

ASX ANNOUNCEMENT

30 January 2020

December 2019 Quarterly Report and Appendix 4C

Highlights

- **Third successive cash flow positive quarter, with \$20.8 million in cash receipts (+ 15% year-on-year) generating \$0.7 million in net cash from operations.**
- **JAT completes acquisition of ANMA, orders machinery for plant upgrade and signs five-year supply agreement with Beta.**
- **JAT establishes plant-based meats business with Oppenheimer Pty Ltd, develops Vmeat label and signs distribution agreement with Shanghai-based restaurant and catering business. The first batch of products are scheduled to be shipped to China in late February 2020.**
- **JAT to open Shanghai maternity and infant boutique in March 2020.**
- **JAT renews distribution agreement with Cyclone for Neurio products and enters agreements with Ocker Products, Kigobaby and Kiss Kangaroo, with meaningful sales growth expected in the next 12 months.**
- **JAT establishes cosmetics joint venture to specialise in clinical skincare and cosmetics using new technology, with the first product to be launched in February 2020.**
- **Rights Issue to shareholders raises \$504,096.**
- **JAT signs agreement with CCIC Australia for the management of registration, approval, certification and traceability of JAT products in China.**
- **Cash balance of \$7.2 million as at 31 December 2019.**

Australia-Asia trade specialist, Jatenergy Limited (ASX: JAT, "the Company") is pleased to provide its quarterly report for the period ended 31 December 2019.

JAT Managing Director Wilton Yao said:

"We are pleased to have delivered another quarter of consistent profitable growth while continuing

to invest in developing our business. The investments we made during the quarter have significantly enhanced our production capabilities. This has underpinned our ability to secure several new distribution agreements which we expect to meaningfully boost our sales in the year ahead. We have a positive near-term outlook for business growth as we will shortly commence fulfilling our Ocker contract, start selling our skincare and plant-based meat products and expand the capacity of our ANMA dairy factory.

We intend to continue building a strong asset base for the Company as we boost our exports of infant formula to Asia and deliver on our long-term growth plans.”

Financial Commentary

- A third successive cash flow positive quarter, generating \$0.7 million in net cash from operations.
- \$20.7 million in cash receipts, up from \$12.7m from the September 2019 quarter and 15% from the December 2018 quarter.
- Cash balance of \$7.2 million as at 31 December 2019.

Operational Commentary

- JAT acquires ANMA, orders machinery for plant upgrade and signs five-year supply agreement with Beta A2.
- JAT establishes plant-based meats business with Oppenheimer Pty Ltd, develops Vmeat label and signs distribution agreement with Shanghai-based restaurant and catering business. The first batch of products are scheduled to be shipped in late February 2020.
- JAT to open Shanghai maternity and infant boutique in March 2020.
- JAT renews distribution agreement with Cyclone for Neurio products and signs new agreements with Kigobaby and Kiss Kangaroo.
- JAT establishes and funds cosmetics joint venture to specialise in clinical skincare and cosmetics using new technology. The first product release is due in late February 2020.
- Green Forest sales were negatively affected by the street protests in Hong Kong. The situation appears to have stabilised and it is expected that sales will increase in the March 2020 quarter.

ANMA factory upgrade

In October, JAT acquired a controlling interest (70%) in Australian Natural Milk Association Pty Ltd (“ANMA”). As a result, JAT issued 36,490,596 fully paid shares to the vendors in accordance with shareholders’ approval at the general meeting held on 24 September 2019. JAT subsequently sold a 5% interest to the minority holders of Sunnya Pty Ltd, Yanxia Lu and Yinghan He.

In November, ANMA placed orders for new machinery which will result in the ANMA facility meeting the highest of standards of milk powder and multi-line packing in Australia. Once the new machinery is installed and operating, ANMA will have the capacity to deliver milk powder into

several different sized containers and produce individually packed sachet products (such as lactoferrin) into three different pack sizes. It is expected the new machines will be installed and operating in the factory by February 2020. On a two-shift basis, it is expected the factory can produce around 620,000 tins of various sizes per month.

