

## Wide Open Agriculture Quarterly Shareholder Update

31 October 2018

### Highlights

- Streamlined business strategy to identify key pathways to scale and profitability
- Commenced market testing of first Food for Reasons<sup>™</sup> health and wellness product
- Signed Farmland Management Agreement on \$4.35M property with 20% annual profit share and 20% capital appreciation over 10 years
- Engaged horticulture consultancy to complete review of Pilot Shade House

### Summary

During the quarter, the WOA Board focused on strengthening its strategy to identify key pathways to scale and profitability through a diversified land portfolio, regenerative horticultural systems and the launch of multiple product lines under the food brand, Food for Reasons<sup>™</sup>.

The updated strategy, which will be presented to investors in January 2019, has established defined financial targets for each business stream and prioritises two areas of focus:

- (i) developing a range of food product lines including a protein bar, an oat-based product and a lupin-based meal positioned in the rapidly growing health and wellness food category
- (ii) utilising technology partners to communicate WOA's value from the paddock to the plate (provenance tracking) and reporting to shareholders under the 4 Returns framework.

### Food for Reasons<sup>™</sup>

During the quarter, a detailed market review, competitor assessment and trend analysis in the health and wellness food sector was completed. Market trends are showing strong, rapid and sustained growth of health and wellness snacking products in the \$57 billion snacking market. The health and wellness category has experienced growth of 6% per annum since 2012, with a total market value of \$17.5 billion<sup>1</sup>. This growth has occurred in both the fresh snacking and shelf-stable snacking categories.

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<sup>1</sup> 'Fresh' snacking on the rise (13 July, 2018) - <http://www.mintel.com/blog/food-market-news/fresh-snacking-is-on-the-rise>

Food for Reasons™ healthy snacking and convenient product lines will respond to three key consumer trends:

- (i) Strong demand to eat healthier
- (ii) Minimal food preparation; and
- (iii) Buying from companies that offer transparency across their value chain.

Three healthy snacking categories have been identified through the development of early-stage prototypes including; a high-protein bar (on-the-go snacking category), an oat-based breakfast cereal or drink (better-for-you category) and a pre-mixed, high-protein falafel mix (convenient-dinner category). Each of the categories was developed in response to growing market demand and includes key ingredients from crops and livestock grown by regenerative farmers in the Wheatbelt.

At WOA's recent 'Lunch and Listen' event, the first public testing of the high protein, lupin-based falafel mix was undertaken. The falafel mix was identified for testing as it offers consumers a convenient, healthy meal option that can be added to vegetables or meat. A native food plant (bushfood) ingredient was also included in the recipe to provide a link to the biodiversity found in the Wheatbelt.

Lupins are legumes which build nitrogen levels in the soil and therefore improve soil health. For human health, lupins have been identified as improving glucose metabolism and supporting the management of diabetes. Diabetes is a chronic and growing disease in south-east Asian countries with an estimated 96 million people impacted by the disease in the region. Healthy foods that offer functional benefits have been identified as a key growth category in these countries.

To empower and expedite our market testing process, the Food for Reasons Tasting Tribe has been launched. The Tasting Tribe will comprise a wide network of individuals (from millennials, Gen Xers and baby boomers) to taste and test our prototype products. Please join us at <https://www.facebook.com/groups/tastingtribe> to become a member of the Tasting Tribe. The Tasting Tribe will provide crowd-sourced, initial concept and prototyping testing that will increase the likelihood of meeting consumer expectations and build support for future products.

## **Land for Reasons**

Also during the quarter, WOA signed its first Land Agreement on farmland (1,787 hectares (ha)) in the Kojonup Shire, establishing a direct route for marketing future crops and livestock under the Food for Reasons™ brand. The Agreement on the \$4.35M property provides WOA with 20% annual profit share and 20% capital appreciation over 10 years and offers WOA, investors and regenerative farmers an appropriate share of risk and reward.

A holistic, 3 zone (economic, mixed and natural-zones) farm plan, including an operational budget, has been prepared by the regenerative farmers and this process has been supported by WOA.

With funding support from the Commonland Foundation, an environmental consultancy has been engaged to undertake baseline assessments of the farmland including soil health (including carbon), water quality and biodiversity measures. Developing an evidence-base to measure and monetize natural capital will provide Land for Reasons with a strong foundation for future engagement with impact-focused individuals and institutional land investors/owners.

