

WATTLE HEALTH AUSTRALIA LIMITED

ACN 150 759 363
(ASX code: WHA)

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

Approval for a change to the scale / nature of activities

Meeting to be held at the offices of K&L Gates, Level 30, North Tower, 525 Collins Street, Melbourne, Victoria on Wednesday 31 July 2019 commencing at 10am.

This Notice of Extraordinary General Meeting and Explanatory Memorandum should be read in its entirety. If you are in doubt as to how to vote on any of the resolution, you should seek advice from your accountant, solicitor or other professional adviser without delay.

ASX takes no responsibility for the contents of this Notice of Extraordinary General Meeting and Explanatory Memorandum.

WATTLE HEALTH AUSTRALIA LIMITED

ACN 150 759 363
(ASX code: WHA)

Notice of Extraordinary General Meeting

Notice is given for the Extraordinary General Meeting of the Company to be held at Level 30, North Tower, 525 Collins Street, Melbourne Victoria, 3000 at 10am on Wednesday 31 July 2019.

Resolution - Approval for a change to the scale / nature of activities

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

That, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities by entering into and completing the Proposed Transaction as described in the accompanying Explanatory Memorandum.

Voting exclusion statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- (a) Mason Group and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; or
- (b) an associate of any person described in (a).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Short explanation:

The primary purpose of this Extraordinary General Meeting is to approve the Company's Proposed Transaction, as announced to the market on 11 February 2019, being the acquisition of the Blend & Pack shares held by GL Food Pte Ltd (a subsidiary of the Mason Group), being 75% of the issued share capital of Blend & Pack.

Please refer to the Explanatory Memorandum for further details.

By order of the Board



Mr Kobe Li
Company Secretary
2 July 2019

VOTING ENTITLEMENT NOTICE

For the purposes of the Meeting, the Company has determined that in accordance with regulation 7.11.37 of the Corporations Regulations, shares will be taken to be held by the persons registered as holders at 7pm on 29 July 2019. Accordingly, transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

PROXIES

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy form may specify the proportion or number of votes which the proxy may exercise. If it does not specify the proportion or number of votes the proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder. Proxy Forms must be lodged in accordance with the directions set out on the Proxy Form not later than 48 hours prior to the Meeting.

Appointment of Proxies

If you are entitled to vote at the Meeting you have the right to appoint a proxy to attend and vote in your place. To appoint a proxy you should complete Step 1 on the attached Proxy Form. If you wish to appoint a person other than the Chairman, you should complete the second panel in Step 1, and not "tick" the first panel.

The proxy need not be a Shareholder of the Company. If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the proxy appointments do not specify the proportion or number of your votes that each proxy may exercise, each proxy may exercise half your votes. If there is more than one proxy appointed, on a show of hands only one of the proxies may vote, but on a poll, each proxy may exercise votes in respect of those shares the proxy represents.

Where permitted by law, the Chairman intends to vote all undirected proxies in favour of the Resolution put in the Notice of Meeting. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Specific restrictions on, and exclusions from, voting are contained in the respective voting exclusions statements and the Proxy Form provided with this Notice of Meeting.

If a member has not directed their proxy how to vote, the proxy may vote as the proxy determines. Proxy forms must be received at the Company's Share Register, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne Victoria 3001, or by fax, on 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia), by no later than 10.00 am (Melbourne time) on Monday, 29 July 2019.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

WATTLE HEALTH AUSTRALIA LIMITED

ACN 150 759 363
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Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Extraordinary General Meeting of Shareholders which is to be held at 10 am on Wednesday 31 July 2019 (**Meeting**).

This Explanatory Memorandum forms part of and should be read in conjunction with the Notice of Meeting. The Directors recommend that Shareholders read this Explanatory Memorandum and the Company's ASX announcements (including from 11 February 2019) in respect of the Proposed Transaction in full before making any decision in relation to the Resolution.

Definitions contained in this Explanatory Memorandum are contained in Annexure A. The Meeting will deal with the Resolution for the Meeting, being the change to the nature and scale of WHA's activities as a result of (i) the Proposed Transaction and (ii) if the Proposed Transaction proceeds the Company drawing upon the Debt Facility with Gramercy Funds Management LLC (or its nominee) (**Gramercy**).

Resolution - Approval for a change to the scale of activities of WHA

1.1 Background to the Proposed Transaction

On 11 February 2019 the Company first announced that it had, through a wholly owned subsidiary, entered into a conditional agreement (**Share Purchase Agreement**) with GL Food Pte Ltd (**GL Food**), whose ultimate parent entity is Hong Kong listed Mason Group, for WHA to acquire from GL Food, subject to the satisfaction of a number of conditions precedent, an additional 46% of the total issued share capital of Blend & Pack for approximately A\$47.7 million.

Subsequently on 9 May 2019 the Company announced that it had entered into a non-binding terms sheet with a third party (**Gramercy**) for a debt raising of up to US\$75 million (before expenses) and also amended the Share Purchase Agreement to provide for the acquisition of the entire shareholding of GL Food's (being 75%) in Blend & Pack for a fixed purchase price of US\$55 million.

The Company also provided a further update to the ASX market on 2 July 2019 that:

- the non-binding Gramercy terms sheet had been revised to increase the debt raising by the Company up to net cash of US\$85 million (before expenses as described below). Details of the Gramercy non-binding terms sheet is outlined in sections 1.2 and 1.7 below and in Annexure B;
- WHA is also in negotiations:
 - to buy from the original Blend & Pack Founding Shareholders up to an additional 13.5% of the total issued share capital of Blend & Pack (which combined with WHA's existing Blend & Pack shares plus the Blend & Pack Shares held by GL Food the subject of the Share Purchase Agreement, would on completion take WHA's shareholding in Blend & Pack to 93.5%);

- to assume 100% of the funding of CBDG by taking over Niche Dairy Pty Ltd's current funding CBDG obligations (which are currently WHA 90% and Niche Dairy Pty Ltd 10%); and
- the extension of the completion date under the amended Share Purchase Agreement with G L Food to 31 July 2019.

Where WHA shareholders approve this Resolution (which is the proposed purchase by WHA of the additional 75% shareholding in Blend & Pack either directly from GL Food under the amended Share Purchase Agreement or as a result of the purchase of by WHA of the entire issued shares in GL Food, or any combination thereof) (**Proposed Transaction**), when combined with WHA's existing 5% interest in Blend & Pack - WHA will have on closing an aggregate 80% shareholding interest in Blend & Pack. The material terms of the Share Purchase Agreement (as amended) are summarised below in section 1.6 of this Explanatory Memorandum.

At the same time as completing the Proposed Transaction, but subject to the Shareholders approving the Resolution the subject of this Notice of Meeting, WHA is presently negotiating to acquire:

- (i) from all Blend & Pack Founding Shareholders (other than Andrew Grant) up to an additional 8% of the total issued share capital of Blend & Pack (**Founders Transaction**), and
- (ii) from Andrew Grant an additional 5.5% of the total issued share capital of Blend & Pack (**AG Transaction**).

Binding agreements to reflect the Founders Transaction and the AG Transaction have not been finalised as at the date of this Notice of Meeting.

Please note that as Mason Group (which currently holds 4.1% of the issued shares of WHA) is the ultimate holding entity of GL Food, it is excluded from voting as a WHA shareholding on this Resolution.

