



## FY19 Financial Results

- **Wattle Health Australia (WHA) commenced the construction of Australia's first dedicated organic nutritional spray dryer.**
- **WHA with an exclusive supply agreement to one of Australia's largest pool of fresh organic pool from the Organic Dairy Farmers of Australia (ODFA) launches Australian certified organic nutritional dairy range.**
- **Revenue for FY19 impacted by the discontinuation of the current conventional nutritional dairy range.**
- **Loss for the year impacted by the consolidation of the Corio Bay Dairy Group (CBDG) accounts for the first time and costs associated with the proposed acquisition of Blend and Pack.**
- **Strong balance sheet and cash balance with net assets of the group circa \$51 million with cash at bank circa \$28 million.**
- **FY19 was a challenging year for the group but a transformative one with WHA to become one of the few vertically integrated organic nutritional dairy companies in the world.**

**30 August 2019:** Wattle Health Australia Limited (**WHA** or **Company**) during the 2019 financial year undertook a transformative step to position itself as Australia's premier certified organic dairy product supplier.

WHA with its partners in the Organic Dairy Farmers of Australia (**ODFA**) and Niche Dairy commenced construction of Australia's first dedicated organic nutritional spray dryer (**CBDG**), with WHA having first right to all product produced at CBDG.

Revenue from ordinary activities was down circa 30% from the previous period as a direct result of WHA discontinuing from sale its conventional nutritional dairy range. Moving forward WHA will be focusing on producing and selling a wide range of certified organic based and produced dairy products, this being one of the fastest growing segment of the nutritional dairy products sector both domestically and internationally.

Associated with the decision to discontinue the current conventional nutritional dairy product range has been a one-off increase in inventory write-off of circa \$1.5 million.

Marketing expenses were reduced for FY19 as WHA discontinued its conventional range, with marketing expenses incurred related primarily to the development and launch of the new Australian certified organic nutritional range, Uganic.

Loss for the FY19 while down on the corresponding period was impacted by WHA undertaking two major initiatives and developments that have both contributed to the increase in administrative expenses, transaction costs and employee costs.

- The formation and facility construction at WHA's joint venture CBDG.
- The proposed Blend and Pack acquisition and associated debt funding package.

This was the first period significant expenses have been incurred by the CBDG, which is the construction phase with completion and production to commence in the first half of 2020.

WHA has a strong balance sheet with net assets of circa \$51 million with \$28 million cash at bank that will support the future growth strategy of WHA.

Financial Year 2019 has been a challenging period for WHA as we undertake to become one of the only vertically integrated organic nutritional dairy company in the world that puts the company in a very strong position to capitalise on the fastest growing segment in the dairy sector both domestically and internationally. WHA is confident that financial year 2020 will bring growth and opportunities with the company being in a strong position to build on its significant achievements in a short period of time since listing in March 2017.

## **-ENDS**

For further information, contact:

### **Corporate Affairs & International Investor Relations**

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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.

**Wattle Health Australia Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	Wattle Health Australia Limited
ABN:	77 150 759 363
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

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**2. Results for announcement to the market**

			<b>\$'000</b>
Revenues from ordinary activities	down	30.5% to	1,095
Loss from ordinary activities after tax attributable to the owners of Wattle Health Australia Limited	down	50.0% to	(9,911)
Loss for the year attributable to the owners of Wattle Health Australia Limited	down	50.0% to	(9,911)

*Dividends*

There were no dividends paid, recommended or declared during the current financial period.

*Comments*

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$9,911,000 (30 June 2018: \$19,833,000).

**Financial Performance**

Sales revenue for the period was \$795,000 (30 June 2018: \$1,441,000), with the decrease being as a result of the discontinuation of the conventional nutritional dairy product range, to be replaced by the Company's organic product offering, which will due in market in the first quarter of financial year 2020. Administrative, marketing and employment-related expenses increased, mainly in connection with the preparation and constructing the consolidated entity's organic spray drying plant, which commenced construction during the year.

**Financial Position**

The net assets of the entity decreased by \$10,101,000 to \$51,438,000 as at 30 June 2019 (2018: increase of \$61,539,000), mainly reflecting the consolidated entity's operating loss for the year. The entity's current assets less current liabilities decreased by \$26,324,000 to \$29,029,000 (2018: increase of \$55,353,000). This decrease was due mainly to the expenditure of funds raised during the previous financial year on construction of the consolidated entity's organic dairy spray plant, cash payments for non-current assets, and operating costs.

**Review of operations**

**Building Australia's Organic Milk Products Range**

The year has seen substantial progress in our goal to completely integrate and own the production and marketing process to produce Wattle Health's range of high quality certified organic nutritional dairy range.

