



Quarterly Activities Statement

- **Launch of the premium Uganic range in Australia with a multi-channel strategic branding program**
- **Construction of Australia's first dedicated organic nutritional spray dryer at Corio Bay on track for completion in first half of 2020**
- **CBDG strengthens management and operational team**
- **Proposed majority ownership in Blend and Pack close to completion**

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

Uganic launched in the Australian market

WHA's new premium brand, Uganic, made its debut in the Australian market this quarter with a multi-channel branding and promotional strategy utilising radio, broadcast video on demand, billboards and digital campaign.

Uganic has a strong brand proposition to the high value premium infant formula sector with fully traceable products made with 100 percent Australian certified organic milk, produced to the highest quality standards.

Renowned journalist, Channel Nine personality and young mother Rebecca Maddern was appointed a Wattle Health brand ambassador and WHA is continuing to engage our target audience through radio, social media, and multi-channel campaigns. WHA participated in the Alibaba Australia expo in Sydney and the PBC (Pregnancy, Baby and Child) expo in Melbourne.

Corio Bay construction on track, senior appointments made

The construction of the Corio Bay Dairy Group (**CBDG**) nutritional spray dryer has continued at pace in Geelong and is on track to be completed in the first half of 2020.

The team at CBDG and WHA are in the process of developing a range of products including additional products for the Uganic brand.

The CBDG team has been boosted with two senior appointments. **Uday Joshi** joins as Technical Manager, bringing 13 years production experience in the dairy industry including positions at Fonterra, Murray Goulburn and Bega. **Teguh Jodjaja** joins as Development & Quality Manager, bringing a decade of dairy industry experience including positions at Synlait and the A2 Milk Company.

Blend and Pack

The Company continues to work towards finalisation of the acquisition of a majority stake in 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 manufactures for leading brands both domestically and internationally.

India

On 17 July 2019, the Company advised the ASX that it had initiated legal action in India against Vasudevan and Sons Exim Private Limited (**VSEP**), relating to a supply agreement between the two companies. The Company, through its Indian legal advisers issued a letter of demand to VSEP. To date, the Company has not received any response from VSEP and is evaluating its position in relation to this matter and will provide a further update to the market accordingly.

Financial

WHA has a strong balance sheet with cash at bank at the end of the quarter circa \$18.5 million and zero debt.

Sales for the quarter were low due to the delay in production of Uganic, which is now underway. The company anticipate for sales to increase quarter on quarter as brand awareness and distribution channels are developed both domestically and internationally.

Production and manufacturing costs were higher due firstly to the brand redesign and relaunch of Little Innoscents across numerous distribution channels, including Chemist Warehouse and Big W. Secondly, production of Uganic commenced.

The increase in staff costs occurred as CDBG continued to build its team as it prepares for operations in the first half of 2020. The main item for administration costs in the quarter were one off expenses related to the proposed transaction for the acquisition of B&P.

The construction of the CBDG facility continues to track under budget.

The Company is currently in suspension pending a material announcement regarding its proposed acquisition of an additional shareholding in B&P. The Company will provide an update to the market in due course.

---ENDS---

For further information, contact:

Corporate Affairs & International Investor Relations

Peter Nesveda

Email: peter.n@wattlehealth.com.au

Tel: +61 412 357 375

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.

Wattle Health Australia Limited
ABN 77 150 759 363
17/71 Victoria Crescent,
Abbotsford Victoria 3067, Australia.
info@wattlehealth.com Phone: +61 3 8399 9419

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")

September 2019

Consolidated statement of cash flows	Current quarter (1 July 2019 – 30 September 2019) \$A	Year to date (3 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	169,681	169,681
1.2 Payments for		
(a) research and development	(27,074)	(27,074)
(b) product manufacturing and operating costs	(856,542)	(856,542)
(c) advertising and marketing	(464,754)	(464,754)
(d) leased assets	0	0
(e) staff costs	(815,701)	(815,701)
(f) administration and corporate costs	(706,620)	(706,620)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	15,734	15,734
1.5 Interest and other costs of finance paid	(2,643)	(2,643)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other – GST Refund/(paid)	202,974	202,974
1.9 Net cash from / (used in) operating activities	(2,484,945)	(2,484,945)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6,087,718)	(6,087,718)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter (1 July 2019 – 30 September 2019) \$A	Year to date (3 months) \$A
2.2	(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	(6,087,718)	((6,087,718))

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		
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 (repayment of lease liabilities)	(18,518)	(18,518)
3.10	Net cash from / (used in) financing activities	(18,518)	(18,518)

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	28,061,975	28,061,975
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,484,945)	(2,484,945)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,087,718)	(6,087,718)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(18,518)	(18,518)

Consolidated statement of cash flows		Current quarter (1 July 2019 – 30 September 2019) \$A	Year to date (3 months) \$A
4.5	Effect of movement in exchange rates on cash held	(14,129)	(14,129)
4.6	Cash and cash equivalents at end of quarter	19,456,665	19,456,665

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	19,456,665	28,061,975
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)	19,456,665	28,061,975

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

Current quarter \$A
313,796

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

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

Current quarter \$A

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

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

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

Prosperre 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	10,000
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	450,000
9.4 Leased assets	0
9.5 Staff costs	1,100,000
9.6 Administration and corporate costs	850,000
9.7 Other – CBDG Construction Loan	10,000,000
9.8 Total estimated cash outflows	12,410,000

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		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 31 October 2019

Print name: Kobe Li

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.