company's Indian legal counsel has advised all documentation has now been submitted with the relevant Indian Authorities and WHA is awaiting formal registration of its Indian products. This is a crucial step to ensure all products exported into India are cleared in a timely manner to ensure continuous supply to the Indian market; importantly the intent that this registration will trigger commencement of the 12 month minimum supply period and the requirement for provision of the VSEP bank guarantee to WHA to underpin that minimum supply. To date no material sales to VSEP have occurred as WHA is awaiting that Indian regulatory approval.

Wattle Health during the first quarter in 2019 also announced the signing of a binding supply agreement with International Supplies and Distribution Co. (**ISDC**) for the supply of the Company's conventional infant formula range into China. ISDC, conditional on WHA obtaining SAMR approval, has committed to minimum purchase volumes over a 42-month period - with ISDC to provide to WHA a bank guarantee after SAMR approval is obtained by WHA. As noted above, this supply agreement with ISDC is subject to Wattle Health receiving SAMR accreditation from the relevant

Chinese authorities - WHA has applied for SAMR approval in November 2017 but does not control nor have transparency on if or when WHA's SAMR approval may be obtained.

Blend and Pack

Wattle Health announced on 11 February 2019, that it had entered into an agreement with Mason Financial Holdings Ltd (**Mason**) to purchase a majority stake in what WHA believes to be the largest (by product volume) CNCA certified manufacturing plant in Australia, Blend and Pack (**B&P**).

B&P was one of the first CNCA certified facilities in Australia and, as announced on 8 January 2019, B&P had its CNCA accreditation renewed for a further 4 years.

B&P manufactures for leading nutritional brands and has a long history of profitability with FY18 revenue in excess of \$20 million with EBITDA in excess of \$3 million.

As announced on 15 April 2019, the Company has been engaging with numerous interested debt funding parties with site visits by potential funding parties of both B&P and the Corio Bay Dairy Group (**CBDG**) sites. Discussions are continuing but at this time WHA does not have binding debt commitments to fund the B&P acquisition. Mason has agreed an extension until 15 June 2019 for WHA to satisfy the pre-conditions for the B&P acquisition.

Corio Bay Dairy Group (CBDG)

Dr Tony McKenna as announced on 7 March 2019, was appointed as Chief Executive Officer of CBDG. Dr McKenna has over 30 years of domestic and international experience in the dairy and more specifically nutritional dairy sector, working for major dairy companies including Fonterra, Tatura, Synlait and more recently Saputo Australia.

CBDG during the quarter continued works on site with all levelling and stabilisation work completed. All contracts to construct the building and spray dryer have been executed.

All contracts signed have been within budget and in most cases below budget and as announced on 25 March actual work on the spray dryer continued overseas, with the head engineers travelling to inspect the construction.

Wattle Health has been advised by CBDG that due to delays for grant of subdivision, settlement of the land is now scheduled for 3 May 2019, with construction now set to commence on 6 May 2019. It is estimated that construction will take approximately 12 months from the commencement of construction. The Company will provide a further update to the market regarding the status of construction.

Organic A2 Fresh Milk by CBDG

As previously mentioned WHA is funding CBDG's construction of its dedicated organic spray drying facility at Corio Bay Geelong (which facility is 45% owned by WHA).

As announced on 25 March 2019, CBDG has signed a supply agreement securing Australia's first commercial quantity of Organic A2 fresh milk to be processed / dried at the proposed new CBDG dedicated organic nutritional spray dryer (when constructed).

Wattle Health has the first right for all dried dairy products produced by CBDG and thus WHA intends to develop the first Organic A2 nutritional dried dairy products for sale in Australia. However, this is subject to construction of the new CBDG spray drying facility and obtaining all regulatory approvals for sale of dried dairy products in Australia.

Corporate

On 16 January 2019, the Company announced the appointment of Mr Zheng (Kobe) Li to the Board of Wattle Health as an independent non-executive director.

Mr Li has 8 years' experience as a senior listing officer of the Australian Securities Exchange and was subsequently appointed as the Company's Company Secretary on 11 April 2019.

-ENDS

For further information, contact:

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About Wattle Health Australia Limited

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.

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")

March 2019

Consolidated statement of cash flows	Current quarter (1 January 2019 – 31 March 2019) \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	163,860	626,394
1.2 Payments for		
(a) research and development	(30,943)	(68,962)
(b) product manufacturing and operating costs	(330,895)	(4,365,135)
(c) advertising and marketing	(444,698)	(1,509,922)
(d) leased assets	0	0
(e) staff costs	(746,939)	(2,439,897)
(f) administration and corporate costs	(666,813)	(2,365,657)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	48,691	147,502
1.5 Interest and other costs of finance paid	(211)	(25,211)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other – GST Refund	437,961	595,549
1.9 Net cash from / (used in) operating activities	(1,569,987)	(9,405,339)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,598,493)	(9,118,756)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter (1 January 2019 – 31 March 2019) \$A	Year to date (9 months) \$A
	(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	(3,598,493)	(9,118,756)

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		
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)		
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	42,147,892	55,569,914
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,598,987)	(9,405,339)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,598,493)	(9,118,756)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	(66,407)

Consolidated statement of cash flows		Current quarter (1 January 2019 – 31 March 2019) \$A	Year to date (9 months) \$A
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	36,979,412	36,979,412

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	36,979,412	42,147,892
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)	36,979,412	42,147,892

6.	Payments to directors of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to these parties included in item 1.2	324,036
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	

7.	Payments to related entities of the entity and their associates	Current quarter \$A
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

Add notes as necessary for an understanding of the position

8.1 Loan facilities

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.

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

**Total facility amount
at quarter end
\$A**

**Amount drawn at
quarter end
\$A**

20,000,000

9. Estimated cash outflows for next quarter

\$A

9.1 Research and development

25,000

9.2 Product manufacturing and operating costs

450,000

9.3 Advertising and marketing

475,000

9.4 Leased assets

0

9.5 Staff costs

750,000

9.6 Administration and corporate costs

700,000

9.7 Other (provide details if material)

4,000,000

9.8 Total estimated cash outflows

6,400,000

**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:

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Company secretary

Date: 30 April 2019

Print name:Kobe Li

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.