Manufacturing Order

JAT signed a five-year manufacturing and supply agreement with a new customer, Beta A2 Australia Manufacturing Pty Limited ("Beta"). The agreement requires JAT to manufacture and supply Beta with Beta's milk formula products branded "Farmers Beta A2" from its ANMA manufacturing facility.

JAT received an initial order for the first four months with first delivery in February 2020. The amount of the order is more than \$1.8 million. Beta provided a forecast for the eight months commencing June 2020 which amounts to orders worth more than \$4.9 million.

Plant-based Meats Business

On 29 October, JAT entered into an agreement with Sydney-based Oppenheimer Pty Ltd to develop a range of plant-based meats to be sold into the China and other Asian markets. In November, JAT and Oppenheimer Pty Limited established a company, JAT Oppenheimer Pty Ltd, to carry on the new business. JAT Oppenheimer Pty Ltd is owned 50/50 between the parties. The joint venture with Oppenheimer will allow JAT to develop its own plant-based meat products and brands.

Oppenheimer is a private company based in Sydney which has a focus on being a world class ingredient manufacturer and a leading provider of global food service brands in Australia, New Zealand, India, China, Southeast Asia and Singapore.

The directors of JAT consider that the supply of plant-based meat products is becoming a fast-growing industry with a very significant market available in China and other Asian countries. JAT intends to compete in this growing market in China and other Asian countries by offering alternative Australian made products.

JAT introduced the plant-based meat project at the second China International Import Expo ("CIIE") in Shanghai held in November 2019, and it received high exposure on several Chinese media outlets.

The first products to be produced are beef, pork and seafood. The products are produced in a variety of forms including meatballs and mince. The first shipment is expected to be sent to China in February 2020. The products will be marketed under the "Vmeat" registered trademark.

In December, JAT Oppenheimer Pty Ltd signed a distribution agreement with Shanghai Gurun Wanfeng Catering Co. Ltd ("Shanghai Gurun"). Under the agreement, Shanghai Gurun has the

non-exclusive right to distribute all JAT Oppenheimer Pty Ltd's plant-based meat products under the Vmeat label in China, as well as any other products developed by JAT.

Shanghai Gurun specialises in catering and restaurant operations and management in China. The company operates fast food restaurants in A-class office buildings, manages restaurants at large commercial and industrial parks and provides catering services for large enterprises. Its team of chefs have been largely recruited from 5-star hotels and major restaurants.

The distribution agreement requires Shanghai Gurun to purchase a minimum of A\$2 million of products in the first year of the two-year agreement.

Shanghai Gurun will use the plant-based meat products in its own facilities as well as distributing the products to other restaurants in China. It will, through its team of chefs, provide valuable input on further plant-based products to be developed by JAT for the China market.

Maternity and Infant Boutique

JAT announced plans to open a maternity and infant boutique in a prime retail location in Shanghai in March 2020. JAT believes it will be the first Australian company to sell dairy products through its own retail outlet in China, and it will complete an end-to-end supply and delivery chain. It has established its manufacturing facility in Australia, has developed its own brands and products, created its distribution network in China and finally, the first outlet of its own retail network in a significant location in China.

The boutique will be located directly opposite Shanghai Children's Hospital, Shanghai Pregnancy School, Shanghai Putuo Maternity & Infant Health Institute and Shanghai Oasis Kindergarten. The Company has executed the lease of the premises and the shop fit-out will commence after the Chinese New Year holiday.

Distribution agreements

At the CIIE in Shanghai in November, JAT renewed its partnership with China-based health, wellness and maternity product distributor, Cyclone E-Commerce Co., Ltd. Under the companies' existing agreement from June 2018, Cyclone agreed to purchase over A\$7.5 million in product over the following 12 months. Cyclone met that sales target, leading to the agreement being renewed for a further 12 months.

