

ASX ANNOUNCEMENT

31 July 2020

June 2020 Quarterly Report and Appendix 4C

Highlights

- **JAT generates positive operating cashflow in FY20 on \$63 million of cash receipts, with Q4 of FY20 seeing growth momentum temporarily impacted due to COVID-related challenges to international logistics**
- **Launch of new products – Nature's Drops throat lozenges and camel milk powder**
- **Abbeyard brand launched and first batches of A2 protein children's milk powder exported to China under \$4.8 million deal with Hipac**
- **First plant-based meat products produced by JAT JV with Oppenheimer distributed in China to positive customer feedback**
- **Discussions underway to sell plant-based meat products in Australia**
- **Company name changed to Jatcorp Limited**
- **Share buyback completed; cash balance of \$11.4 million as at 30 June**

Health and wellness consumer goods developer and manufacturer, Jatcorp Limited (ASX: JAT, "the Company", formerly "Jatenergy") is pleased to provide its quarterly report for the period ended 30 June 2020.

JAT Managing Director Wilton Yao said:

"The COVID-19 pandemic has disrupted across our markets, especially the local outbound Daigou market as government lockdowns have constrained the movement of overseas visitors and students. The Chinese market has also been impacted, but we have seen signs of recovery from the initial disruption of COVID-19 in China, and demand for our products among Chinese consumers and distributors continues to grow into FY21.

"We developed and launched exciting new products during the quarter which are receiving positive feedback. We also launched a new brand, Abbeyard, and have shipped our first batch to China under this name, fully presold.

"Despite the challenging conditions that have prevailed throughout 2H FY20 across the entire sector, we have recently completed several important activities on the corporate side of our business which leave us well placed for further expansion in FY21.

"Although we expect that FY20 sales will be stable compared to FY19, we expect to achieve increased profitability, as higher-margin in-house brands and products are increasingly our main sources of revenue rather than distributing others' products. Our strategy of focusing on local sourcing, vertical integration and strong asset backing positions us well to compete strongly as our markets recover."

Financial Commentary

Quarterly operating cash flow has gone negative predominantly as a result of a reduction in Sunnya revenue. The COVID-19 pandemic has negatively impacted JAT's ability to generate revenue through Sunnya at the levels anticipated at the beginning of the quarter, and which underpinned JAT's installation of new machinery during FY20. The rate of cash consumption was further temporarily exacerbated by making deposits to suppliers during the quarter. Management is focusing on higher profit rather than sales volume, and the Company plans to generate cash flow and revenue growth by expanding into new channels, products and geographies, as detailed in the Outlook section.

Operational Commentary

New products launched

JAT announced it had developed, launched and achieved first sales of Nature's Drops, a new product under JAT's Hopefern brand. Nature's Drops are a Manuka honey, eucalyptus and lemon flavoured candy that can soothe sore throats and refresh the breath.

JAT has identified a broad target market for Nature's Drops, and faces no regulatory approvals required to sell Nature's Drops in China. JAT received a strong early response to Nature's Drops from mainland Chinese consumers targeted in two promotions where samples of the product were delivered through the Taobao cross-border sales platform. JAT is currently negotiating broader distribution of Nature's Drops through supermarkets, pharmacies and retail stores.

In addition, JAT manufactured and sold its first orders of two new products which are different types of camel milk powder with lactoferrin. JAT believes these products are the world's first camel milk powder fortified with lactoferrin.

The first batches of these products have been shipped to Australian stores and to China, and JAT has received further camel milk powder orders. JAT estimates orders for this product line over the next 12 months will be more than \$2 million based on favourable customer feedback to date. To respond to demand, the Company plans to expand its production of two such

formulated powders at its ANMA manufacturing facility in Melbourne.

JAT also recently developed three new product formulations within its Neurio range of milk powders with lactoferrin. JAT expects these improved formulations to better meet the market demand for Neurio products through a renewed focus on children's intestinal health, brain development and immune system support.

Abbeyard brand launched

During the quarter, JAT announced it had developed a new brand, Abbeyard, which will be used exclusively for distribution by China's largest B2B e-commerce platform for mother and baby care products, Hipac.

The first product under the Abbeyard brand is an A2 protein children's milk powder packaged in 600g cans and produced by ANMA. The first batch of 9 pallets of Abbeyard A2 protein children's milk powder was exported to China via air freight, where they will be distributed by JAT's major partner Hipac. This batch was presold before it arrived in China. JAT is working with Hipac to develop further products under the Abbeyard brand.

Plant-based meat products delivered to Shanghai

The first batch of JAT's plant-based meat products was distributed to restaurants and major Chinese food chains in Shanghai during May as part of a joint venture between JAT and Oppenheimer Pty Ltd, JAT Oppenheimer Pty Ltd, to develop plant-based meat substitute products for sale worldwide.

Since November 2019, JAT Oppenheimer Pty Ltd has been developing and testing products, arranging the first customers to serve the products in China and arranging all regulatory requirements including licenses and permits to import the products to China.

The first batch of mixed plant-based meat products produced by JAT Oppenheimer was released by the Chinese customs authorities after all necessary testing and inspections were satisfactorily completed.

