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ASX Announcement **2 November 2020**

Quarterly Activities Report

Monday 2 November 2020: Wattle Health Australia Limited ("**Wattle Health**" or "**The Company**") is pleased to release the quarterly activities and cashflow statement for the quarter ending 30 September 2020.

During this quarter, Wattle Health has continued to conservatively manage its costs while at the same time focussed activities on growing its brand awareness and sales for both Uganic and Little Innoscents, primarily through its partnership with retailer Chemist Warehouse.

Cash receipts for the quarter of circa $150,000 were impacted by the opening orders for Uganic being made in the previous quarter and re-orders being received post 30th September 2020 i.e, no cash receipts for Uganic in this quarter. Cash outflows for the quarter across the whole business have been reduced with net cash loss of $897,000 representing a reduction of 63% on the prior corresponding period (**PCP**) of circa $2.48 million.

Net Cash Loss for the quarter was impacted by a one-off expense of $335,000 for the cost of the appointment of the Administrator to Corio Bay Dairy Group (**CBDG**) and circa $100,000 for other costs associated with CBDG.

Wattle Health, as announced on 21 October 2020, launched adult milk products under the Uganic brand, with the successful rollout of these products across the Chemist Warehouse retail network. Uganic Whole Milk and Skim Milk Powder range are manufactured from certified Australian organic fresh milk.

Corio Bay Dairy Group

Wattle Health, as announced on 31 August 2020, issued a default notice to CBDG under its secured loan agreements. The directors of CBDG subsequently appointed David Mutton of RSM Australia as administrator of CBDG (**Administrator**).

Wattle Health as first ranking secured creditor continues to be engaged with the Administrator in the CBDG sale process to maximise the return to the Company under its secured loan agreements.

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Loan Note Funding

Wattle Health, post the completion of the quarter, signed a secured convertible loan note of $3 million (**Secured Note, as announced on 21 October**). The Secured Note has a term of 12 months with a coupon rate of 12% and a conversion price of $0.15 per share (subject to shareholder approval).

As part of the secured note Wattle has agreed to issue 10,000,000 options with an exercise price of $0.175 per share, expiring 3 years from issue (**SN Options**) (subject to shareholder approval). Reach Corporate **(Reach**) as lead manager for the Secured Note has been appointed as Corporate Advisor and the Company has agreed to issue 10,000,000 options on the same terms as the SN Options (subject to shareholder approval).

All other material terms and conditions of the secured note are disclosed on the ASX announcement released to the market on 21 October 2020.

Status of Annual Report & AGM

Due to the current voluntary administration process undertaken with CBDG, there has been a delay in lodging the audited financial accounts for FY20. The Company currently expects to lodge its audited full year accounts before end of November, with details of the Annual General Meeting to be advised following the release of the accounts.

All payments made under item 6.1 of the Appendix 4C were for Dr Tony McKenna, for his remuneration as CEO and Managing Director of the Company.

The release of this announcement was authorised by the Board.

ENDS

For further information, contact:

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Appendix 4C

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

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Name of entity

WATTLE HEALTH AUSTRALIA LIMITED

ABN	**Quarter ended ("current quarter")**
77 150 759 363	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	149	149
1.2	Payments for		
	(a) research and development	(1)	(1)
	(b) product manufacturing and operating costs	(137)	(137)
	(c) advertising and marketing	(400)	(400)
	(d) leased assets	-	-
	(e) staff costs	(130)	(130)
	(f) administration and corporate costs	(186)	(186)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	41	41
1.8	Other (GST refund/(paid))	105	105
1.9	Other (CBDG unsecured loan)	(335)	(335)
1.9	**Net cash from / (used in) operating activities**	**(897)**	**(897)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	21	21
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Share applications to be refunded	(81)	(81)
3.9	Other (repayment of lease liabilities)	(27)	(27)
3.10	**Net cash from / (used in) financing activities**	**(87)**	**(87)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,023	1,023
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(897)	(897)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(87)	(87)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**39**	**39**

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	39	39
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)**	**39**	**39**

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	21
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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(897)
8.2	Cash and cash equivalents at quarter end (item 4.6)	39
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	39
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.04

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.

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?

Yes

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?

• The Company post the completion of the quarter successfully raised a $3 million convertible note. The Convertible Note is for 12 months at a coupon rate of 12% with a conversion price of $0.15 per share (subject to shareholder approval).

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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?
	• Yes. The Company is funded to execute its business objectives with the new funding facility as disclosed in 8.6.2

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: 2 November 2020

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.

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