Cyclone will distribute JAT's range of Neurio milk powder products, the full range of Neurio vitamins and new products that JAT is set to release in the near future. The next 12 months' sales target for all JAT products to be sold by Cyclone is A\$17 million.

In November, JAT signed a distribution agreement with Kigobaby, a distributor of consumer products throughout China, to be the exclusive distributor in China of a newly-developed Neurio product line, being Neurio Formulated Milk Powder with Lactoferrin + Sialic Acid ("Neurio Sialic

Acid Formula”).

In November, JAT appointed Shaanxi Kiss Kangaroo Ecommerce Co. Ltd (“Kiss Kangaroo”) as a non-exclusive distributor for Neurio products through its online platform and closed off-line channel for three years, commencing immediately. Kiss Kangaroo, established in 2017 and located in Xi’an, focuses on high-end mother-infant products.

Subsequent to the end of the December 2019 quarter, JAT signed a Distribution Agreement with Ocker Products Pty Ltd (“OPP”) for the non-exclusive distribution of JAT dairy and other products in China for the next three years. This agreement supersedes previous agreements with Ocker which were announced to the ASX on 29 October 2018 and 6 December 2018.

OPP is based in Australia and has a strategic partnership with Beijing Grain Group Co Ltd (“BGG”) and Beijing JingLiang Logistics Co Ltd (“BJL”) to procure food and farm produce on behalf of BGG and BJL. The Distribution Agreement between JAT and OPP is to facilitate OPP meeting orders which it receives from BGG and BJL.

The main products to be sold under the Distribution Agreement will be dairy products including full cream, skim milk and goats’ milk powders. JAT expects to receive orders for both packaged goods and for raw materials. JAT intends to fulfil orders for packaged goods through its ANMA dairy manufacturing facility in Melbourne. JAT will fulfil orders for other products through its sources within Australia and overseas.

OPP have agreed, in the first year of the Distribution Agreement, to purchase a minimum of A\$80 million of JAT’s dairy products and any other products supplied by JAT. Although no minimum amount has been specified in the Distribution Agreement for years 2 and 3, JAT has been advised by Ocker that BGG purchased volumes of products from sources outside China during 2019 of far greater than the amount proposed to be supplied by JAT. Accordingly, JAT believes there is a real opportunity for it to fulfil BGG/BJL orders greater than A\$80 million per year, subject to it obtaining additional funding and increasing its manufacturing capacity.

Cosmetics JV

During the quarter, JAT contributed its \$500,000 share of capital for the establishment of JWR International Limited (“JWR”), a 50/50 joint venture in the cosmetics industry first announced in May 2019.

JWR will specialise in researching, developing, manufacturing and distributing clinical skincare and cosmetics products.

JAT’s Chinese JV partner has conducted extensive research with various research institutes, industry experts and manufacturers on both the latest manufacturing technologies and target market sectors. It plans to develop specific products for three separate consumer groups: adults, pregnant women and children. Five products for adults and three products for children will be

introduced to the market in early 2020.

The JV is outsourcing manufacture of the products to companies in Japan and South Korea. The new products will utilise the latest CBD (an oil extracted from the hemp plant) based skincare technology, with release planned for February 2020.

Green Forest

A large proportion of sales revenue derived by Green Forest is generated from pharmacies and other retail stores in Hong Kong. Due to the street protests in Hong Kong over the last few months, sales by Green Forest have dropped below forecasts and are below sales of immediately preceding periods. The management of Green Forest believed that the situation in Hong Kong is now stabilising and expect sales to increase in the current and future quarters.

Green Forest is in the process of expanding its range and importantly, developing its own products, some of which will be released in the March 2020 quarter.

Outlook

During 2018 and 2019, JAT has invested heavily in transforming JAT from a simple trading company dealing in other companies' products on fine margins to become a manufacturer, distributor and retailer in its own right. By the end of March 2020, JAT expects the following to be in place:

- It will be the only Australian company to have an end-to-end dairy business in China, that is, the manufacture of its own products in Australia, its own distribution network throughout China and the first of its retail stores in China.

