

ASX Announcement

29 January 2021

Wingara delivers revenue growth in challenging conditions
*Activities report for Quarter ended 31 December 2020 (Q3 FY21)***Key Q3 FY21 highlights (vs Q3 FY20)**

- **Increasing cash receipts, up 9% to \$10.2 million, reflecting continued export demand from all key regions**
- **JC Tanloden production output up 60% to 16,771 MT over Q3 FY20**
- **Review of inventory carrying value to relieve gross margin pressures**

Wingara AG Limited (ASX: WNR), the owner and operator of value-add, mid-stream assets specialising in the processing, storage and marketing of agriculture produce for export markets, is pleased to provide this quarterly activities report alongside its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 December 2020 (Q3 FY21).

Reflecting on Q3 FY21, Wingara's Interim-CEO Zane Banson said:

"Over the third quarter of FY21, Wingara was able to grow cash receipts despite the deterioration in the hay harvest due to weather conditions. Volumes have remained solid across the business and export revenues remain on track for a strong year. However, decisions made prior to June 2020 on hay purchases and an industry wide reduction in crop quality have impacted JC Tanloden's near-term gross margin.

"In light of current trading conditions, the Board and current executive team is reviewing the company's inventory position as we have become aware of certain historical hay purchases at unfavourable levels relative to current market pricing.

"While the Board is disappointed by this inventory position, Wingara through its diversified asset investment model is well positioned to ride out current market volatility. With cost savings and streamlined internal processes currently being implemented, we expect to exit FY21 in a far stronger position than we went into it."

Revenue growth continued in Q3 FY21, up 9%

Revenue continued to grow in Q3 FY21, up 9% (on Q3 FY20) to \$10.2 million, with export demand remaining strong in all regions. While the Company's Asian customer base includes a number of Chinese clients, it is worth noting that Wingara has not seen any reduction in appetite in light of the current political climate. There has nonetheless been some decline in market pricing for JC Tanloden and lower than expected volumes at Austco Polar due to the impact of COVID-19 on end-markets resulting in the group not quite achieving prior revenue expectations.

Profitability and cash generation were impacted during the quarter, predominately in the JC Tanloden business, with Austco Polar tracking broadly in line with its H1 FY21 performance. The bumper hay crop start to the season was soon followed by excessive rainfall in South Eastern Victoria that resulted in lower crop quality. In addition, the Board has become aware of hay purchasing decisions at

uneconomic pricing made prior to June 2020. These purchases impacted margins in the JC Tanloden business in Q3 FY21 and are currently being carried at cost in Wingara's inventory balance, which is pending a review of carrying value and may be adjusted in the FY21 accounts.

In light of current hay market conditions, Wingara is evaluating the timing of the new hay shed investment to ensure that the Company is best placed to benefit from improving market conditions when they return, while also prudently managing capital expenditure in the near-term.

With cost savings being implemented across the business and internal controls on inventory purchasing decisions being tightened, underlying earnings (before impairments) are expected to improve in future periods.

(\$m)	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20
Receipts from customers	9.34	10.58	10.02	9.13	10.19
Net Cash from Operating activities – pre AASB 16	(1.13)	(0.32)	(0.02)	(0.53)	(0.52)
Hay volumes MT (JCT)	10,449	14,279	11,839	14,135	16,771
Available Hay MT (JCT)	18,515	15,777	16,278	20,290	19,390
Blast cartons (Austco)	712,118	517,510	409,647	413,193	425,550

JC Tanloden

- Q3 FY21 production was up 60% (on Q3 FY20) to 16,771 MT. This was also a sequential improvement on the strong Q2 FY21, reflecting the strong start to the hay harvest.
- Revenue growth was similarly strong for the quarter.
- Overall export demand remains solid, with key Asian economies continuing their recovery following COVID-19 lockdowns. Sales to China also remain buoyant.
- Inventory volumes remain at high levels reflecting the Company's pursuit of its inventory build-up strategy to the period ended 31 December 2020. Management is currently reviewing the optimal approach to inventory management.
- Excessive rainfall in South Eastern Victoria and previous executive decisions on hay purchase pricing led to an increased cost of goods sold and lower margins in JC Tanloden in Q3 FY21. The carrying value of inventory is currently under review in this business, with a different approach likely to be adopted in the near future.

Austco Polar Cold Storage

- The market environment remained broadly unchanged during the quarter, with demand yet to fully recover from COVID-19 and supply side challenges still evident
- While volumes are yet to return to levels seen in the PCP, Q3 FY21 saw sequential improvement over the preceding two quarters of FY21
- Revenues have tracked slightly lower quarter-on-quarter
- Cost savings implemented in previous quarters continue to support Austco Polar's operating efficiency.

Financial update

Q3 FY21 customer receipts were up 9% to \$10.19 million (compared to Q3 FY20). The positive

operating net cash flow result for Q3 FY21 of \$1.69 million reflects adoption of AASB 16, including a positive adjustment for H1 FY21 lease payments previously taken through operating cash flow. Lease payments for the 9 months to 31 December 2020 are now accounted for in cash flow from financing activities in accordance with AASB 16.