1.2 Funding of the Proposed Transaction

As also announced on 11 February 2019, the Company has entered into a mandate with Exotix Capital to lead a debt raising (**Debt Facility**) by the Company with the objective to raise sufficient debt funding for:

- » the purchase price under the Share Purchase Agreement (for the fixed purchase price of US\$55 million) and associated expenses; and
- » funding in part the Company's commitments under the CBDG financing (while retiring the existing Prospere Pty Ltd loan of A\$20 million - which has not been drawdown by the Company); and
- » general working capital (including the costs, expenses and deposits pursuant to the Debt Facility).

While a non-binding terms sheet for the Debt Facility has been signed, due diligence by the proposed funder Gramercy Funds Management LLC (**Gramercy**) is continuing and the corresponding formal documents to establish the Debt Facility have not been completed at the time of issue of this notice of meeting.

Exotix has proposed the Debt Facility with Gramercy (subject to Gramercy and WHA concluding a formal binding facility agreement) may include:

- » on entering into the formal binding Debt Facility with Gramercy and the initial drawdown by WHA (on satisfaction of conditions precedent) - the issue to Gramercy of Gramercy Facility Shares and payment by WHA to Gramercy of an establishment fee of US\$2 million;
- » face value of the Debt Facility of approximately US\$97.7 million - which after the issue discount of 13% to face value, provides net proceeds to WHA of up to US\$85 million (before costs and expenses);
- » an initial drawdown by WHA of approximately US\$65.4 million (the application of which includes the purchase of the 75% Blend & Pack shares from GL Food for US\$55 million) and subsequent drawdowns by WHA subject to the satisfaction by WHA of performance milestones and conditions;
- » an interest security deposit and interest rate on funds drawdown of 9% p.a and a fee of 3% p.a on undrawn amounts - with interest and fees payable 3 monthly;
- » reductions / amortisation of the principal amount of the Debt Facility (being the face value of approximately US\$97.7 million) commencing after 24 months from the initial advance;
- » a maturity (or term) of 4 years (subject to amortisation as referred to below and early repayment obligations on the occurrence of an event of default by WHA);
- » with all payments in US\$.

The Company intends to provide further ASX market updates closer to the date of the meeting. For example, it is anticipated that, as part of any Debt Facility, WHA will be required to provide security and give various covenants (both financial and negative covenants) and other contractual commitments, which are material and if breached, could result in an early acceleration of the repayment obligations of the WHA group under any Debt Facility. A summary of the current non-binding terms sheet is contained in Annexure B.

Shareholders should prior to the meeting carefully review all ASX announcements by the Company since 11 February 2019 and consider the terms of the Debt Facility and any covenants etc which could have a material impact on WHA and the trading price of WHA shares.

Shareholders should also note that at the time of issue of this notice of meeting the Company has not entered into the formal Debt Facility documents and there is no guarantee the Debt Facility will be entered into by the Company and Gramercy.

1.3 About Blend & Pack

(a) Overview of Blend & Pack

Blend & Pack was established in 2007. It is a Victorian based processing, blending, packaging and distribution business of dried dairy nutritional products. It processes powdered milk products, combines that raw material into different formulations and then packages the finished product (such as infant formula) into tins for a number of third parties (including WHA).

Blend & Pack's processing and packaging facility is located in Hallam, Victoria. Whilst Blend & Pack has physical operations in Australia, the products processed and packaged by Blend & Pack are distributed into both the domestic and international retail markets (including China).

Blend & Pack, as at the date of this notice of meeting, is owned as follows:

- » GL Food holds a 75% shareholding in Blend & Pack, which shareholding is the subject of the Share Purchase Agreement with WHA (as described in this Explanatory Memorandum);
- » WHA holds a 5% shareholding in Blend & Pack - this will increase to up to 93.5% where the Founders Transaction and AG Transaction both complete; and
- » Currently Australian based individuals (being the founders of Blend & Pack) collectively hold the balance of 20% shareholding in Blend & Pack, but this will reduce to approximately 6.5% where the Founders Transaction and AG Transaction both complete.

Blend & Pack has one of 15 Australian CNCA Accreditations (with the CNCA) allowing it to manufacture dried dairy products in Australia, at its plant in Hallam Victoria, for importation into China. Each Australian CNCA Accredited manufacturer is permitted under CNCA regulations to nominate up to 3 "slot holders" to use the CNCA Accreditation to apply for their own State Administration for Market Regulation (**SAMR**, formerly known as CFDA) accreditation).

As previously announced to the ASX market, Blend & Pack has nominated WHA as its first "slot holder" for Blend & Pack to manufacture infant formula for sale by WHA into China.

The sale of dried infant formula products into China by any entity is currently not permitted unless the product is:

- » manufactured by a CNCA Accredited manufacturer (such as Blend & Pack); and
- » imported by an entity which has Chinese SAMR registration. At the date of this Notice, WHA has applied for but is yet to receive its SAMR registration.

(b) Blend & Pack's customers

Blend & Pack's customers include but are not limited to WHA and CBDG.

(i) WHA

WHA and Blend & Pack have signed a supply agreement which is conditional on WHA obtaining SAMR approval, but once obtained WHA has committed to forecast and order and Blend & Pack has agreed to supply WHA with SAMR infant formula produces for sale into China. As disclosed in the Company's Prospectus dated 23 May 2018, there is a material risk that WHA may not obtain SAMR approval.

(ii) CBDG

As previously announced, WHA has a 45% interest in an incorporated joint venture entity CBDG. An existing Blend & Pack shareholder has a 5% interest in CBDG and the balance of the issued shares in CBDG (50%) is owned by Organic Dairy Farmers of Australia Ltd (**ODFA**).

ODFA has supply arrangements with a number of certified organic dairy farmers for the supply of organic fresh milk. ODFA has contracted to provide CBDG (once the new CBDG spray drying facility is constructed) with organic wet milk for processing and conversion into dried milk powder. In turn CBDG (subject of course to completion of the construction of the new CBDG spray drying facility) has made certain commitments to WHA and to Blend & Pack to supply dried organic dairy powder.

(iii) Other customers

Blend & Pack provides a range of products to a number of unrelated third party customers in the milk powder (including infant formula) and nutritional products market. These customers are not related to WHA or CBDG.

(c) Blend & Pack's sources of revenue

As noted above, Blend & Pack's revenue is derived from the processing, packaging, supply and distribution of milk powder (including infant formula) and nutritional products to wholesale customers who in turn supply retail domestic and international markets. For the financial year ended 30 June 2018, Blend & Pack's revenue was \$20,285,747 generating an EBIT of \$2,888,447; and WHA understand that Blend & Pack's revenue will be at similar levels for the financial year ended 30 June 2019.

Please see section 1.10 for the anticipated financial impact of the Proposed Transaction on WHA.

(d) Blend & Pack's directors and management team

The current directors of Blend & Pack are:

- » Lazarus Karasavvidis (who is also the Managing Director of WHA);
- » Andrew James Grant;
- » Joel Chang;
- » John Lin;
- » Derek Lam; and
- » Angela Lui.

On completion of the Proposed Transaction, the board of Blend & Pack will be restructured. Lazarus Karasavvidis will step down as a director of Blend & Pack and a number of non-associated directors will be nominated to fill vacancies.

It is intended that the management and board of Blend & Pack will be independent of the management and control of WHA.