**Sourcing High Quality Organic Milk**

Certified organic milk from Australian farms remains a scarce resource. We are extremely well positioned to secure high quality supplies from the farm with our exclusive supply agreement with Australia's largest producer of certifiable organic milk, the Organic Dairy Farmers of Australia (ODFA).

**Wattle Health Australia Limited**  
**Appendix 4E**  
**Preliminary final report**

OFDA farms across Victoria, NSW and Tasmania are certified organic. Each farm complies with a strict set of organic standards, in addition to ODFA's sustainability guidelines. These standards do not allow use of synthetic or artificially produced pesticides, herbicides, fertilisers or genetically modified transgenic organisms (GMOs). Cows enjoy roaming and feeding on pasture that is completely GMO free.

Our agreement with OFDA is set to provide increasing supplies of organic milk in the coming years as more farmers complete the comprehensive three-year process to become certified fully organic milk producers.

**A State of the Art, Dedicated Spray Dryer Facility will come onstream in 2020**

Significant progress is being made in constructing a dedicated-to-organic spray drying facility at Corio Bay near Geelong. After some planning and logistics delays, construction of the facility is progressing and is now expected to commence production and trials in the second quarter of 2020, moving into full production in time for the spring season.

Our partners in the Corio Bay Dairy Group (CBDG) are ODFA (50%) and Niche Dairy (5%) owned by Andrew Grant, one of the founders of Blend and Pack. Our partners bring significant strengths to CBDG. ODFA is one of the Australia's largest supplier of certified organic fresh milk. Andrew Grant brings engineering and manufacturing experience in the dairy industry to support CBDG.

Wattle Health has first right over all certified organic powder from CBDG to be used across its nutritional dairy range.

Initially the CBDG facility will be processing up to 60 million litres of milk annually with capabilities to increase processing for 120 million litres per annum.

**Majority Ownership of Independent Manufacturing Facility Blend and Pack– Synergistic, Scalable and will Diversify Revenues**

We are moving to complete the acquisition of a majority stake in Victorian based manufacturing and packing facility Blend and Pack. This is Australia's largest independent plant (by volume) with very high standards of production and traceability. Importantly, the Blend and Pack facility has an excellent record of renewing its Certification and Accreditation of the Peoples Republic of China (CNCA) for the manufacture of infant formula, allowing products from Blend and Pack to be marketed and sold in the world's largest nutritional dairy market, the People's Republic of China.

With a long history of profitability, Blend and Pack manufacture for leading nutritional products and brands which are sold both domestically and internationally. We intend to maintain the existing structure, management and operations of Blend and Pack.

During the year Wattle Health signed a debt facility term sheet to fund the acquisition of Blend and Pack from Gramercy Funds Management LLC (Gramercy) for US\$85 million (subject to final due diligence). The proposed acquisition of Blend and Pack and the conditions of the proposed debt facility were approved by shareholders at an EGM on 31 July 2019.

**Management changes**

Kobe Li was appointed Company Secretary replacing George Karafotias who remains Chief Financial Officer. Kobe joined the Board as non-executive director in January.

Tony McKenna appointed CEO of Corio Bay Dairy Group in March 2019.

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>25.60</u>	<u>31.17</u>

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#### **4. Control gained over entities and date control gained**

Not applicable.

Shanghai Wattle Health Trading Company Limited was incorporated as a new company and was not acquired through a business combination.

It did not make a material contribution to the reporting entity's loss from ordinary activities before income tax.

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#### **5. Loss of control over entities**

Not applicable.

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#### **6. Dividends**

##### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

##### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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#### **7. Dividend reinvestment plans**

Not applicable.

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#### **8. Details of associates and joint venture entities**

Not applicable.

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#### **9. Foreign entities**

The consolidated entity includes:

- Wattle Health Australia (Vietnam) Co. Ltd, a wholly-owned subsidiary incorporated in Vietnam; and
- Shanghai Wattle Health Trading Company Limited, a wholly-owned subsidiary incorporated in China.

The financial statements of these companies are prepared in accordance with International Financial Reporting Statements.

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#### **10. Audit qualification or review**

This report, and the accompanying financial statements, are based upon accounts which are in the process of being audited.

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#### **11. Attachments**

Unaudited summary consolidated financial statements for Wattle Health Australia Limited and its controlled entities for the year ended 30 June 2019 are attached.

**12. Signed**

Signed \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'LK', written over a horizontal line.

