

ASX RELEASE
20 February 2020

- **Material increase in sales of Neurio products due to Coronavirus**
- **Shanghai Boutique update**
- **New ANMA Milk Production Orders**

Jatenergy Limited (ASX: JAT) provides the following update on the effect of the Coronavirus on its China business as well as an update on ANMA milk production orders.

Sales of Neurio

On 3 February 2020, JAT announced a significant increase in sales of the Neurio lactoferrin brands driven by the emergence of the Coronavirus in China. The orders for Neurio lactoferrin brands have continued to increase significantly. As at 18 February 2020, February orders had reached \$2.8 million, with 11 days remaining in the month (February 2019: \$1,099,917) and March orders had reached \$2 million (March 2019: \$388,714).

Shanghai Retail Store

As a result of the Coronavirus, the Chinese New Year holidays were extended into mid-February 2020. Despite the extension of the holidays, JAT expects the fit out of its Shanghai Maternity and Infant Boutique to be completed in time for it to open in March 2020 (see ASX announcement of 10 December 2019). On opening, the Boutique will be the only Australian dairy company retail store in Shanghai and will be fully stocked with a broad range of its products, including the Neurio lactoferrin range. Significant stocks of product are held in storage in Shanghai in order to meet the expected retail demand.

ANMA Contracts

On 28 October 2019, JAT announced that its manufacturing subsidiary, Australian Natural Milk Association Pty Ltd ("ANMA"), had ordered new machinery to be installed by February 2020 which would result in the ANMA facility meeting the highest of standards of milk powder and multi-line packing in Australia. ANMA would have the capacity to deliver milk powder into a number of different sized containers and could produce individually packed sachets (for products such as lactoferrin) into three different pack sizes. The construction and installation project is on schedule and expected to be completed by the end of February 2020.

a) Update on Beta A2 Australia Manufacturing Pty Limited ("Beta")

On 20 November 2019, JAT announced to the ASX that ANMA had entered into a significant five-year manufacturing and supply agreement with Beta. The agreement was for an expected total amount of \$6.7 million in the first year, which would commence with an initial order of \$1.8 million followed by orders of over \$4.9 million scheduled for the eight months commencing June 2020.

The initial order of \$1.8 million has been received by ANMA from Beta, together with the initial deposit of \$250,000.

b) Ultinature Nutritional Australia Pty Ltd (“Ultinature”)

ANMA has recently entered into a two-year manufacturing and supply agreement with Ultinature, commencing immediately. Ultinature has placed its first order with ANMA, and, in accordance with the agreement, has paid the required deposit.

Under the agreement, Ultinature will place orders on ANMA for the manufacture of four specific Ultinature products as well as any new products which Ultinature may develop. The agreement specifies an “indicative cumulative order quantity over three years” which, if met, would amount to approximately \$6 million in ANMA revenue over three years. Although the agreement is for a two-year period, the parties expect the agreement to be extended and a three-year indicative order quantity was specified in the agreement. The specified quantity of \$6 million is indicative only and not binding on Ultinature, there are no legal consequences if Ultinature does not order that quantity.

The other material terms of the agreement are as follows:

- The sale price of each of the four products are specified in the agreement.
- Upon placing an order, Ultinature must pay 30% of the total order as a deposit.
- There are no conditions precedent in the agreement.
- The agreement has the standard termination clauses which could be expected in a commercial agreement of this kind including termination for insolvency and for not remedying a breach within a reasonable period.

JAT CEO Wilton Yao stated:

“We were delighted that Beta chose us to manufacture their premium A2 protein product. The relationship with Ultinature is expected to extend well beyond the current two-year agreement. We expect to continue to add to our manufacturing order book once our new equipment is installed by the end of the current month.”

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