1.4 Rationale for the Proposed Transaction

WHA's vision has been to have a vertically integrated business, '*sourcing Australian products from the farm and delivering to the table*'. Currently WHA group's business can be summarised as follows:

- » 45% interest in CBDG. CBDG is constructing a spray drying facility to process wet organic milk sourced under an exclusive supply agreement with ODFA. Under the CBDG arrangements both WHA and Blend & Pack have certain offtake entitlements from CBDG's production of dried organic milk powder (which would then need further processing and packing before being capable of sale in retail markets, which processing could be done by Blend & Pack).
- » 5% interest in Blend & Pack. WHA currently has a 5% shareholding interest in Blend & Pack (which if WHA shareholders approve the completion of the Proposed Transaction, that shareholding by WHA would increase to 80%, and where both the Founders Transaction and AG Transaction both complete, would increase to an aggregate of 93.5%); plus a supply agreement with Blend & Pack for the supply to WHA of processed dried milk powder (including infant formula). WHA in turn seeks to distribute and sell that processed dried milk powder into retail markets.

- » 100% of the distribution and sales of WHA products (including those sourced from Blend & Pack) into domestic and international retail markets.

WHA's Board considers the Proposed Transaction complementary to its current operations and in line with strengthening WHA's vertical integration strategy. This vertical integration and growth strategy has been articulated in previous WHA ASX disclosures.

In addition, the Proposed Transaction is anticipated to:

- » provide closer ties for processing the organic dried dairy milk offtake from CBDG;
- » increase WHA's participation in the profits and dividends generated by Blend & Pack; and
- » increase WHA's shareholding in a CNCA Accredited manufacturer (i.e. Blend & Pack).

WHA emphasises that it does not intend to change its main undertaking of sourcing, distributing and selling high quality Australian made dairy health products (including infant formula) and wellness products.

1.5 Why the Company is seeking Shareholder approval

(a) Condition precedent

Completion under the Share Purchase Agreement is subject to the satisfaction of a number of conditions which are set out in the Share Purchase Agreement (summarised in section 1.6 below).

These conditions include WHA shareholder approval. Accordingly, the Company is seeking Shareholder approval for this Resolution in order to satisfy the requirement for WHA shareholder approval under the Share Purchase Agreement and complete the Proposed Transaction.

(b) ASX Listing Rule 11.1.2

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to the ASX as soon as practicable. ASX Listing Rule 11.1.2 confers on the ASX the discretion to require a significant change to the nature or scale of a listed entity's activities to be approved by the holders of its ordinary securities.

ASX Listing Rule 11.1.2 specifically applies where an entity is proposing to acquire a business, or to make a series of business acquisitions of businesses, that will result in a major change to the nature or scale of its business.

ASX has indicated to the Company that, given the change in the scale of the Company's activities upon completion of the acquisition of the Proposed Transaction, ASX requires the Company to obtain Shareholder approval. For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1.2.

ASX has confirmed that it does not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules, which it could have otherwise required.

1.6 Summary of the Share Purchase Agreement

The Company has entered into the Share Purchase Agreement (as amended) with GL Food setting out the terms upon which the Company has conditionally agreed to acquire a further 75% shareholding interest in Blend & Pack.

As noted above, WHA already holds an existing 5% shareholding interest in Blend & Pack. A summary of the key terms of the Share Purchase Agreement are as follows:

- (a) **Condition Precedent:** Completion under the Share Purchase Agreement (**SPA Completion**) is subject to a number of conditions precedent being satisfied or waived (**SPA Conditions Precedent**). The SPA Conditions Precedent which are still to be satisfied or waived (as of the date of this Notice) under the Share Purchase Agreement (as amended) include:
 - (i) the Company obtaining all necessary approvals required under the ASX Listing Rules and Corporations Act to give effect to the terms of the Share Purchase Agreement, including Shareholder approval for the purposes of ASX Listing Rule 11.1.2;
 - (ii) GL Food provides a declaration that complies with the requirements of section 14-210(3) Schedule 1 *Taxation Administration Act 1953*;
 - (iii) consents are obtained in respect of all material Blend & Pack contracts which have a change in control of Blend & Pack consent requirement;
 - (iv) satisfaction of all regulatory approvals for the Proposed Transaction (including by the Hong Kong Stock Exchange).
- (b) **Consideration:** At SPA Completion WHA is to pay a fixed purchase price of US\$55 million to GL Food for the purchase of the 75% shareholding interest in Blend & Pack. Australian GST is not applicable.
- (c) **Warranties:** GL Food has provided limited warranties to the Company regarding capacity, title, no encumbrances, accuracy of the Blend & Pack financial statements, changes in Blend & Pack financial performance since the date of the latest financial statements and confirmation GL Food has not deliberately withheld from providing to the Company before the date of entry into the Sale and Purchase Agreement any information that is material to or would reasonably be required for the purpose of making an informed assessment of the value of the Blend & Pack shares.
- (d) **Termination:** Either party has the right to terminate if the SPA Conditions Precedent are not satisfied by 31 July 2019 (or such later date agreed by the parties) or (in the case of WHA) there occurs a breach of its warranties prior to SPA Completion.
- (e) **Non Competition:** GL Food has agreed not to compete and to use all reasonable efforts to procure that its associates do not compete with the Blend & Pack business for a period of 2 years from the Completion Date.

Please note that WHA also reserves the right to proceed with the Proposed Acquisition of the further 75% shareholding interest in Blend & Pack either (i) directly from GL Food under the Share Purchase Agreement or (ii) indirectly as a result of the purchase of the entire issued shares in GL Food (and therefore controlling the further 75% shareholding in Blend & Pack held by GL Food); or (iii) any combination thereof. In either case, the purchase terms are to reflect the above key terms summarised in this section 1.6.

1.7 Financing of the Proposed Transaction

(a) Purchase of a 75% interest in Blend & Pack

As referred to in item 1.2 above, the WHA group announced on 11 February 2019 that the Company has mandated Exotix Capital to lead manage a proposed Debt Facility by the Company with the objective to raise sufficient debt to fund the purchase of the additional shares in Blend & Pack (which on completion would increase WHA's shareholding interest in Blend & Pack to 80%) and additional working capital.

As a result of the mandate, Gramercy has signed a non-binding terms sheet with WHA for the Debt Facility.

While Gramercy's due diligence of WHA is not complete and formal documentation for the Debt Facility is still subject to negotiation between WHA and Gramercy, it is envisaged this Debt Facility will include the granting of security by the WHA group of companies, including:

- (i) a general security charge over all of the assets of the WHA group,
- (ii) a guarantee by and general security charge over all of the assets of Blend and Pack;
- (iii) a guarantee by WHA as parent entity.

Further details of the terms sheet for the Debt Facility is included in Annexure B. Shareholders should prior to the meeting carefully review all ASX announcements by the Company since 11 February 2019 and consider the terms of the Debt Facility and any covenants etc which could have a material impact on WHA and the trading price of WHA shares.

Please refer to section 1.13 of this Explanatory Memorandum below for further information on the risks associated with WHA's ability to fund the Proposed Transaction (including interest and principal obligations under the Debt Facility).

1.8 Impact on the management of the Company

The WHA Board and management of WHA will not change as a result of the Proposed Transaction.

1.9 Impact on the management of Blend & Pack

On completion of the purchase by WHA under the Share Purchase Agreement, the shareholders of Blend & Pack would be:

- (a) WHA with a 80% shareholder interest; and
- (b) original founders of Blend & Pack with a 20% shareholder interest.

Subsequently upon completion of the Founders Transaction and AG Transaction both complete, WHA percentage shareholding in Blend & Pack would increase to an aggregate of 93.5%.

There is an existing shareholders agreement containing customary terms governing the rights of a Blend & Pack shareholder (including protection of minority shareholders and Blend & Pack board composition).

1.10 Effect of the Proposed Transaction on the Company's Financial Position

Set out in **Table 1** below for illustrative purposes are pro forma consolidated statements of financial position of the group, which outlines the effect of the Proposed Transaction.