The table below provides a summary of Receipts and Expenditures for Q3 FY21 and FY21 year to date business activities (refer also the accompanying Appendix 4C):

	FY2021 (3 months to 31 Dec 2020) \$'000	FY2021 (YTD) \$'000
Receipts from customers	10,192	29,339
Operating costs	(6,781)	(19,629)
S,G&A (corporate overhead)	(2,920)	(7,750)
Investing activities	(1,150)	(3,165)
Financing payments / receipts	697	777

Note: Numbers in the table are presented on a cash basis, consistent with the Appendix 4C.

Payments to related parties over Q3 FY21 were \$0.20 million, which included fees paid to directors and CEO's cost of payroll over the quarter.

Corporate update

During the quarter, Steven Chaur, an experienced agriculture and livestock director, was appointed to the Board as Independent Non-executive Director. Zane Banson stepped off the Board in the interest of achieving a majority of Independent non-executive Directors.

Post quarter end, as announced on 11 January 2021, the Board accepted Gavin Xing's resignation from the Board as Director and Chief Executive Officer. Zane Banson, Chief Financial Officer, was appointed Interim-CEO while a process to recruit a new CEO is undertaken.

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

For further information please contact:

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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.

Appendix 4C

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

Name of entity

Wingara AG Ltd

ABN

58 009 087 469

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,192	29,339
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,927)	(8,057)
Hay Purchases	(3,854)	(11,572)
(c) advertising and marketing	(30)	(98)
(d) leased assets	1,507	-
(e) staff costs	(2,669)	(7,178)
(f) administration and corporate costs	(221)	(474)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(303)	(769)
1.6 Income taxes paid	(6)	(51)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,689	1,140
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(985)	(2,700)
(d) investments	(33)	(33)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	18	18
	(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)	(150)	(450)
2.6	Net cash from / (used in) investing activities	(1,150)	(3,165)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		5,037
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		(315)
3.5	Proceeds from borrowings	3,800	3,800
3.6	Repayment of borrowings	(195)	(1,273)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(80)	(3,644)
	Payment for leased assets (i)	(2,828)	(2,828)
3.10	Net cash from / (used in) financing activities	697	777

(i) The Group has adopted accounting standard AASB 16 Leases with effect from 1 April 2019. In accordance with the requirements of AASB 16 cash payments for the Group's Lease Liabilities are presented within financing activities.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	966	3,450
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,689	1,140
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,150)	(3,165)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	697	777
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,202	2,202

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	2,202	966
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)	2,202	966

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	197,236
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																
7.1	Loan facilities	12,853	10,177																																
7.2	Credit standby arrangements	40	-																																
7.3	Other (please specify)																																		
7.4	Total financing facilities	12,893	10,177																																
7.5	Unused financing facilities available at quarter end		2,716																																
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.																																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Facility</th> <th style="width: 15%;">Facility Limit (\$,000)</th> <th style="width: 15%;">Drawdown (\$,000)</th> <th style="width: 20%;">Interest Rate</th> </tr> </thead> <tbody> <tr> <td>Inventory Loan Facility</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">3,420</td> <td>BBSY + 1.42</td> </tr> <tr> <td>Westpac Facility - Elect Performance Group</td> <td style="text-align: right;">1,644</td> <td style="text-align: right;">1,644</td> <td>BBSY + 1.72</td> </tr> <tr> <td>WBC BBBL</td> <td style="text-align: right;">1,980</td> <td style="text-align: right;">1,980</td> <td>BBSY + 1.67</td> </tr> <tr> <td>Asset finance facility*</td> <td style="text-align: right;">3,629</td> <td style="text-align: right;">3,133</td> <td>4.94%</td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">600</td> <td style="text-align: right;">-</td> <td>4.59%</td> </tr> <tr> <td>Corporate Card</td> <td style="text-align: right;">40</td> <td style="text-align: right;">-</td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">12,893</td> <td style="text-align: right;">10,177</td> <td></td> </tr> </tbody> </table>			Facility	Facility Limit (\$,000)	Drawdown (\$,000)	Interest Rate	Inventory Loan Facility	5,000	3,420	BBSY + 1.42	Westpac Facility - Elect Performance Group	1,644	1,644	BBSY + 1.72	WBC BBBL	1,980	1,980	BBSY + 1.67	Asset finance facility*	3,629	3,133	4.94%	Bank overdraft	600	-	4.59%	Corporate Card	40	-		Total	12,893	10,177	
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,689
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,202
8.3	Unused finance facilities available at quarter end (item 7.5)	2,716
8.4	Total available funding (item 8.2 + item 8.3)	4,918
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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?	
	Answer:	
	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?	
	Answer:	

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:

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: 29/01/2021.....

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.