As presented in the Prospectus, WOA also made payment of \$150,000 towards the purchase of the East Kulinbah property (310ha farmland) with remaining payments based on established vendor terms. Since 2016 the vendor repayments have been offset by the lease income and the property offers an important research site for fodder shrub establishment and management.

The first grazing of the 98ha fodder shrub planting with sheep occurred at the property during winter. The information gained from the pilot site will inform future purchasing and operational decisions in the Land for Reasons business stream through assessing the business case of fodder shrub and annual/perennial grasses to support livestock (sheep and cattle production) in the northern Wheatbelt.

### **Protected Cropping Operations**

During the quarter, WOA engaged a world-class consultancy with experience in protected cropping and organic horticulture to review and assess the pilot shade house in Wagin Shire. The assessment confirmed that the pilot site and technology can produce high quality vegetable crops but is constrained by logistics and access to consistent labour sources. The Report recommended the pilot site is suitable for ongoing research and development in crops that do not require cold chain storage and logistics, such as native food plants (bush foods).

The Report also outlined key stage gates for the identification of a commercial shade house. These include the identification of a consistent, horticulture-grade water supply, access to grid-based power and a proven and engaged production team. WOA is in early stage negotiations with commercial vegetable growers to identify potential partners to collaborate in the scoping and management of a commercial shade house in the Wheatbelt. These partnerships will be based on the principle of shared risk and reward and will be seeking co-investment from commercial partners.

To assist WOA in the identification of a future commercial site, a University of Western Australia Masters student has been engaged to map and assess high value agricultural land and water resources in the Wheatbelt. This work has been accompanied by discussions with relevant local and regional bodies including the Wheatbelt Development Commission.

The consultancy group has provided a costing to undertake a pre-feasibility study of a potential site in Q1 2019. Site selection parameters will include climate, water, power, access to housing and education opportunities to attract and retain long-term employees.

The research and development report from the 2017/18 production cycle has been finalised. The key findings included the following:

- pre-plant cover resulted in increased yield per plant
- single-leader pruning improved yield; and
- the low-tech basket weave trellis system was better suited to short season tomato production.

These findings will be incorporated into the pre-feasibility study and design of the future commercial production facility.

### **Business Outlook**

Going forward, it is expected that WOA will achieve the following significant milestones across its business streams during the first quarter of 2019:

- Release of sales sample of co-branded Food for Reasons<sup>TM</sup> protein-based health and wellness product
- Completion of detailed financial modelling for investment, ownership and management of diversified farmland portfolio in the Wheatbelt
- Release of detailed pre-feasibility study of commercial shade house site

### **Corporate**

Cash at bank is \$4,501,417 as at 30 September 2018.

As identified in the Prospectus, repayment of a \$100,000 IPO Contingency Loan was made to Commonland Foundation. Initial discussions with Commonland Foundation have commenced on the consolidation and extension of the remaining unsecured loan agreements.

During the quarter, WOA's main office relocated from 5 Brooking St Williams to a separate office located within the Williams Community Resource Centre.

## **About Wide Open Agriculture Ltd.**

Wide Open Agriculture (WOA) is a regenerative food and agriculture group based in the Wheatbelt region of Western Australia.

The Company's vertically integrated food and agriculture business comprises farmland assets, protected cropping and a food brand, Food for Reasons™.

WOA operates under a '4 Returns' framework and seeks to deliver measurable outcomes on financial, natural, social and inspirational returns. The Company manages its farmland under the principle of identifying 3 zones (economic, combined and natural zones) and investing over a 20-year framework.

WOA is the world's first '4 Returns' company to list on the ASX or any global stock exchange.  
[www.wideopenagriculture.com.au](http://www.wideopenagriculture.com.au)

# **Appendix 4C - Quarterly report for entities subject to Listing Rule 4.7B**

Wide Open Agriculture Ltd

ABN 86604913822

For the 3 months ended 30 September 2018

Prepared by RSM Australia - Perth

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# Consolidated Statement of Cash Flows - Appendix 4C

Wide Open Agriculture Ltd

For the 3 months ended 30 September 2018

ABN	ACN	Quarter ended ("current quarter")
86 604 913 822	604 913 822	30 September 2018

  