The accounting policies upon which the Pro-Forma Statement of Financial Position are based are contained in the reviewed Statement of Financial Position as at 31 December 2018.

Table 2 sets out for illustrative purposes the pro forma consolidated statement of profit and loss for the 12 months ending 30 June 2018, prepared to illustrate the impact of the Proposed Transaction. Audited complete financial statements for Blend & Pack were only available for the financial year ended 30 June 2018 (as it is an unlisted company and note required to prepare half yearly accounts).

Therefore the pro forma consolidated statement of comprehensive income below is based on those 30 June 2018 statements. WHA understand that Blend & Pack's revenue will be at similar levels for the financial year ended 30 June 2019.

Table 1: Statement of Financial Position as at 31 December 2018

Assets	Consolidated		Consolidation adjustment \$'000s	Total \$000's
	Wattle \$'000	Blend & Pack \$'000		
Current Assets				
Cash and cash equivalents	42,139	369	38,400	80,908
Trade and other receivables	1,179	3,098	-	4,277
Inventories	883	2,191	-	3,074
Prepayments	4,635	-	-	4,635
Other Assets	-	-	-	-
Total Current Assets	48,836	5,658	38,400	92,894
Non-current Assets				
Other Financial Assets	5,119	1,991	(5,119)	1,991
Goodwill	-	-	84,480	84,480
Plant and Equipment	2,724	2,509	-	5,233
Deferred Tax	-	-	-	-
Intangibles	904	-	-	904
Other	4,413	-	-	4,413
Total Non-current Assets	13,160	4,500	79,361	97,021
Total Assets	61,996	10,158	117,761	189,915
Liabilities				
Current Liabilities				
Trade and other payables	2,908	105	-	3,013
Hire Purchase Liabilities	-	-	-	-
Borrowings	375	-	-	375
Customer Deposits Held	350	4,416	-	4,766
Employee benefit provisions	141	389	-	530
Current Tax Liabilities	-	53	-	53
Total Current Liabilities	3,774	4,963	-	8,737
Non - Current Liabilities				
Borrowings	830	-	108,800	109,630
Hire Purchase Liabilities	-	55	-	55
Employee benefit provisions	30	77	-	107
Total Non - Current Liabilities	860	132	108,800	109,792
Total Liabilities	4,634	5,095	108,800	118,529
NET Assets	57,362	5,063	8,961	71,386

Equity				
Issued Capital	74,900	-	14,024	88,924
Share Capital	-	550	(550)	-
Share Based payments reserved	12,233	-	-	12,233
Accumulated Losses	(29,926)	4,513	(4,513)	(29,926)
Equity attributable to the owners of Wattle Health Australia Limited	57,207	5,063	8,961	71,231
Non - controlling Interest	155	-	-	155
Total Equity	57,362	5,063	8,961	71,386

NOTES re Table 1 - Consolidated Statement of Financial Position

The above unaudited Pro Forma Statement of Financial Position:

- reflects the Australian accounting treatment of the Proposed Transaction on a consolidated basis;
- assumes a maximum possible net funding of approximately US\$85 million (before expenses of the fund raising under the Debt Facility); and
- reflects a 100% ownership interest in Blend & Pack, whereas on completion of the proposed acquisition of an additional 75% shareholding in the Blend & Pack Acquisition, WHA will in aggregate only hold up to a 93.5% shareholding interest in Blend & Pack.

Table 2: Statement of Comprehensive Income year ended 30 June

	<u>2018</u>		
	<u>Wattle Health Australia</u>	<u>Blend and Pack</u>	<u>Consolidated</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue	1,575	20,286	21,861
Expenses			
Cost of sales	718	10,451	11,169
Employee benefit expense	2,509	3,856	6,365
Administrative and corporate expense	2,038	2,600	4,638
Depreciation and amortisation expense	256	480	736
Selling, marketing and distribution expense	3,751	0	3,751
Finance cost*	40	10	9,500
Share based payment**	12,100	0	12,100
Total Expenses	21,412	17,397	48,259
Profit before income tax	-19,837	2,889	-26,398
Income Tax Expense	0	877	877
Profit after Income Tax	-19,837	2,012	-27,275

* Consolidated includes interest cost of the corporate bond at \$9,450,00 P.A

** Non Cash Expense - Cash Loss is \$9,925,000.

1.11 WHA's Capital Structure

The Proposed Transaction will have no effect on the capital structure of WHA, other than the issue to Gramercy of Gramercy Facility Shares credited as fully paid but with no cash subscription payment for issue, but it does result in WHA incurring substantial borrowings and liabilities - including in respect of the proposed Debt Facility.

1.12 Indicative timetable

Timetable	Date
Final time / date for lodgement of proxies of by Shareholders	10.00 am on 29 July 2019
Extraordinary General Meeting	Wednesday 31 July 2019
Anticipated date of completion	Friday 2 August 2019

Please note that this timetable is indicative only and the Directors reserve the right to mend the timetable as required.

1.13 Risk factors

Shareholders should be aware that if the Resolution is approved and the Proposed Transaction is completed, the Company will be changing the scale of its activities which will result in it being subject to various additional or heightened risk factors. A non-exhaustive list of the key risks factors arising as a result of the Proposed Transaction and also existing risk factors facing the WHA group today, is detailed below. The completion of the Founders Transaction and AG Transaction are not thought by the Board to have a further material increase in the scale of WHA's activities (after allowing for the change in scale resulting from the Proposed Transaction).

No independent valuation: WHA has not obtained any independent valuation of Blend & Pack or the Blend & Pack shares.

Cash flow risks / sufficiency of funding: The WHA Group's ability to service the interest under the Debt Facility and repay the principal on the amortisation / repayment dates for the Debt Facility is wholly dependent on the performance of the WHA Group, subject to any further capital raisings undertaken by WHA. Further drawdowns under the Debt Facility are subject to performance milestones by WHA Group and other conditions. WHA is a relatively new entrant to the market for quality nutritional health and food products and, as an early stage growth company, WHA currently faces substantial challenges in product development, regulatory compliance, profile and brand building and market penetration for its products (in both local and overseas markets). The current performance of the business of the WHA Group

would not support the repayment obligations under the Debt Facility and future funding / cash flow is dependent on a number of matters (many outside the control of the WHA Group) - including the future performance of Blend & Pack, the future performance of CBDG (subject to its proposed plant being constructed and gaining customer contracts / market penetration) and WHA itself (subject to WHA obtaining its Chinese SAMR registration for sales into China of infant formula, which has not been granted).

Exchange / currency risks: The proposed Debt Facility with Gramercy is to be designated in US dollars. WHA is accordingly exposed to the repayment obligations (including interest and principal) in US dollars. WHA does not generate revenue at this time in US dollars, therefore an adverse movement in the exchange rates as against the US dollar - will increase WHA's exposure under the Debt Facility and effectively increase the costs to WHA of the Debt Facility. At this time WHA does not intend to hedge that exchange rate risk.

