



Quarterly Activities Statement

- **Agreement to Purchase majority stake in leading CNCA accredited facility, Blend and Pack.**
- **Signed term sheet with Gramercy to fund acquisition of Blend and Pack.**
- **Further progress on the construction of Australia's first dedicated organic nutritional spray dryer.**
- **Investment in Remarkable Milk Co. to provide access to organic, and organic A2 fresh milk, sales domestically and internationally starting Q1 2020.**
- **Launch of Uganic infant formula range in August 2019.**

31 July 2019: During the recent quarter Wattle Health Australia Limited (**WHA or Company**) has made progress in its journey to become one of Australia's leading organic dairy product suppliers.

WHA announced on 15 April 2019 the proposed acquisition of leading CNCA accredited manufacturing facility, Blend and Pack (**B&P**). B&P is the largest independent nutritional manufacturing facility (by volume) and was one of the first facilities to obtain CNCA accreditation from the relevant Chinese authorities. With a long history of profitability, B&P manufacture for leading brands both domestically and internationally.

WHA secured and announced on 9 May 2019 a debt facility term sheet to fund the acquisition of B&P from Gramercy Funds Management LLC (**Gramercy**) for US\$75 million. On 21 June 2019 an updated debt facility term sheet was received from Gramercy increasing the loan amount to US\$85 million.

Full details of the proposed acquisition of B&P and the conditions of the debt facility term sheet was released in the Notice of Meeting to shareholders for shareholders to approve the transaction at the EGM to be held on 31 July 2019.

Corio Bay Dairy Group (**CBDG**) has continued the construction of Australia's first dedicated organic nutritional spray dryer in Geelong, Victoria.

Planned completion of the spray dryer is anticipated in the first half of 2020 with WHA having first right to all certified organic nutritional powder for use across its nutritional dairy product ranges.

CBDG has received numerous enquiries from domestic and international brands looking to secure potential off takes for certified organic nutritional powder and ingredients.

WHA during the quarter secured a five percent holding in Remarkable Milk Company (**RMCO**). RMCO develops and manages a range of retail products for Asia Pacific customers, ensuring quality products with a focus on health, nutrition and provenance.

WHA, with this strategic investment in RMCO, will have access to bottle and distribute both fresh organic milk and organic A2 fresh milk domestically and internationally.

WHA under the Uganic brand will be distributing fresh organic milk and organic A2 fresh milk in the first quarter of 2020.

As announced on 25 March 2019, WHA, through its contractual arrangement with CBDG, has secured the only available commercial quantity of Organic A2 fresh milk to be used across WHA's nutritional dairy range and fresh milk sales.

The first delivery of organic A2 fresh milk is expected to be received in the first quarter of 2020 with volumes for FY2020 expected to be circa 2.5 million litres, increasing to circa 7.5 million litres in FY2021 and growing each following year.

Low sales for the quarter can be primarily attributed to the transition from conventional nutritional dairy products to WHA's new organic range.

Cash outflows for the quarter were primarily higher due to preparations for the launch of Uganic and one-off costs associated with proposed acquisition of B&P.

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About Wattle Health Australia Limited

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

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

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

WATTLE HEALTH AUSTRALIA LIMITED

ABN

77 150 759 363

Quarter ended ("current quarter")

June 2019

Consolidated statement of cash flows	Current quarter (1 April 2019 – 30 June 2019) \$A	Year to date (12 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	204,270	830,664
1.2 Payments for		
(a) research and development	(24,902)	(93,864)
(b) product manufacturing and operating costs	(777,891)	(5,143,026)
(c) advertising and marketing	(515,489)	(2,025,411)
(d) leased assets	0	0
(e) staff costs	(908,552)	(3,348,449)
(f) administration and corporate costs	(840,596)	(3,206,253)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	60,031	207,533
1.5 Interest and other costs of finance paid	(327)	(25,538)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other – GST Refund/(paid)	(163,933)	431,616
1.9 Net cash from / (used in) operating activities	(2,967,389)	(12,372,728)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4,918,703)	(14,037,459)
(b) businesses (see item 10)		
(c) investments	(1,020,627)	(1,020,627)

Consolidated statement of cash flows	Current quarter (1 April 2019 – 30 June 2019) \$A	Year to date (12 months) \$A
(d) intellectual property (e) other non-current assets 2.2 Proceeds from disposal of: (a) property, plant and equipment (b) businesses (see item 10) (c) investments (d) intellectual property (e) other non-current assets 2.3 Cash flows from loans to other entities 2.4 Dividends received (see note 3) 2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(5,939,330)	(15,058,086)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	0	(66,407)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	(66,407)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	36,979,412	55,569,914
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,967,389)	(12,372,728)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,939,330)	(15,058,086)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	(66,407)

Consolidated statement of cash flows		Current quarter (1 April 2019 – 30 June 2019) \$A	Year to date (12 months) \$A
4.5	Effect of movement in exchange rates on cash held	(10,718)	(10,718)
4.6	Cash and cash equivalents at end of quarter	28,061,975	28,061,975

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	28,061,975	36,979,412
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,061,975	36,979,412

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A
265,346

7. Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
20,000,000	

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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

9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	25,000
9.2 Product manufacturing and operating costs	150,000
9.3 Advertising and marketing	550,000
9.4 Leased assets	0
9.5 Staff costs	900,000
9.6 Administration and corporate costs	700,000
9.7 Other (provide details if material)	6,000,000
9.8 Total estimated cash outflows	8,325,000

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