	CURRENT QUARTER	YTD 2019
<b>1. Cash Flows From Operating Activities</b>		
1.1 Receipts From Customers	506	506
1.2 Receipts From Rental Income	177	177
1.3 Payments to Suppliers and Employees	(311,314)	(311,314)
1.4 Interest Received	1,079	1,079
1.5 Interest and Other Costs of Finance Paid	(117)	(117)
<b>1.6 Net Cash Flows from Operating Activities</b>	<b>(309,669)</b>	<b>(309,669)</b>
<b>2. Cash Flows From Investing Activities</b>		
<b>2.1 Net Cash Flows from Investing Activities</b>	<b>-</b>	<b>-</b>
<b>3. Cash Flow From Financing Activities</b>		
3.1 Proceeds From Issue of Shares	(8,000)	(8,000)
3.2 Proceeds From Exercise of Shares Options	1,063	1,063
3.3 Transaction Costs Related to Issues of Shares, Convertible Note or Options	(98,623)	(98,623)
3.4 Proceeds from Borrowing	45,753	45,753
3.5 Repayment of Borrowings	(254,619)	(254,619)
<b>3.6 Net Cash Flows from Financing Activities</b>	<b>(314,426)</b>	<b>(314,426)</b>
<b>Net Cash Flows</b>	<b>(624,095)</b>	<b>(624,095)</b>
<b>4. Net Increase / (Decrease) in Cash and Cash Equivalents for the Quarter</b>		
4.1 Net Cash From / (Used In) Operating Activities	(309,669)	(309,669)
4.2 Net Cash From / (Used In) Investing Activities	-	-
4.3 Net Cash From / (Used In) Financing Activities	(314,426)	(314,426)
<b>4.4 Net Cash Flows for Quarter</b>	<b>(624,095)</b>	<b>(624,095)</b>
<b>5. Reconciliation of Cash and Cash Equivalents</b>		
5.1 Cash and cash equivalents at beginning of quarter	5,125,512	5,125,512
5.2 Bank Balances	(624,095)	(624,095)
5.3 Cash and cash equivalents at end of quarter	4,501,417	4,501,417
<b>5.4 Cash and Cash Equivalents at End of Quarter</b>	<b>(624,095)</b>	<b>(624,095)</b>



# Notes to the Consolidated Statement of Cash Flows

Wide Open Agriculture Ltd

For the 3 months ended 30 September 2018

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current Quarter \$A'000</b>									
6.1	Aggregate amount of payments to these parties included in item 1.3	48									
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	NIL									
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2										
	<table border="1"> <tr> <td>6.1.1</td><td></td><td>\$A'000</td></tr> <tr> <td>1.</td><td>Wages paid to directors</td><td>45</td></tr> <tr> <td>2.</td><td>Superannuation paid to directors</td><td>3</td></tr> </table>	6.1.1		\$A'000	1.	Wages paid to directors	45	2.	Superannuation paid to directors	3	
6.1.1		\$A'000									
1.	Wages paid to directors	45									
2.	Superannuation paid to directors	3									

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current Quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.3	NIL
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	NIL
7.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
	NIL	

<b>8.</b>	<b>Financing facilities available</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	NIL	NIL
8.2	Credit standby arrangements	NIL	NIL
8.3	Other	N/A	817
8.4	Other comprises: <ul style="list-style-type: none"> <li>Shareholders Loan - Commonland</li> </ul> No interest is payable on these unsecured loans and are payable in lump sum amounts 5 years after the respective dates of execution.		

9.	Estimated Cash Outflows for Next Quarter		\$A'000
9.1	Research & Development		14
9.2	Product manufacturing and operating costs		45
9.3	Advertising and marketing		5
9.4	Leased Assets		NIL
9.5	Staff Costs		125
9.6	Administration and Corporate Costs		68
9.7	Other (provide detail if material)		209
	Consulting	60	
	Donations	10	
	Entertainment	2	
	Events	5	
	Fuel	8	
	Insurance	8	
	Internet, Telephone & Computer	3	
	Legal	15	
	Monitoring, Evaluation & Learning	9	
	Rent	5	
	Roadshow	15	
	Staff Expenses	24	
	Subscriptions	2	
	Travel	10	
	Workers Compensation	5	
	Other	28	
9.8	Total Estimated Cash Outflow		466

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of Entity	NIL	NIL
10.2	Place of Incorporation or Registration	NIL	NIL
10.3	Consideration for Acquisition or Disposal	NIL	NIL
10.4	Total Net Assets	NIL	NIL
10.5	Nature of Business	NIL	NIL

# Compliance Statement

Wide Open Agriculture Ltd

For the 3 months ended 30 September 2018

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.

Signed:  Position: CFO  
Print Name: RSM AUSTRALIA PTY LTD Date: 30/10/2018

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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. Any dividends received are classified as cash flows from investing activities, per the accounting policy of the entity.