Corio Bay Dairy Group (CBDG) joint venture risks: In April 2018, WHA entered into joint venture arrangements ("JV") under which WHA, ODFA and Niche Dairy Pty Ltd ("Niche") established CBDG to acquire land at Corio Bay Geelong Victoria and then for CBDG to design, build, construct and operate an organic spray drying facility on that land at Corio Bay. WHA holds a 45% stake in CBDG, with ODFA owning 50%. Niche, associated with a founding partner of Blend & Pack, holds the remaining 5%. The investment in CBDG and its design, construction and operation carries significant risks including the following:

- **CBDG Construction risk:** WHA has sought to mitigate construction risk (e.g. costs) by entering into a fixed price construction contract. However a fixed price construction contract in itself involves potential "out of scope" works (above the fixed price, counterparty risk (in the experience and financial position of the contractor) and inherent design, engineering, management, construction and commissioning risks involved in the proposed CBDG plant.
- **CBDG Operational risk:** After the construction of the spray drying facility, there are risks inherent in the operation of a commercial scale spray drying facility. Such spray drying plants for example operate at high temperatures and limited tolerances - and its operation therefore has inherent risks. Further the proposed CBDG plant will only have access to limited storage tanks for wet milk (approximately 24 hours storage) and therefore disruption to the plant operation may adversely impact on the CBDG financial position (and as a result WHA as a major investor / shareholder).
- **CBDG Offtake risk:** There is an offtake risk in CBDG sourcing sufficient offtake sales to pay for the plant operation and for CBDG to pay for its minimum take obligations under the ODFA milk supply agreement. CBDG (and in turn WHA as a 45% shareholder in CBDG) is exposed to prevailing market prices for dried milk powder and as a result market demand for the CBDG offtake product. While WHA has first rights over that offtake, there is no guarantee that WHA will have sufficient distributor / customer demand for its consumer products to take up the dried milk offtake from CBDG. This would adversely impact on CBDG's take or pay obligations under the ODFA Supply Agreement.

Business strategy execution risk: WHA's future growth and financial performance is dependent on WHA's ability to successfully execute its business strategy. This will be impacted by a number of factors, including WHA's ability to:

- expand through new distribution channels and continue to develop within Australian domestic and export markets for its current commercialised products;
- successfully commercialise its current formulations and being able to distribute these products;
- innovate and successfully commercialise new products that are appealing to the consumer;
- comply with regulatory requirements (reflecting the sensitive regulatory nature or highly regulated environment in which WHA's domestic and export infant formula are sold);
- obtain a SAMR registration for its products.

There can be no assurance that WHA can successfully achieve any or all of the above initiatives / strategies. The failure by WHA to successfully execute its business strategy could have a material adverse effect on WHA's business, financial condition and results of operations.

Limited history in the nutritional health and food products market risk: WHA is a relatively new entrant in the market of quality nutritional health and food products (FMCG category). This may impact on WHA's ability to meet its financial obligations under the Debt Facility. WHA therefore faces the risks common to any new company including:

- building its depth and infrastructure;
- successfully obtaining market penetration and strategic partners to secure market share;
- increasing its product / brand recognition; and
- obtaining acceptance by the end consumers.

Minority shareholder risks: After completion of the Proposed Transaction WHA would have a majority shareholding in Blend & Pack but still be subject to contractual and common law / statutory duties to the minority shareholders in Blend & Pack; plus WHA would itself has a minority shareholding in CBDG. This can give rise to contractual / oppression claims from shareholders and disruption to the relevant business should there be material shareholder disputes. WHA does not solely control the business decisions or actions of either CBDG or Blend & Pack.

Counterparty risk: As a party to many contracts and agreements, WHA / Blend & Pack / CBDG will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties or in the case of a breach that WHA / Blend & Pack / CBDG will be successful in securing compliance with the terms of each contract by the relevant counterparties to its contracts. There is also no assurance as to the financial strength of the parties to complete their obligations under the various contracts (including without limitation under various operational agreements related to CBDG or the loan funding facility by Wattle to CBDG) when such financial obligations fall due.

Reliance on major suppliers: WHA is not a manufacturer, thus relies on third party manufacturers to supply all its products. CNCA Accreditation is required for the exportation of WHA's export infant formula range into China. WHA sources its export infant formula product range (which is SAMR registered) from a CNCA Accredited manufacturer, Blend and Pack. Other than Blend and Pack, WHA does not have an

ongoing manufacturing agreement with any CNCA Accredited manufacturer or its export infant formula product range.

Dependence on service providers: As outlined, WHA's sourcing and product distribution is reliant on third party service providers. Thus, WHA intends to operate a significant amount of its key activities through a series of contractual relationships with independent contractors and suppliers. Typically, outsourced arrangements carry a risk that the third parties may not adequately or fully comply with its or their respective obligations under their third party arrangements with WHA. A failure may lead to termination and/or significant damage to WHA's business, including loss of profit and business/sale opportunities. Additionally, while WHA intends to source its products from a range of suppliers, a loss of one or multiple suppliers, or a significant disruption in the supply chain, could have a material adverse effect on WHA.

SAMR registration risk: WHA is seeking its own SAMR registration for a number of its infant formulations (as announced to the market). SAMR registration is required for the exportation of particular infant food products into China and enables those products to be sold in all traditional retail channels. The rigorous requirements which must be satisfied in order to obtain SAMR registration may act as a barrier to entry for many other competitor businesses wanting to export their goods into China. Accordingly, SAMR registration is anticipated to be an important competitive advantage to WHA. However, there have been recent changes in the Chinese regulatory bodies and CNCA registrations (now referred to as SAMR registrations) have been delayed. WHA cannot give any assurance that it will obtain its own SAMR registration for its products, or when such registration will be achieved, especially as the process required to maintain the Chinese regulatory registration is onerous and includes regular audits by the relevant authorities. If WHA was not able to obtain or maintain its own SAMR registration for its export infant formula products (for example, as a result of a change in government, legislation, or breach in its conditions) or if it became easier for competitors to obtain this Chinese regulatory registration due to regulatory changes, this would adversely impact the financial performance of WHA in its ability to access the export markets in Asian countries. Presently SAMR registration is only required for sales of infant formula into China and lack of registration would not currently prohibit or prevent sales of such infant products into other Asian countries.

Logistics risk: WHA is heavily reliant on out-sourced logistics. Accordingly, if an adverse event occurs such as a strike, poor logistics technology, increases in the price of energy, changes in transport services and the physical destruction of infrastructure (e.g. roads and railways), WHA (or its third party providers) may not be able to efficiently supply and deliver WHA's products. This may have an adverse impact on WHA's financial performance.

Demand for WHA's products: The future success of WHA / Blend & Pack and CBDG will be reliant on the sustained and potential growth in demand for its products, primarily in Australian domestic markets and export markets (in Asian countries and particularly China). There is a risk that demand for such products may decrease for reasons outside WHA's control, including the introduction of new taxes, aggressive selling by other countries and similar / substitute products being made available. This may adversely affect the financial performance of the WHA Group.

Competition risk: The sale of quality nutritional health and food products in the FMCG category is highly competitive and includes large multinational consumer product companies with significantly greater financial, technical, human, development and marketing resources than WHA. Some of these competitors may be able to

respond more effectively to changing business and economic conditions. Competition in nutritional health and food products is largely based on branding presence, pricing of products, quality of products, perceived value of products, in-store presence and visibility and, promotional activities (including online advertising). WHA cannot predict what its competitors will do in these areas or whether new competitors offering comparable products at more attractive prices will emerge. As a consequence, WHA's current and future products may become uncompetitive, resulting in adverse effects on revenue, margins and profitability. Additionally, WHA's ability to compete will also depend on a number of other factors such as the continued strength of WHA's brand and products and its ability to enter into new markets and increase its presence in existing markets.

Product safety and liability risk: Adverse events could expose WHA, Blend & Pack or CBDG to product liability claims or litigation, resulting in product recall and/or monetary damages being awarded against them. In such event, their liability may exceed their insurance coverage. Additionally, product safety or quality failures (whether actual or perceived) or allegations of defective products, even when false or unfounded, could significantly damage WHA, Blend & Pack or CBDG's reputation and reduce consumer demand for their products resulting in adverse effects on revenue margins, profitability, the business and its operations.

