



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

- **Wattle Health Australia (WHA) signs revised debt facility term sheet to increase proposed net cash funding up to US\$85 million with Gramercy Funds Management LLC (Gramercy), on behalf of its managed vehicles and funds.**
- **WHA is also negotiating to increase its shareholding interest in Blend & Pack (B&P) to 93.5% reflecting**
 - **WHA existing 5% shareholding;**
 - **proposed acquisition of 75% from Mason Group Holdings Pte Ltd (as announced on 11 February 2019); and**
 - **proposed acquisition of up to an additional 13.5% from the original founding B&P shareholders.**
- **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.**
- **WHA will be the sole funder for CBDG for the construction of Australia's first dedicated organic nutritional spray dryer.**
- **Upon completion of the acquisition, WHA will be one of the first fully vertically integrated organic nutritional dairy companies in Australia.**
- **Uganic nutritional dairy range begins production in August 2019.**

2 July 2019: Wattle Health Australia Limited (**WHA** or **Company**), is pleased to announce it has signed a revised debt facility term sheet for net cash funding (before expenses) of up to US\$85 million with Gramercy , a dedicated emerging markets investment manager based in Greenwich, Connecticut

in the USA. This is in replacement for the prior term sheet with Gramercy which provided for net cash funding (before expenses) to Wattle of up to US\$75 million.

The proposed Gramercy debt facility will have a term of 4 years with a coupon rate of 9% per annum and an OID of 13% (previously 15%). Gramercy will advance to WHA on closing US\$65.4 million and the balance of unused funds (being US\$19.6 million) will attract a coupon rate of 3%. Gramercy will be paid initial establishment fees and be issued approximately 16.15 million ordinary WHA shares (credited as fully paid) to be held in escrow for the earlier of the term of the loan (48 months) or earlier repayment. Where WHA draws in excess of US\$75 million under the revised Gramercy loan facility, WHA will also issue up to 5.425 million WHA shares (credited as fully paid) to Gramercy with same escrow provisions as the first issue.

This revised Gramercy debt facility term sheet provides additional working capital for WHA to increase its proposed purchase of B&P shares and was sought by WHA to limit dilution to WHA shareholders on financing the B&P acquisition and provide additional working capital. The alternative of financing the acquisition via an equity issuance was considered by WHA as potentially very dilutive to WHA shareholders.

The Gramercy term sheet is non-binding and subject to final due diligence by Gramercy and agreement by the parties of final documentation. Details of the Gramercy terms sheet is disclosed in a notice to shareholders for the upcoming EGM to approve the acquisition of the B&P shares.

As announced on 9 May 2019, WHA will acquire all shares held by Mason Financial Holding Ltd (Mason) in a single transaction, avoiding the put and call option acquisition structure contemplated originally. That options structure had various payment milestones which have now been avoided. WHA has also negotiated an extension with Mason of the completion date until 31 July 2019.

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 for a further 4 year period.

B&P processes dried dairy products for major domestic and international nutritional dairy companies. B&P has a track record of positive earnings.

Corio Bay Dairy Group

As announced on 9 May 2019, on the initial drawdown under the proposed Gramercy debt facility, WHA will terminate the undrawn Prospere 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**).

CBDG a joint venture between Organic Dairy Farmers of Australia (ODFA), Niche Dairy (ND) and WHA to build Australia's first dedicated organic nutritional spray dryer is continuing to take shape with commissioning of the plant scheduled in the first half of 2020.



WHA Shareholder Approval

The acquisition of the B&P shares from Mason is subject to WHA shareholders approval. An Extraordinary General Meeting (**EGM**) is to be held on July 31 2019. Full details of the B&P transaction (the acquisition of an additional 75% interest in B&P and the acquisition of an additional 13.5% from the original founding B&P shareholders) and the proposed Gramercy debt facility is disclosed in the Notice of Meeting. Where WHA shareholders do not approve the B&P transaction, WHA would not proceed with the proposed Gramercy debt facility.

Uganic

Uganic, the “True Australian Organic” nutritional dairy range, begins production in August 2019. Uganic will be available in the Australian market in both retail and online followed by multiple channels in the Chinese and other major SE Asia markets in Cross Border E-Commerce (**CBEC**), diigou and offline to online.

Organic nutritional dairy is the fastest growing segment of dairy in Australia & Internationally, in particular China. Having secured exclusive supply of the largest pool of organic milk in Australia, gives WHA a distinct competitive advantage in the global market place.



ENDS

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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.