

ASX Announcement

20 February 2023

WINGARA AG LIMITED ENTERS INTO BINDING, CONDITIONAL OFFER FOR THE SALE OF ITS RAYWOOD FACILITY, LICENCES & BUSINESS OPERATIONS

Highlights

- **Wingara AG Ltd (ASX:WNR) (“Wingara”, or the “Company”) announces it has entered into a binding, conditional, sale agreement with Balco Australia Pty Ltd for the sale of its 100% owned Raywood Hay Processing Facility (“Raywood Facility”) for A\$15.0 million in cash, plus working capital adjustments**
- **Balco Australia Pty Ltd is a specialist processor and exporter of high-quality oaten hay and fodder produce with operations existing in South Australia and Western Australia**
- **Subject to the full amount being received under the Proposed Transaction the net cash proceeds following the completion of the Transaction will be used;**
 - **to retire all debt;**
 - **invest in new opportunities to enhance the Company’s geographic and commodity diversification; and**
 - **determine a Fully Franked Special Dividend to Wingara Shareholders who are on the Wingara share register at the Record Date**
- **The transaction will be subject to Wingara Shareholder and Foreign Investment Review Board (“FIRB”) approval. The Wingara Board unanimously recommend shareholders vote in favour of the Proposed Transaction**
- **Major shareholder NAOS Asset Management has provided its in-principle support for the transaction**

Wingara today announces that to effect the sale of the Raywood Facility operations for A\$15.0m to Balco Australia Pty Ltd (“**Balco**”):

- Wingara has entered into a binding, conditional Share Sale Agreement (“**SSA**”) to sell 100% of the shares in JC Tanloden Victoria Pty Ltd ACN 166 785 084 (“**JC Tanloden**”) to Balco; and
- Elect Performance Group Pty Ltd ACN 107 958 690 (“**Elect Performance**”) (a 100% owned subsidiary of Wingara) has entered into a binding, conditional Business Sale Agreement (“**BSA**”) to sell Raywood Facility business assets to Balco

(together, the **Proposed Transaction**).

The Proposed Transaction is conditional on Wingara shareholder and FIRB approval.

Wingara currently has two hay processing facilities, Epsom and Raywood. The assets of the Raywood Facility are owned by both JC Tanloden and Elect Performance. The sale of JC Tanloden and the Raywood Facility-related business assets held by Elect Performance to Balco together comprise a sale of all assets of the Raywood Facility in its entirety. The Epsom Facility will be retained.

Transaction Overview

Notwithstanding that the Proposed Transaction remains subject to shareholder and FIRB approval is expected that:

- The purchase of the Raywood Facility by Balco for A\$15.0 million (exclusive of GST and other regulatory taxes that are payable by Balco) will comprise;
 - \$14,300,000 payable on settlement;
 - \$700,000 payable to an escrow account on settlement. The escrow amount shall be released six months after settlement and is conditional upon there being no warranty claims.

Prior to settlement of the Proposed Transaction, Wingara and Balco may enter into tolling contracts, storage contracts, provide procurement assistance and other miscellaneous commercial assistance on an arms-length basis.

Wingara will continue to perform its existing toll packing agreements along with producing and exporting oaten hay to its own customers from the Raywood Facility and retain profits from such agreements prior to the settlement of the Proposed Transaction.

Conditions of the Proposed Transaction

Completion of the Proposed Transaction will be subject to a number of conditions including:

- The Raywood Facility being operated in the ordinary course of business between the time that the Proposed Transaction is announced and settlement;
- Wingara shareholder approvals necessary for the Proposed Transaction; and
- Foreign Investment Review Board approval;

The Proposed Transaction is subject to Wingara Shareholders approving the Proposed Transaction by a majority.

Use of Transaction Proceeds

It is estimated that following the repayment of the debt and the payment of a Special Dividend the Company will have an estimated \$4.3m of net cash.

Wingara intends to use any surplus net proceeds to explore opportunities to diversify the current earnings base into operations in locations uncorrelated with the existing central Victoria operations.

Further details on the Asset sale and these matters will be provided in a Notice of Meeting (“**NoM**”) and at the Extraordinary General Meeting (“**EGM**”) which will be sent to shareholders in due course to approve the Proposed Transaction.

Effect of the Transaction on the Company’s Business model

As the Proposed Transaction involves the sale of the Company’s primary processing asset, immediately following the Transaction, the Company’s operations will be from the existing site in Epsom, Victoria. The Epsom site currently has processing capacity of 50,000MT per annum and the Company will continue to export to all major buyer regions from the site.

Wingara is not currently able to provide forward-looking guidance however the Company has assessed the sale of the Raywood Facility and business operations as having the following impact on the 1H FY23 Pro Forma financial performance.

	1H FY23 (A\$m)	Pro Forma 1H FY23 (A\$m)	Delta (%)
Revenue	21.32	8.68	(59.29)
EBITDA(before significant items)³	2.30	1.13	(50.87)
Net Profit After Tax (before significant items)³	1.08	0.36	(66.67)
Assets	23.84	14.46	(39.35)
Debt	8.00	0.00	(100.00)
Operational Metrics			
Processing Capacity	140,000MT ¹	50,000MT ²	(64.29)
Storage Capacity	30,000MT	10,000MT	(66.67)
1. Includes 30,000MT for Tolling Press 2. Post Transaction includes Epsom only Note, 1H FY23 financial performance includes a tolling agreement currently contacted to the Raywood Facility, due to expire 31 December 2023. 3. Significant items include APCS results and project and due diligence costs from continuing operations as per 1H FY23 report			

As noted above, the Board will apply net cash proceeds to retiring all debt and the payment of the Special Dividend. Use of any surplus funds will be communicated to shareholders in due course.