New product risk: There is no guarantee WHA's products, as commercialised, will be successful. Any failure to successfully launch and commercialise a new product may have a material adverse effect on WHA, including loss of business opportunity and profitability. The risks with supplying a new product include, but are not limited to, costs (including advertising, promotional and marketing expenses) exceeding expectations and sales being less than expected due to customers not being willing to pay for the products.

Customer credit risk: A general decline in economic conditions or business downturn may negatively impact an existing retailer customer's ability to purchase WHA's or Blend & Pack's products. WHA's or Blend & Pack's inability to collect receivables (i.e. bad debts) from one or a group of retailer customers could have a material adverse effect on their financial performance.

Reputational risk: WHA's failure to protect its reputation or the failure of its third party suppliers or distributors to protect their reputation or failure in product quality from WHA's sourced manufacturers - all could have a material adverse effect on WHA, including its brand and profitability. WHA's brand could be jeopardised if it fails to maintain a supply of high quality products or if WHA, or the third parties with whom it does business, fail to comply with regulations or accepted business practices (including ethical, social, product, labour and environmental standards, or related political considerations). Additionally, WHA depends on the reputations of its third party suppliers, which can be affected by matters outside of WHA's control. If damage were to occur to WHA's reputation or the reputation of its third party suppliers, the demand for WHA's products may be reduced and/or WHA's products may be boycotted. This will likely have an adverse effect on revenue margins, profitability and WHA's operations.

Business disruption risk: WHA, Blend & Pack and CBDG are each exposed to potential significant business disruption risks. In addition CBDG is also currently constructing the new spray drying plant at Coria Bay Geelong, Victoria which is subject to disruptions in construction (including adverse weather). Such business disruption risks include environmental events, strikes and other labour disputes, industrial accidents, disruptions in supply chain, product quality control, safety and

regulatory issues and other events outside of their control and which may not be covered by insurance.

Growth risk: Where commercialisation and market penetration of a product is successful, WHA may through lack of availability of products, materials, packaging, human resources or other unforeseen circumstances be unable to supply its products in a timely manner to meet the demand of its customers. Alternatively even with market penetration, demand for food products similar to WHA's products may reduce for reasons not in the control of WHA. Such events could have an adverse effect on the reputation of WHA as well as its profitability.

Reliance on key personnel: WHA currently employs a number of key management personnel and WHA's future depends on retaining and attracting suitably qualified personnel. WHA has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with WHA. Despite these measures, however, there is no guarantee that WHA will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

Market and consumer trend risk: WHA's continued success depends on its ability to anticipate, react and adapt quickly to changes in industry trends as well as consumer preferences / attitudes toward its products. WHA must continually work to develop, commercialise and market new products and enhance the recognition of its branding. Failure to anticipate, react and adapt to industry trends in a timely and cost effective manner may affect WHA's financial results. Additionally, the increasing use of social media (such as Facebook, Instagram, Twitter, WeChat and Weibo) by consumers affects the speed at which information and opinions are shared, which may result in the rapid change of industry trends / consumer preferences. If WHA is unable to anticipate, respond and adapt to new trends in the market / changes to consumer preferences, WHA's financial performance may suffer.

Regulatory risks: WHA and its products are subject to various laws and regulations including but not limited to accounting standards, tax laws, environmental laws, product content requirements, labelling / packaging regulations, import and customs regulations, domestic and international. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect WHA's financial performance. Laws and regulations are specific to each geographic location. In this regard, there is a risk that a certain product may not be able to be supplied in another jurisdiction because it fails to meet that jurisdiction's regulatory requirements (e.g. product registration requirements). Additionally, if WHA fails to remain up to date with these various regulatory requirements, there is a risk that WHA's financial performance could be adversely affected.

Changes to import or export trade barriers: Any adverse changes to trade tariffs or duties, the subsidisation of local producers or the introduction of other important trade barriers could reduce WHA's profitability and make the exportation of such products financially unsustainable.

Insurance coverage risk: While WHA currently has in place what it reasonably believes to be sufficient levels of insurance to cover general and product liability, directors' and officers' liability and workers compensation claims, there is a possibility that events may arise which are not covered by WHA's insurance policies. In those

circumstances, WHA will be liable to cover such costs regardless of the quantum. This could affect WHA's ability to conduct and operate its business.

Information technology risks: WHA relies and uses information technology in conducting its business including (but not limited to) using the internet to process, transmit and store electronic and financial information, for digital marketing purposes, to manage a variety of business processes and activities such as inventory control, financial management and reporting database management. If WHA is unable to protect against service interruptions, data corruption, cyber security breaches or network security breaches, WHA's business operations could be negatively affected. WHA's information technology systems (some of which may be managed by a third party), may be vulnerable to disruptions, damage or shutdowns as a result of failures during the process of upgrading or replacing software, computer viruses, power outages, hardware failures, computer hacking, user errors or other similar events. If WHA's information technology systems suffer severe damage, disruption or shutdown and WHA does not efficiently resolve such issues, the sale of WHA's product may be materially and adversely affected. While WHA will use all reasonable endeavours to prevent such security breaches, if WHA fails to do so, it may suffer financial and reputational damage and potentially penalties because of the unauthorised use and disclosure of confidential information belonging to WHA or to its distributors, customers or suppliers.

Force majeure: WHA may be adversely impacted by risks outside the control of WHA including labour, unrest, war, sabotage, extreme weather conditions (e.g. fires and floods), quarantine restrictions, explosions or other similar incidents.

Counterfeit products risk: Third parties may distribute and sell counterfeit versions of WHA's products, which may be inferior in quality and/or pose safety risks for consumers. Consumers could confuse WHA's products with these counterfeit products, which could cause them to refrain from purchasing WHA's brands in the future or turn to WHA's competitors. Such an occurrence could adversely affect WHA's financial performance. The presence of counterfeit versions of WHA's products in the market could also dilute the value of WHA's brands or otherwise have a negative impact on its reputation and business. WHA may be unable to prevent all counterfeiting of its products or the infringement of its intellectual property rights.

1.14 Advantages of the Proposed Transaction

The Directors of the Company believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) the Proposed Transaction is intended to strengthen the Company's vertical integration strategy which has been publicly disclosed on numerous occasions since ASX listing and will provide a distinct advantage for the Company compared to its peers;
- (b) the Proposed Transaction is in line with the Company's joint venture in CBDG which provides for the supply of organic dried dairy powder;
- (c) the Company sees value and a strategic opportunity for WHA Shareholders in WHA increasing its shareholding interest in a CNCA Accredited manufacturer;
- (d) the Proposed Transaction will further raise the profile of WHA.

1.15 Disadvantages of the Proposed Transaction

The Directors of the Company are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) the Company will be changing the scale of its activities through the Proposed Transaction which may not be consistent with the objectives of all Shareholders;
- (b) the Company will incur significant expenses and debt (under the Debt Facility) to fund the purchase of the additional 75% of the Blend & Pack shares and face risks in servicing the interest under the Debt Facility and in repaying the principal face value (approximately US\$97.7 million) of the Debt Facility;
- (c) dilution of the relevant interests of existing shareholders by the issue by WHA to Gramercy of the Gramercy Facility Shares;
- (d) there is no guarantee with regard to the future financial performance of Blend & Pack;
- (e) WHA will have an increased exposure to a wider array of risks associated with the Proposed Transaction. Some of these risks are explored in greater detail in section 1.13 of this Notice;
- (f) there is no guarantee of the value of WHA's Shares upon closing of the purchase of the additional 75% shares in Blend & Pack or at any later date.

