



Quarterly Activities Statement

Monday 1 February 2021: Wattle Health Australia Limited (“Wattle Health” or “the Company) (ASX:WHA) is pleased to release its Quarterly Activities Statement and Appendix 4C, for the period ending 31 December 2020.

The quarter under review continued to build on the turnaround strategy implemented by Management and the Board at the beginning of CY2020. The financial and operational benefits flowing from the turnaround of the business sees Wattle Health on track to build a sustainable business with the potential to capture a growing market opportunity in the health and wellness sector.

Cash receipts for the quarter increased by 44% to prior corresponding quarter (PCP) to \$345,000, with circa \$300,000 in Accounts Receivable from sales in the December quarter. The Company expects to see a continued increase in sales in the coming quarters following the supply agreement signed with Australian Pharmaceuticals Industries (**API**) in December last year, with orders received for January and February this year.

Cash loss from operations for the quarter was reduced by 65% from the PCP to circa \$1.6 million and the year-to-date loss has been reduced by 69% to the PCP, from \$7.1 million to \$2.2 million.

As detailed in the Appendix 4C later in this document, the main components of the loss from operations were:

- The increase in Production Costs of \$500,000 for the quarter for the manufacture of Uganic infant formula and Little Innoscents products.
- An increase in marketing spends of circa \$880,000 for the quarter primarily as a result of increased activity with Chemist Warehouse.
- Increase in Administration/Corporate expenses mainly attributable to the Administration of the Corio Bay Dairy Group (**CBDG**) to \$593,000

The Company’s unaudited results for the 6 month’s ending 31 December 2020 show a substantial improvement in the financial performance:

- Sales increasing by 61% to in excess of \$700,000 compared to PCP
- The Company will post a statutory profit compared to a loss of \$9.5 million for the PCP.
- Normalised EBITA loss reduced by 76% to circa \$1.5 million compared to PCP.

With the Company securing a sale of the CBDG assets for 13.5 million before costs (as announced on 18 December 2020), it is in a strong position to execute on its business strategy to unlock value for its shareholders. Management and the Board continue to refine this growth strategy and look forward to updating shareholders in the coming months.

Payments made under item 6.1 of the Appendix 4C relate to director fees paid during the quarter.

Release of this announcement has been authorised by the board.

ENDS

For further information, contact:

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Executive Director

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

WATTLE HEALTH AUSTRALIA LIMITED

ABN

77 150 759 363

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	345	494
1.2 Payments for		
(a) research and development	(1)	(2)
(b) product manufacturing and operating costs	(500)	(637)
(c) advertising and marketing	(879)	(1,279)
(d) leased assets	-	-
(e) staff costs	(219)	(348)
(f) administration and corporate costs	(593)	(781)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	21	62
1.8 Other (GST refund/(paid))	136	241
1.9 Other (CBDG unsecured loan)	-	-
1.9 Net cash from / (used in) operating activities	(1,693)	(2,256)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(456)	(791)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(456)	(791)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	(10)	(10)
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(747)	(747)
3.5 Proceeds from borrowings	3,000	3,021
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Share applications to be refunded	-	(81)
3.9 Other (repayment of lease liabilities)	(28)	(54)
3.10 Net cash from / (used in) financing activities	(2,215)	(2,129)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	39	1,023
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,683)	(2,256)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(456)	(791)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,215)	(2,129)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	105	105

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'000	Previous quarter \$A'000
5.1	Bank balances	105	105
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)	105	105

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	101
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,500	3000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		500
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>Convertible Note at a Coupon Rate of 12% expiring 12 months from issue with a conversion price of \$0.15 per share</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,693)
8.2 Cash and cash equivalents at quarter end (item 4.6)	105
8.3 Unused finance facilities available at quarter end (item 7.5)	500
8.4 Total available funding (item 8.2 + item 8.3)	605
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The Company anticipates a reduction in net operating cash flows primarily due to the settlement of Corio Bay Dairy Group and the associated one off expenses in regard to this transaction.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: The Company does not need to raise further funds as the Sale of Corio Bay Dairy Group for \$13.5 million (before costs) has been completed.</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company is fully funded via the sale of Corio Bay Dairy Group.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 1 February 2021

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.