JAT has its ANMA facility which, on completion of the construction and machinery project in February 2020, will have the capacity to manufacture and package dairy products into different sized containers and produce individually packed sachet products (such as lactoferrin) into three different pack sizes. The manufacturing capacity of 640,000 tins per month using two shifts will be sufficient to produce tens of millions of dollars of JAT's own dairy product brands such as Neuroio as well as contract manufacturing for third-party brands.

JAT has created its own distribution network for its dairy products in China. The demand from that distribution network is in the tens of millions of dollars and continues to grow. The product to satisfy that demand will be manufactured by ANMA.

JAT will in March 2020 operate its own retail outlet for its dairy products in Shanghai, with the intention to establish more retail outlets in other Chinese cities.

- Through its Green Forest subsidiary, JAT will sell a wide range of FMCG, including Green

Forest owned and developed products and brands.

- Hong Kong-based JWR will have commenced to sell its clinical skincare products.
- The first shipment to China of JAT's plant-based meat products will have been completed and the contract with Shanghai Gurun will commence to be serviced.
- The first products under the \$80 million Ocker contract will have been shipped from Australia.

Corporate

Funding

In November, JAT announced a pro rata non-renounceable rights issue of ordinary fully paid shares to eligible shareholders of one new share for every five shares at an issue price of \$0.05 per New Share to raise up to approximately \$8.4 million (before expenses). The Offer was not underwritten.

JAT proposed to use funds from the rights issue as follows:

Use of Funds	Amount
Instalment of consideration for acquisition of JAT's manufacturing subsidiary, Australian Natural Milk Association Pty Limited, due on 31 December 2019	\$4,000,000
Acquisition of new equipment and construction of expanded clean room for ANMA	\$3,000,000
Purchase of inventory and working capital	\$1,400,000

At the close of the rights issue on 31 December 2019, a total of 10,081,935 shares were issued to eligible shareholders raising \$504,096 (before expenses).

The resulting shortfall from the Rights Issue was 157,918,065 shares. The Directors have the right to place shortfall shares at their discretion. In accordance with ASX Listing Rule 7.2 (Exception 3), any shortfall shares will be issued within three months from the date the offer closed. As at 30 January 2020, a total of 15,000,800 shortfall shares have been issued to raise a further \$750,040.

In September 2019, JAT borrowed \$5 million from a private lender, Topwei Two Pty Ltd, for a term of up to 2 years. JAT may repay the loan at any time. Topwei Two Pty Ltd is not a related party of JAT. The funds were utilised for the \$3.5 million instalment of purchase price of ANMA (see terms of the acquisition set out in the ASX announcement on 8 August 2019) and working capital.

In January 2020, JAT borrowed a further \$5 million from Topwei Two Pty Ltd for a term of up to one year. The funds were utilised for the \$4 million instalment of purchase price for ANMA (see terms of the acquisition set out in the ASX announcement on 8 August 2019) and working capital. JAT may repay the loan at any time. The lender may, subject to shareholder approval, request that repayment of the loan take place by converting the loan to shares at 85% of 10 business day VWAP prior to the date of repayment.

Agreement with CCIC Australia

JAT signed an agreement with CCIC Australia Pty Ltd ("CCIC Aust") under which CCIC Aust will manage the Chinese registration, approval, certification and traceability of products produced in Australia by JAT and its subsidiaries.

The initial functions to be undertaken by CCIC Aust are as follows:

- Consular solutions for JAT's products exported to China;
- Technical support to obtain approval and product registration in China for JAT's products manufactured in Australia;
- ANMA's dairy manufacturer Chinese licence review and approvals for new products;
- Pre-shipment inspection and traceability service;
- Certification;
- Chinese label approval; and
- Quality pre-testing, including sampling at origin and testing by recognised laboratories according to Chinese standards, to ensure that the products meet Chinese import requirements.