1.16 Future activities and direction on completion of the Proposed Transaction

The Board considers the Proposed Transaction to be complementary to its current operations and in line with strengthening WHA's vertical integration strategy. If the Proposed Transaction proceeds, as indicated above, the Company intends to continue operating its existing business alongside its investments in both CBDG and Blend & Pack.

If the Resolution is not passed and the Proposed Transaction is not completed, the Company will continue in its current form and only have a 5% interest in Blend & Pack and the Founders Transaction and AG Transaction will also not proceed. The Company will continue searching for other opportunities which align with its growth strategy and which have the potential to deliver future growth to Shareholders.

1.17 Board Recommendation

The Directors believe that the Resolution is in the best interests of the Company, subject to the Company securing the Debt Facility of up to the net US\$85 million (face value before discount of approximately US\$97.7 million) on terms acceptable to the Directors. However given the significance to the Wattle Group of both the Proposed Transaction which is the subject of the Resolution and the corresponding Debt Facility, the Directors have decided not to vote their shares in the Company personally at the shareholders meeting on the Resolution and allow the strategic direction of the Company to be determined by the shareholders (absent a vote by the Directors in respect of Shares they personally own).

It is important to note that at the time of despatch of this notice of meeting, Gramercy is continuing its due diligence of the WHA Group and the Company is negotiating the

proposed final binding terms for the Debt Facility with Gramercy - so there is no guarantee those negotiations will be concluded to give WHA access to the Debt Facility (which is critical to fund the purchase price of the Blend & Pack shares which are the subject of the Resolution).

The Chair of the Meeting intends to vote undirected proxies in favour of the Resolution.

Where for any reason prior to the meeting date the Company is not able to conclude binding commitments under the Debt Facility raising for at least net proceeds of up to US\$85 million (before costs, security deposits and expenses) on terms acceptable to the Directors, the Directors do not recommend shareholders vote in favour of the Resolution.

Annexure A – Glossary

Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules or Listing Rules means the Listing Rules of the ASX as amended from time to time.

Blend & Pack means **Blend and Pack Pty Ltd** ACN 124 152 941.

Board means the board of Directors of the Company.

CBDG joint venture means the Corio Bay Dairy Group Joint Venture entered into between Organic Dairy Farmers of Australia, Niche Dairy Pty Ltd and the Company to design, construct and operate a dedicated Organic Spray Drying Facility in Australia, as announced to the market on 10 April 2018.

CBDG means the company incorporated to conduct the CBDG joint venture, being Corio Bay Dairy Group Pty Ltd ABN 69 618 921 092.

Company or WHA means **Wattle Health Australia Limited** ACN 150 759 363.

Corporations Act or Act means the *Corporations Act 2001* (Cth).

CNCA means Certification and Accreditation Administration of the People's Republic of China or other applicable authorities in China issuing or granting CNCA Accreditation.

CNCA Accreditation means an accreditation issued by the CNCA to the Company for the production and export of infant formula to the People's Republic of China.

Debt Facility means the debt facility of approximately US\$97.7 million (which after the issue discount to face value, provides net proceeds to WHA of up to US\$85,000,000), proposed to be raised by the Company in part to fund the purchase of an additional 75% shareholding in Blend & Pack and for other working capital requirements of the WHA Group.

Director means a director of the Company.

EBIT means earnings before interest and tax.

Explanatory Memorandum means the explanatory memorandum attached to this Notice.

Extraordinary General Meeting / EGM means the extraordinary general meeting of the Company to be held at 10am on Wednesday 31 July 2019 pursuant to the Notice of Meeting.

GL Food means **GL Food Holdings Pte Ltd** Registration No. 201603167C.

Gramercy means Gramercy Funds Management LLC (or its nominee).

Gramercy Facility Shares means the 16,150,592 WHA Shares (credited as fully paid) to be issued to Gramercy on satisfaction of the Debt Facility conditions (which, where WHA draws more than US\$75 million under the Debt Facility, is to be increased by 5,425,000 WHA

Shares) and all such WHA Shares are to be subject to the restriction or trading provisions as detailed in Annexure B.

Mason Group means **Mason Group Holding Limited**, being the ultimate parent entity of GL Food, and listed on the Hong Kong Stock Exchange (HKEX, stock code: 273).

Meeting means the Extraordinary General Meeting subject to this Notice.

Notice of Meeting or **Notice** means this notice of Extraordinary General Meeting.

ODFA means Organic Dairy Farmers of Australia.

Proposed Transaction is the proposed acquisition of a further 75% shareholding interest in Blend & Pack either directly from GL Food under the Share Purchase Agreement or as a result of the purchase of the entire issued shares in GL Food (or any combination thereof).

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution referred to in the Notice of Meeting.

SAMR means State Administration for Market Regulation (formerly known as CFDA accreditation).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Purchase Agreement or **SPA** means the conditional agreement (as amended) entered into by GL Food Pte Ltd (its ultimate parent entity is Hong Kong listed Mason Group) and WHA for the purchase by WHA, subject to the satisfaction of a number of conditions precedent, of a further 75% of the issued share capital of Blend & Pack.

SPA Completion means the completion of the sale and purchase of an additional 75% shareholder in Blend & Pack under the SPA.

SPA Conditions Precedent means the conditions precedent to completion under the SPA.

Third Party means a person or entity other than WHA, GL Food and all of their respective associated or related entities.

WHA Group means Wattle and its shareholding interests in Blend & Pack and CBDG.

Annexure B:

Summary of anticipated indicative Gramercy Debt Facility

The following is a summary of some of the key terms of the non-binding Term Sheets - that Terms Sheet does not constitute an offer or a commitment by Gramercy. Gramercy's decision to invest is contingent on, among other things, satisfactory completion of due diligence, approval by Gramercy's management, its Investment Committee plus the execution of final transaction documentation in form and substance satisfactory to Gramercy.

Transaction: WHA intends to acquire up to an additional 88.5% ownership stake in Blend & Pack (being an acquisition of a 75% stake from GL Food and up to 13.5% stake from founding shareholders of Blend & Pack) to increase its current shareholding in Blend & Pack from 5.0% to 93.5%. The purchase price of the shares to be bought from GL Food (being the subject of the Resolution) is US\$55,000,000 (the "**Purchase Price**")

Lender: A vehicle managed by Gramercy Fund Management LLC

Facility: Senior Secured Notes

Notes Amount: Approximately US\$97.7 million (which after the issue discount to face value, provides Net Proceeds to WHA of up to US\$85 million)

Currency: US Dollars

Final Maturity Date: Forty eight (48) months from the Closing Date (but noting amortisation payments due from 24 months from Closing Date)

Amortization: The Notes (based on the face value of approximately US\$97.7 million) will be repaid pursuant to the schedule as described below (values expressed as a percentage of the aggregate amount of the Notes):

24 month	30 month	36 month	42 month	48month
5.0%	5.0%	20.0%	30.0%	40.0%

Use of proceeds: Net Proceeds shall be used to (i) fund the Structuring Fee of US\$2,000,000 (ii) acquire an incremental 88.5% ownership stake in B&P to increase its current holding from 5.0% to 93.5% , (iii) US\$1,841,214 to fund the Debt Service Reserve Account, (iv) US\$2,000,000 for closing costs, and (v) up to US\$19,580,186 for working capital (subject to the progress of the construction of the CBDG Plant). While subsequent drawdowns under the Debt Facility are subject to performance milestones and other conditions - WHA's objective is only to make drawdowns as needed to maintain an adequate cash balance and thus reduce interest costs under the Debt Facility

