



Market Update

- **WHA Raises \$3 million via Convertible Note financing and engagement of Reach Corporate as Corporate Adviser**
- **CBDG Voluntary Administration Update**
- **Expanded Uganic products in Chemist Warehouse**

Wattle Health Australia (**Wattle Health** or the **Company**) (ASX: WHA) is pleased to announce that it has raised \$3 million via a secured convertible note financing, with the first tranche of \$1 million has been provided (before costs). Any subsequent drawdowns can be requested by the Company for application in the agreed use of funds (as described below) at any time by the Board of Wattle Health, subject to agreement by the noteholder (not to be unreasonably withheld). The issue (and therefore convertibility) of the convertible note is subject to shareholder approval pursuant to ASX listing rules (**Convertible Note**). Until shareholder approval is obtained, any drawdowns including the initial \$1 million is issued as a secured debt. Funds raised under the Convertible Note will provide working capital for Wattle Health, as well as funds to assist the voluntary administration process for Corio Bay Dairy Group (**Administrators Appointed**) (**CBDG**) (see ASX announcement dated 31 August 2020). Until shareholder approval is obtained for the issue of Convertible Note, the entire \$3 million funding arrangement is a secured debt facility.

The raising will allow Wattle Health to continue to grow its current operations while awaiting the outcome of the administration process at CBDG, with the Company holding a first ranking secured charge on all the assets at CBDG.

The secured note has a term of 12 months with a coupon rate of 12% per annum. As it is a secured debt note, it is not convertible unless prior shareholder approval is obtained in accordance with the ASX Listing Rules. Where WHA shareholder approval for conversion is obtained, then the secured note can only be converted within 3 months of the date of shareholder approval and then at a conversion price of \$0.15 per share. The Company can at any time choose to repay the convertible note financing, with the note holders having the right on the issue of a redemption notice by Wattle Health to convert the Convertible Note into

fully paid ordinary shares. The convertible note financing is secured by general and specific security deeds over all of Wattle Health's assets. WHA has entered the following security documents with the Noteholder:

- general security deed in respect of all present and after acquired property of Wattle Health;
- specific security deed in respect of the shares held by WHA in CBDG; and
- specific security deed in respect of Wattle Health's interests in all security granted by CDBG and Organic Dairy Farmers of Australia Limited (In Liquidation) ACN 123 072 766 in favour of Wattle Health.

The Company has engaged Reach Corporate Pty Ltd (**Reach**) in relation to sourcing the convertible note financing. In addition, the Company has engaged Reach as its corporate adviser for services in connection with capital raises, strategic partnerships and mergers and acquisitions to expand the brand, for an exclusive period of 6 months. The Company agreed to grant Reach 10,000,000 options to purchase shares in the Company, each with an exercise price of \$0.175 per share and expiring 30 September 2023 (**Adviser Options**). The issue of the Adviser Options is subject to shareholder approval. Reach can nominate one director to the Board of Wattle Health upon relisting of WHA shares and subject to appropriate director checks undertaken. As part of the Convertible Note, the Company will issue the noteholders 10,000,000 options with an exercise price of \$0.175 per share, expiring 3 years from the time of issue (**Options**). The issue of the Options will also be subject to prior Wattle Health shareholder approval. Wattle Health, as part of the agreement with Reach, will also pay Reach a fee equal to 8% of the financing amount. The Company and Reach agreed that out of the 8% fee (\$240,000), \$120,000 will be paid using proceeds from the initial \$1 million drawdown and the balance will be paid upon subsequent drawdown.

Wattle Health will seek shareholder approval for both the issue of the Convertible Note, the Adviser Options, and the Options by no later than 31 March 2021.

CBDG Voluntary Administration Update

As announced to the ASX on 31 August 2020, CBDG was placed into voluntary administration by its board. David Mutton of RSM Australia was appointed as the administrator of CBDG (**Administrator**). Wattle Health as first ranking secured creditor has been working closely with the Administrator. The Administrator has been working on a sale campaign of CBDG and the Board of Wattle Health has indicated to the Administrator of its willingness to evaluate and assess any proposals put forward by interested parties with a view to realise the best outcome for Wattle Health shareholders. This is a continuing process led by the Administrator and a further update will be provided to the market in due course.

New Product Lines

In addition to the launch of its Uganic infant formula range into Chemist Warehouse in March this year, Wattle Health is pleased to announce the addition of its adult milk powders to the brand. Uganic Whole Milk

Powder and Uganic Skim Milk Powder are manufactured from 100% certified Australian organic fresh milk from Australian grass-fed cows. The products will be available in a distinct 800g pack from select Chemist Warehouse stores commencing October 2020.



Commenting on the launch of these new product lines, Wattle Health Managing Director and Chief Executive Officer Dr Tony McKenna said, *“We are very excited with the launch of these new product lines. Despite the challenges faced by the Company during COVID, we continue to expand our product offerings. This is an important development as Wattle Health continues to evolve as an Australian company offering a diversified range of organic products, leveraging on our key distribution channel partner, the Chemist Warehouse’s extensive retail coverage.”*

The release of this announcement was authorized by the WHA Board.

ENDS

For further information, contact:

Corporate Affairs & International Investor Relations

Peter Nesveda

Email: peter.n@wattlehealth.com.au

Tel: +61 412 357 375