Issue of Shares

At a general meeting held on 21 December 2018, shareholders approved the issue of options exercisable at 6c per share with an expiry date of 30 November 2019. Optionholders exercised 7,905,000 during the quarter and paid the conversion price of 6c per share. The balance of the options lapsed on 30 November 2019.

On 3 December 2019, the Company issued 66,583,580 shares without disclosure under Part 6D.2 of the Act, as per a notice issued on 12 December 2019.

Shareholding in ANMA

JAT acquired a 70% interest in Australian Natural Milk Association Pty Ltd, a milk powder manufacturing and processing company based in Melbourne, which is producing JAT's Neurio

milk powder brand.

Yanxia Lu and Yinghan He, who own 49% of JAT's subsidiary, Sunnya Pty Limited, agreed to contribute \$1 million in cash to acquire 5% of ANMA from JAT. As a result, JAT will own 65% of ANMA, one of the vendors of ANMA will retain 30% and Yanxia Lu and Yinghan He will own 5%. Yanxia Lu will join the board of ANMA.

Proposed Name Change

JAT is considering changing the company name to JAT Limited, subject to approval of shareholders by special resolution at a general meeting, following feedback from shareholders that the current name "Jatenergy" does not reflect business operations.

Results of AGM

At JAT's 2019 Annual General Meeting of shareholders held on 21 November 2019, the following resolutions passed on a show of hands.

Resolution 1: Adoption of Remuneration Report
Resolution 2: Election of Director – Brett Crowley

Results of General Meeting

At a General Meeting of shareholders, held on 12 December 2019, the following resolutions passed on a poll of shareholders:

Resolution 1: Issue of earnout shares – Green Forest
Resolution 2: Issue of earnout shares – Sunnya

For more information, please contact:

Wilton Yao
Managing Director
investors@jatenergy.com
Web: www.jatenergy.com

About Jatenergy Limited

Jatenergy Ltd (ASX: JAT) is a China-Australia trade specialist. The Company develops and markets a portfolio of in-house branded FMCGs, focusing on growth opportunities in dairy products.

JAT has positioned itself as a major player in the flourishing Australian consumer goods export industry, offering Chinese retail presence, online sales to Chinese consumers through offshore platforms, and high-volume wholesaling to daigou groups and other distribution channels.

JAT's extensive network of Chinese business affiliations is a substantial source of opportunities, both for the company and for its Australian business partners.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Jatenergy Limited

ABN

31 122 826 242

Quarter ended ("current quarter")

31st December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	20,805	33,537
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(17,240)	(27,662)
(c) advertising and marketing	(116)	(272)
(d) leased assets	32	32
(e) staff costs	(562)	(999)
(f) administration and corporate costs	(822)	(1,477)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	152	153
1.5 Interest and other costs of finance paid	(650)	(657)
1.6 Income taxes paid	(1,065)	(1,065)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	121	124
1.9 Net cash from / (used in) operating activities	655	1,714
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(1,472)	(5,472)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(857)	(857)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received	1,238	1,238
2.5 Other (Provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,091)	(5,091)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	504	504
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	(262)	4,747
3.6 Repayment of borrowings	(41)	(41)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	(2,447)	(2,447)
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(2,246)	2,763

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	9,912	7,844
4.2 Net cash from / (used in) operating activities (item 1.9 above)	655	1,714
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,091)	(5,091)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2,246)	2,763

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	7,230	7,230

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	7,230	9,912
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)	7,230	9,912

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	259
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	18,500
9.3 Advertising and marketing	150
9.4 Leased assets	(32)
9.5 Staff costs	630
9.6 Administration and corporate costs	2,100
9.7 Other (provide details if material)	4,400
9.8 Total estimated cash outflows	25,748
9.9 Amount of \$4.4M disclosed as Other in 9.7 above denotes amount payable to ANMA of which \$4M is the second instalment as part of acquisition and \$400k for the working capital and capital expenditure requirements.	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:



Date: 30/01/2020

Print name: Wilton Yao (Director)

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. 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.