Drawdown: An initial drawdown on first financial close of approximately US\$65.4 million and subsequent drawdowns subject to WHA performance milestones and conditions precedent to be agreed with Gramercy

Ranking: Senior Secured to all indebtedness

Collateral: Project finance-type collateral structure with General Security Agreement over all WHA group assets plus specific security over certain assets and cash flows as listed below:

1. security over 100% of (i) Wattle's shares in B&P (93.5% stake), (ii) Wattle's economic rights in Corio Bay Dairy Group ("CBDG"), which is the joint venture between Wattle, Niche Dairy and ODFA, including Wattle's 45% stake in CBDG and 100% of Wattle's rights under the CBDG credit facility (which will be secured b way of an equitable assignment), (iii) an equitable assignment of the collateral pledged to the lenders under that certain credit facility to CBDG, and (iv) any other shares owned by Wattle in any relevant subsidiary and/or affiliate (to be defined during due diligence);

2. All fixed assets of the Issuer and Wattle, and any applicable subsidiary;
3. Guarantee by and general security over the assets of, Blend & Pack;
4. All financial assets including a pre funded Debt Service Reserve Account in an amount equal to the next debt service payment;
5. Equitable Mortgage of relevant contracts ("Relevant Contracts") cash flows through a Gramercy pledged account (final structure to be defined upon confirmatory due diligence);
6. Trademarks, contracts and rights to insurance proceeds (including insurance in respect of the CBDG Plant) of the Issuer, Wattle and any applicable subsidiary.

Interest Rate: 3% standby fee on the undrawn amounts under the facility plus 9% per annum - payable quarterly-annually on an Actual 360 basis

Interest Periods: 3 months

Optional Prepayment: The Facility cannot be repaid before month 18th of any month, without Gramercy approval, while onwards can be prepaid in full under the following schedule:

- Before month 30th: 115%
- month 30th to month 48th: 110.0%

Any prepayment before the 18th month will be subject to approval by Gramercy and subject to the same payment due if the facility were prepaid in the 18th month including any prepayment premium

Mandatory Prepayments: The Company must immediately prepay any amounts, including in the event of:

- Other than in the ordinary course of business, any sale or other disposition of any assets or property, (either individually or in aggregate) in any financial year exceeding \$25,000; or
- Illegality or breach of sanctions; or
- Change of control of the Issuer or the Guarantor (change of control threshold defined as 51%), or
- Removal/loss of Blend & Pack CNCA (being Certification and Accreditation Administration of the People's Republic of China); or
- Loss of organic certification by the Issuer, any guarantor or any of their subsidiaries; or
- Any amount or principal paid to WHA by CBDG to repay or prepay the CBDG credit facility must be used to prepay the Gramercy facility.

Equity Grant: Gramercy to receive shares in Wattle equating to 7.5% of the post-money fully-diluted outstanding shares in Wattle on the Closing Date, being the "Initial Shares" and which at the date of this Term Sheet is 16,150,592 shares. Wattle will issue a Section 708A cleansing notice on issuance of the shares, such shares shall be restricted under a separate agreement such that Gramercy may not sell or trade the shares until the earlier of (i) repayment of this facility or (ii) the Final Maturity Date.

To the extent an amount greater than US\$75,000,000 is drawn (the "**Trigger Date**"), Wattle will on such date issue 5,425,000 additional shares (the "**Trigger Shares**") to Gramercy (and will issue a cleansing notice at the time of such issuance) (the number of Trigger Shares issued to Gramercy will not exceed, when aggregated with the Initial Shares, 9.99% of the outstanding shares in Wattle as at the Closing Date. These shares will also be restricted under the same agreement as the Initial Shares.

Mandatory Equity Contribution: If, during the life of the facility, the forward-looking cash flow forecast (calculation to be agreed during documentation) of the issuer falls below an agreed threshold (to be agreed during documentation), Wattle shall be obligated to raise equity (or otherwise cure) in an amount such that the forward-looking cash flow forecast satisfied the forward-looking cash flow requirement.

Covenants: Usual and customary for facilities of this nature including, but not limited to limitations on: (a) Liens; (b) Indebtedness; (c) Sale and lease-back transactions; (d) Guarantees; (e) Change in nature of business; (f) Transactions with affiliates (including intercompany loans); (g) Merger, consolidation and sale of assets; (h) Restricted payments; (i) Investments; (j) Dispositions of property; (k) Use of proceeds; (l) Equity and Quasi-equity issuances (subject to permitted equity issuances to be agreed in the loan note documentation); (m) no deviation in expenses and costs from an agreed Business Plan for 2019-2023 greater than 10% without Gramercy consent. For the avoidance of doubt, Covenants will be applicable to both the Issuers and the Guarantors (if applicable).

Furthermore, the following covenants will apply:

a. Affirmative Covenants

- i. Maintenance of Loan to Value: Maintain an LTV of no more than 60% (exposure to be defined as Gramercy cash at risk plus capitalized interest over asset value including DSRA balance)
 1. Annual independent valuation appointed by Gramercy and paid by the Borrower;
 2. Remedy: contribution of additional equity or cash through a subordinated debt to cure any threshold breach;
 3. Cure period: 60 consecutive days.
- ii. Gross leverage: 5.5x in 2021, 2.5x in 2022 and 1.5x in 2023
 1. Gross leverage: On operating cash flow (based on Statement of Cash Flow item);
 2. Pari passu A\$5mm basket for any unforeseen construction overruns in relation to the Spray Dryer plant.
- iii. Interest Coverage: 1.5x in 2021, 3.0x in 2022 and thereafter.
- iv. Minimum cash balance of \$10mm excluding DSRA.
- v. Monthly construction reports on spray dryer plant (to be a CP at Closing and for subsequent fundings).
- vi. No change/breach/default in Project Documents.

b. Non-financial covenants:

- i. Monthly financial accounts (production data, income statement, cash flows).
- ii. Participation at monthly board meeting (to be held at a reasonable EST) and receipt of all relevant materials distributed to the board; option to attend in person when possible.
- iii. Any amendment to the CBDG credit facility will constitute an immediate event of default under this facility other than the restructure to remove Niche Dairy Pty Ltd as a lender.
- iv. Wattle has to obtain Gramercy's approval (and shall direct Niche) for any potential votes that would change any of the operating agreements at CBDG (including the Credit Facilities Agreement, the Milk Supply Agreement, the Right

of First Refusal Agreement and the Shareholder's agreement) and Niche shall undertake to Wattle that it shall only vote after obtaining Wattle's approval.

- v. Right to observe and participate in CBDG board meetings (to be held at a reasonable EST) and receipt of all relevant materials distributed to the board; option to attend in person when possible.

Taxes: All payments by the Co-Issuers shall be made without set-off or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions or withholdings now or hereafter imposed, all of which shall be for the account of the Co-Issuers.

Transaction Expenses: Subject to the Engagement Letter, all expenses related to the Facility, including, but not limited to due diligence, legal, tax, and accounting fees shall be borne by the Co-Issuers.

Governing Law: Australian Law for the loan note documentation and security package.

WHA

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX

 **For your vote to be effective it must be received by 10.00am (Melbourne time) on Monday, 29 July 2019**

How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☒ **Review your securityholding**

☒ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Wattle Health Australia Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Wattle Health Australia Limited to be held at the offices of K&L Gates, Level 30, North Tower, 525 Collins Street, Melbourne, Victoria on Wednesday, 31 July 2019 at 10:00 am (Melbourne time) and at any adjournment or postponement of that meeting.

STEP 2 Item of Business



PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolution Approval for a change to the scale / nature of activities

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

WHA

999999A

Computershare +