Lazarus Karasavvidis  
Executive Chairman

Date: 30 August 2019

# **Wattle Health Australia Limited**

**ABN 77 150 759 363**

## **Summary Financial Information - 30 June 2019**

**Wattle Health Australia Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	887	1,524
Interest revenue calculated using the effective interest method	208	51
<b>Expenses</b>		
Raw materials and consumables used	(518)	(718)
Administrative and corporate expenses	(2,995)	(1,790)
Share based payments expense	(240)	(12,149)
Employee benefits expense	(3,378)	(2,509)
Selling, marketing and distribution expenses	(2,366)	(3,751)
Write off of inventory	(1,550)	(201)
Occupancy costs	(264)	(248)
Amortisation expense	(100)	(8)
Finance costs	(25)	(40)
<b>Loss before income tax expense</b>	(10,341)	(19,839)
Income tax expense	-	-
<b>Loss after income tax expense for the year</b>	(10,341)	(19,839)
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive loss for the year</b>	<u>(10,341)</u>	<u>(19,839)</u>
Loss for the year is attributable to:		
Non-controlling interest	(430)	(6)
Owners of Wattle Health Australia Limited	(9,911)	(19,833)
	<u>(10,341)</u>	<u>(19,839)</u>
Total comprehensive loss for the year is attributable to:		
Non-controlling interest	(430)	(6)
Owners of Wattle Health Australia Limited	(9,911)	(19,833)
	<u>(10,341)</u>	<u>(19,839)</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(5.10)	(13.32)
Diluted loss per share	(5.10)	(13.32)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Wattle Health Australia Limited**  
**Statement of financial position**  
**As at 30 June 2019**

	Note	Consolidated 2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		18,317	55,843
Trade and other receivables		2,039	311
Finished goods inventory		612	860
Investments	2	9,765	-
Prepayments and other	3	3,517	538
<b>Total current assets</b>		<u>34,250</u>	<u>57,552</u>
<b>Non-current assets</b>			
Other financial assets		6,148	5,139
Property, plant and equipment	4	12,389	769
Intangibles		897	904
Other	5	4,695	-
<b>Total non-current assets</b>		<u>24,129</u>	<u>6,812</u>
<b>Total assets</b>		<u>58,379</u>	<u>64,364</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		4,687	1,674
Borrowings		375	375
Employee benefit provisions		159	150
<b>Total current liabilities</b>		<u>5,221</u>	<u>2,199</u>
<b>Non-current liabilities</b>			
Borrowings		1,686	600
Employee benefit provisions		34	26
<b>Total non-current liabilities</b>		<u>1,720</u>	<u>626</u>
<b>Total liabilities</b>		<u>6,941</u>	<u>2,825</u>
<b>Net assets</b>		<u>51,438</u>	<u>61,539</u>
<b>Equity</b>			
Issued capital		74,900	74,900
Reserves		12,233	11,993
Accumulated losses		(35,489)	(25,578)
Equity attributable to the owners of Wattle Health Australia Limited		51,644	61,315
Non-controlling interest		(206)	224
<b>Total equity</b>		<u>51,438</u>	<u>61,539</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Wattle Health Australia Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2019**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Share-based payment reserve \$'000</b>	<b>Accumulated losses attributable to owners of the Parent entity \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	12,667	58	(5,745)	-	6,980
Loss after income tax expense for the year	-	-	(19,833)	(6)	(19,839)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	(19,833)	(6)	(19,839)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	62,019	-	-	-	62,019
Share-based payments	-	12,149	-	-	12,149
Exercise of options	214	(214)	-	-	-
Non-controlling interest equity contribution	-	-	-	230	230
Balance at 30 June 2018	<u>74,900</u>	<u>11,993</u>	<u>(25,578)</u>	<u>224</u>	<u>61,539</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Share-based payment reserve \$'000</b>	<b>Accumulated losses attributable to owners of the Parent entity \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	74,900	11,993	(25,578)	224	61,539
Loss after income tax expense for the year	-	-	(9,911)	(430)	(10,341)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	(9,911)	(430)	(10,341)
Share based payments	-	240	-	-	240
Balance at 30 June 2019	<u>74,900</u>	<u>12,233</u>	<u>(35,489)</u>	<u>(206)</u>	<u>51,438</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Wattle Health Australia Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2019**

	Note	Consolidated	
		2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		742	1,580
Payments to suppliers and employees (inclusive of GST)		(13,538)	(7,650)
Interest received		147	51
Interest and other finance costs paid		(25)	(40)
Net cash used in operating activities		(12,674)	(6,059)
<b>Cash flows from investing activities</b>			
Payments for investments		(1,008)	(5,064)
Payments for business acquisition		-	(592)
Payments for security deposits - long term		-	(20)
Payments for land		(2,100)	-
Payments for plant construction		(7,594)	(770)
Payments for project establishment costs		(445)	-
Payments for term deposits - current		(9,705)	-
Payments for long term stock supply		(4,000)	-
Net cash used in investing activities		(24,852)	(6,446)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	61,620
Proceeds from borrowings		200	975
Payments for long term borrowing costs		(200)	-
Net cash from financing activities		-	62,595
Net increase/(decrease) in cash and cash equivalents		(37,526)	50,090
Cash and cash equivalents at the beginning of the financial year		55,843	5,753
Cash and cash equivalents at the end of the financial year		18,317	55,843

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Significant accounting policies**

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018, the 31 December 2018 half-year financial report and any public announcements made by the Consolidated entity during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below.