Benefits and Future Opportunities

Throughout the past 18 months the Wingara Board and Senior Management has continuously assessed the operating footprint and product exposure of the Company. This review culminated in the recent sale of the Austco Polar Cold Storage Pty Ltd (“**APCS**”) subsidiary.

The proposed transaction involves the sale of one of Wingara’s two Victorian processing assets. Wingara will continue to process and export oaten hay from the Company’s existing site at Epsom, Victoria.

Whilst the review has been ongoing for some time the impact of the recent floods in northern Victoria and the NSW Riverina has highlighted the need for improved geographic diversity of the Company’s processing operations, grower catchment region and agricultural product exposure.

The Wingara Board is considering potential new opportunities which may include a geographic expansion of the existing oaten hay and fodder division with the development and/ or acquisition of right-sized, profitable locations operations and expects to be able to provide an update to shareholders in the latter half of 2023.

Wingara Board Recommendation

Given that the Transaction involves the Company disposing of its main undertaking, Wingara is required under the ASX listing rules to obtain approval from its shareholders to proceed with the Transaction. Accordingly, the Transaction is conditional on Wingara obtaining the necessary shareholder approval. It is currently expected that shareholder approval will be sought in an Extraordinary General Meeting (EGM) in March 2023.

The Independent Directors of Wingara unanimously recommend that Wingara shareholders vote in favour of the Proposed Transaction.

Wingara’s largest shareholder NAOS Asset Management which currently holds approximately 42.69% of the Company’s issued capital has indicated its intention to support the Proposed Transaction and will vote in favour of its approval at the required Extraordinary General Meeting (“**EGM**”) expected to be held in mid to late March 2023.

Indicative Timetable

The parties will work in good faith to achieve settlement of the Proposed Transaction in a timely manner. As the Proposed Transaction is subject to regulatory and shareholder approvals, including approval by the FIRB, the timing of the satisfaction of the conditions is uncertain but an indicative timetable of key dates is set out below:

Item / Milestone	Indicative Timing
Proposed Transaction announced to ASX	20 February 2023
Announcement and Notice of Meeting (“NoM”)	24 February, 2023
EGM for Shareholder Approval for the Proposed Transaction	28 March, 2023
Settlement of Proposed Transaction	6 April, 2023

Marcello Diamante, Managing Director & Interim CEO of Wingara said, “*On behalf of the Directors of Wingara I am pleased to announce this Proposed Transaction today. The Company has been proactive in reviewing its existing operating platform and believe the consideration recognises the strong value Wingara has developed at the Raywood Facility. The Proposed Transaction provides an opportunity for Wingara to become debt-free and provide a supportive backdrop to actively explore new opportunities to complement our existing operations at Epsom. We look forward to providing further details on future opportunities in the near term.*”

About Balco

Balco is a specialist processor and marketer of high-quality hay and fodder, with oaten hay, wheaten hay and straw representing Balco’s core product range, with operations existing in South Australia and Western Australia. Established in 1990, in Balaklava, South Australia, the Balco business has grown to become a leading hay processor and exporter within Australia. A core focus on leading innovation, product quality and exploring new export markets has established Balco with a strong global presence.

Rob Lawson, CEO of Balco said. “*On behalf of the Board and Management Team at Balco, we are very pleased to have reached agreement with Wingara on the sale of their Raywood Facility. Balco has a long history in the export hay market working into Asia and have well established production sites in South Australia (Bowmans) and Western Australia (Brookton). Having a presence in Victoria has been part of our strategic growth plan for the past year and the purchase of the Raywood Site allows us to fast track our growth strategy. We look forward to the future serving both Australian Growers and Export Customers alike, from all three sites*”.

This announcement has been approved for release by the Board of Directors of Wingara AG Limited.

For further information contact:

Marcello Diamante
Managing Director & Interim Chief Executive Officer
Marcello.diamante@wingaraag.com.au

About Wingara AG Limited:

Wingara AG Limited aims to be the leader in the sale of agricultural products to the domestic and international markets, particularly focusing on the export of hay products to Asia. By adhering to the highest standards of production we ensure a reliable source of hay to our clients, enabling them to meet their business demands confident in the quality of our product.

We are also dedicated to supporting local producers and our commitment to providing an equitable relationship with Australian farmers allows us to source the best product available. Wingara is committed to ensuring we uphold the highest standards of integrity throughout the organisation, ensuring that we create an environment in which individuals continue to strive to meet our goals.

Forward-Looking Statements:

Certain statements made in this release are forward-looking statements and are based on Wingara AG's current expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements. Although Wingara AG believes the forward-looking statements are based on reasonable assumptions, they are subject to certain risks and uncertainties, some of which are beyond Wingara AG's control, including those risks or uncertainties inherent in the process of both developing and commercialising technology. As a result, actual results could materially differ from those expressed or forecasted in the forward-looking statements. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Wingara AG will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.