



Wattle Health Australia Signs Debt Term Sheet for the Acquisition of Blend and Pack

- **Wattle Health Australia (WHA) signs US\$75 million debt facility term sheet with Gramercy Funds Management LLC, on behalf of its managed vehicles and funds.**
- **WHA has entered into an agreement with Mason Group Holdings Limited to acquire 75% of Blend and Pack (B&P) for US\$55 million taking its holding to 80%.**
- **B&P is the largest independent (by volume) CNCA certified manufacturing facility in Australia. As an accredited manufacturer under China's CNCA, B&P allows WHA a critical distribution channel into a market where a burgeoning middle class is driving demand for clean, green, Australian nutritional dairy products.**
- **Upon completion of the acquisition, WHA will be one of the first fully vertically integrated organic nutritional dairy company in Australia.**

9th May 2019: Wattle Health Australia Limited (**WHA** or **Company**), is pleased to announce it has signed a US\$75m debt facility term sheet with Gramercy Funds Management LLC (together with its managed vehicles and funds, **Gramercy**), a dedicated emerging markets investment manager based in Greenwich, Connecticut in the USA.

The debt facility will have a term of 4 years with a coupon rate of 9% per annum and an OID of 15%. Gramercy will be granted c.14.5 million ordinary shares to be held in escrow for the earlier of the term of the loan (48 months) or prepayment.

The debt facility term sheet was agreed by WHA to ensure limited dilution to shareholders to finance the B&P acquisition. The alternative of financing the acquisition via an equity issuance was considered by WHA as unnecessarily dilutive to shareholders.

The term sheet is subject to final due diligence by Gramercy and final documentation. Details of the loan will be disclosed in a notice to shareholders for the upcoming EGM to approve the acquisition of B&P.

London-based investment bank Exotix Capital is acting as placement agent. The firm's Head of Natural Resources, Andrew Moorfield, commented "this is a major institutional debt raise for Wattle Health and is a reflection on the strength of the company's management team & the significant growth potential offered through the B&P acquisition."

Wattle Health announced on 11 February 2019, that it had entered into an agreement with Mason Group Holdings Ltd (**Mason**) to purchase a majority stake in B&P - the largest (by volume) CNCA certified manufacturing plant in Australia.

With the US\$75m debt facility, WHA will now be able to acquire all B&P shares held by Mason in a single transaction. This avoids the put and call option acquisition structure originally contemplated. That option structure had several milestone payments which will now no longer apply.

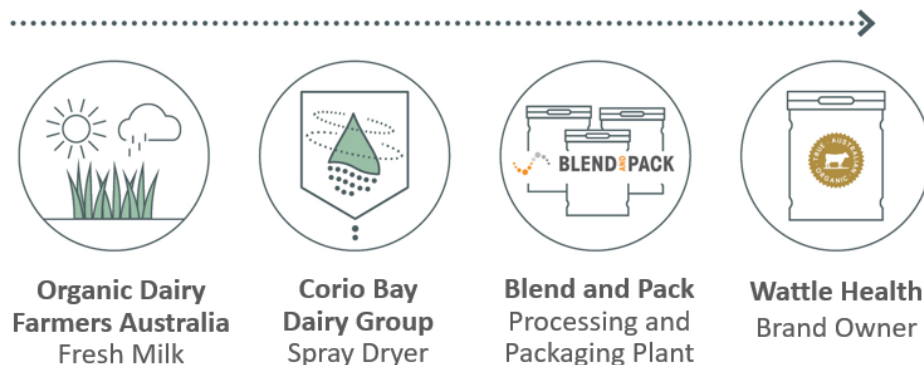
Blend and Pack

B&P is the largest (by volume) independent, nutritional dairy processing and packaging business in Australia and one of the first Australian manufacturers to obtain Certification and Accreditation Administration of People's Republic of China (**CNCA**). B&P successfully renewed its CNCA accreditation in January 2019.

B&P processes dried dairy products for major domestic and international nutritional dairy companies. B&P has a track record of positive earnings. Subject to SAMR approval for B&P nominated brands, projected FY20 revenue for B&P is greater than \$31 million and \$59 million in FY21.



Vertical integration



WHA's Executive Chairman, Lazarus Karasavvidis said the proposed acquisition of B&P realises WHA's ambition to control the full vertical integration value from farm to consumer.

"With this acquisition, Wattle Health becomes a fully vertically integrated Australian organic dairy company from our partners in the Organic Dairy Farmers of Australia through to the dedicated organic nutritional spray dryer in Corio Bay Dairy Group - and now the B&P manufacturing plant."

We now control the production process such that our products contain the highest quality Australian ingredients, manufactured and packaged to the world's best standard.

As an accredited manufacturer under China's Certification and Accreditation Administration (CNCA), B&P allows WHA a critical distribution channel into a market where a burgeoning middle class is driving demand for clean, green, Australian nutritional dairy products."



Corio Bay Dairy Group

On completion of the US\$75m debt issue, WHA will terminate the undrawn Prospero Advisors Ltd Loan (announced 14 June 2018) which was to partly fund the construction of the organic spray drying facility by Corio Bay Dairy Group Ltd (**CBDG**).

WHA Shareholder Approval

The acquisition of B&P is subject to WHA shareholders. An Extraordinary General Meeting (**EGM**) is to be held in June 2019. Full details of the B&P transaction and debt raise will be disclosed in the Notice of Meeting to be dispatched to all shareholders.

- **ENDS**

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About Wattle Health Australia Limited

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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.