*AASB 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

In applying AASB 9, the consolidated entity has elected to use the modified retrospective approach, with any adjustment required being recognised on 1 July 2018 in retained earnings.

On applying this standard, there were no material adjustments required or impacting on the financial statements.

*AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

In applying AASB 15, the consolidated entity has elected to use the modified retrospective approach, with any adjustment required being recognised on 1 July 2018 in retained earnings.

On applying this standard, there were no material adjustments required or impact on the financial statements.

**Wattle Health Australia Limited**  
**Notes to the financial statements**  
**30 June 2019**

**Note 2. Current assets - investments**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Term deposits	9,765	-

Term deposits are deposits with banks made to secure bank guarantees or letters of credit in favour of third parties. These are expected to remain in place for at least 90 days, but no more than 12 months, from reporting date.

**Note 3. Current assets - Prepayments and other**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	3,369	474
Other current assets	148	64
	<u>3,517</u>	<u>538</u>

Prepayments comprise amounts for prepaid marketing fees and deposits for future raw materials purchases. These amounts can vary significantly between different financial year ends, depending upon the timing of relevant purchase contracts and delivery/usage of the respective goods and services.

Prepayments at 30 June 2019 include advance payments of \$3,354,000 (30 June 2018: Nil) made by the consolidated entity to Blend & Pack Pty Ltd for supply of raw materials.

**Note 4. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Land - at cost	2,100	-
Office equipment - at cost	9	-
Property, plant & equipment under construction	10,280	769
	<u>12,389</u>	<u>769</u>

<b>Consolidated</b>	Land at cost \$'000	Property, plant & equipment under construction \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2017	-	-	-	-
Additions	-	769	-	769
Balance at 30 June 2018	-	769	-	769
Additions	2,100	9,511	9	11,620
Balance at 30 June 2019	<u>2,100</u>	<u>10,280</u>	<u>9</u>	<u>12,389</u>

**Wattle Health Australia Limited**  
**Notes to the financial statements**  
**30 June 2019**

**Note 4. Non-current assets - property, plant and equipment (continued)**

*Land at cost*

Land at cost comprises land, acquired by the consolidated entity during the year ended 30 June 2019, upon which its organic nutritional milk spray drying plant is currently being constructed. Given that the land was acquired during the current financial year, the directors do not believe that there has been a material movement in its value since the acquisition date and, therefore, it is reasonable to use cost as carrying value at reporting date.

*Property, plant & equipment under construction*

Property, plant and equipment under construction comprise the accumulated costs of land acquisition, preparation and construction work on the consolidated entity's organic nutritional milk spray drying plant, being constructed for Corio Bay Dairy Group Pty Ltd.

**Note 5. Non-current assets - other**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	4,200	-
Borrowing costs	584	-
Less: Accumulated amortisation - borrowing costs	(89)	-
	<u>4,695</u>	<u>-</u>

Prepayments includes payments of \$4,000,000, made by the consolidated entity during the year ended 30 June 2019, in order to secure cost reductions in the future supply of milk to the consolidated entity's future organic nutritional milk spray drying operation. As this operation is expected to commence more than 12 months after the end of the reporting period, this item is recognised as a non-current asset at the end of the reporting period.

Borrowing costs relate to capitalised borrowing costs incurred in relation to loan facilities established to fund the consolidated entity's plant construction. These costs are being amortised over the expected three year life of the loan facility.

**Note 6. Commitments**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	<u>32,043</u>	<u>-</u>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	111	43
One to five years	144	25
	<u>255</u>	<u>68</u>

Capital commitments relate to asset acquisitions and construction work relating to the consolidated entity's organic nutritional milk spray drying plant, being constructed for Corio Bay Dairy Group Pty Ltd.

Operating lease commitments includes contracted amounts for various warehouses and offices under non-cancellable operating leases expiring within 2 months to 2 years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

**Note 7. Events after the reporting period**

On 2 July 2019, the Company announced that it had signed revised debt facility term sheet to increase proposed net cash funding up to US\$85 million with Gramercy Funds Management LLC (Gramercy), and that it was negotiating to increase its shareholding interest in Blend and Pack Pty Ltd to 93.5%.

On 17 July 2019, the Company announced that it had initiated legal action in India against India-based Vasudevan and Sons Exim Private Limited (VSEP) following VSEP's failure to provide a bank guarantee in connection with an agreement for it to purchase baby food products from the Company. The legal action was initiated by the Company to protect its commercial interest and with a view to recover losses.

On 31 July 2019, the Company's shareholders approved the Company's acquisition of 75% of the shares of Blend and Pack Pty Ltd, subject to the completion of contractual conditions.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.