The products included a total of 600kg of unique JAT Oppenheimer plant-based Wagyu beef, hot pot meatballs, pork and beef minces, beef burger, chicken strips, normal beef and pork balls. The products have been distributed to major Chinese catering and food chains such as Shanghai Xinghualou Group, Tianjin Guifaxiang Food Group and other large hotel groups. The supply of the products by JAT Oppenheimer was free of charge in order to allow those groups to conduct testing.

JAT believes the hot pot beef meatball is the world's first plant-based meatball which can be used by traditional Chinese hot pot restaurants. The product has been satisfactorily tested by a well-known Chinese hot pot restaurant chain to confirm that the product can be used in the

distinctive hot pot cooking method and can be cooked over a long period. As a result of the successful trial, the product will be rolled out to other Chinese hot pot restaurants.

The Wagyu plant-based beef is to be marketed as a premium plant-based meat product to be included on the menus of five-star hotel restaurants and other fine dining restaurants.

One prominent potential customer, Shanghai Gongdelin Vegetarian Restaurant, has conducted several tests and trials of JAT's Vmeat products and is very satisfied with the product quality. The parties are now in discussions regarding supplying products to Gongdelin Vegetarian Restaurant.

JAT Oppenheimer has commenced discussions with a number of large Chinese state-owned food companies to jointly develop the Chinese market for its plant-based meat products. These discussions have contemplated the potential to utilise facilities in China to produce the plant-based meats. This would result in significant savings in production and transport costs as well as being able to deliver the products to market more quickly.

Production ramping up

JAT's ANMA factory commenced operating with two shifts per day in April. ANMA has signed serial contract manufacturing agreements with local and overseas companies to produce infant formula, lactoferrin and adult goat milk powders for clients.

Shanghai retail store

JAT's Shanghai retail store was due to open in the June 2020 quarter. JAT has paid six months rental in advance and has paid the initial instalment of the fit-out costs. Due to government restrictions on construction work in the precinct as a result of COVID-19, it is expected that the fit-out will be completed and the shop opened by October 2020.

Outlook

In the current quarter, JAT plans to deliver growth via:

1. Developing new products, especially health supplements to meet consumers' needs, especially during this challenging period. In the next quarter JAT plans to release a number of new products into the market, with some order interest already confirmed by distributors and customers once the products are ready. To scope longer-term growth, the Company recently signed a marketing research agreement with Monash University to conduct analysis of consumer demand for health products in the Chinese market.
2. Expanding JAT's business and distribution networks, particularly to expand operations into other Asian countries. In the meantime, the Company is developing new products for the Australian market.

3. Seeking new sales channels to offset constraint of the daigou channel. JAT plans to introduce a new sales method, "Group Buy" via WeChat, for making sales direct to Chinese consumers.

Demand for JAT's products and OEM from Chinese consumers and distributors continues to grow, and ANMA is underway for major expansion, with construction works expected to start from late August or early September and complete in early October. Once complete, ANMA will be able produce a broader range of products, including probiotics.

Corporate

Premises expansion

To support the Company's growth plans for Neurio, JAT subsidiary Sunnya Pty Ltd purchased an office suite within a commercial hub in Bella Vista, Western Sydney. The cost of the suite, which was \$1.28 million, has been met from Sunnya cash flow with no borrowings required and settlement on the property is complete. The new facility strengthens JAT's asset base and allows for smoother logistics as distribution ramps up across JAT's product suite.

Change of Company Name

In June, Jatenergy Limited changed its company name to Jatcorp Limited in accordance with a resolution passed by shareholders on 18 June 2020. The ASX code for Jatcorp Limited remains JAT.

Convertible Notes

On 22 April 2020, JAT announced it had secured funding through the issue of two convertible note facilities to raise \$5 million. It received shareholder approval for this at a general meeting on 18 June 2020.

Share Buyback

During the quarter, JAT announced it planned to buy back 7,361,900 ordinary shares which were issued in error to shareholders as part of a December 2017 Share Purchase Plan. The issue of the Error Shares was a systems error resulting in a duplicate issue of shares to shareholders who participated in the share purchase plan and who were all clients of the same broker. It believed that a similar error in the future is very unlikely. None of the Error Shares were issued to related parties of JAT.

Shareholders approved this share buyback at a general meeting on 18 June 2020.

Results of General Meeting

At a General Meeting of JAT shareholders on 18 June 2020, all resolutions set out in the Notice of Meeting passed, with voting conducted via a poll. Resolutions were as follows:

1. Buyback of Shares
2. Change of Company Name
3. Issue of Convertible Notes
4. Approval to Issue Collateral Shares to Obsidian Global GP, LLC
5. Issue of Shares to Everblu Capital Pty Ltd
6. Issue of Options to Everblu Capital Pty Ltd
7. Issue of Convertible Note to Ms Wen Huang.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of the Appendix 4C includes payment of directors' fees to directors.

This announcement has been authorised for release to the ASX by Managing Director, Wilton Yao.

For more information, please contact:

Wilton Yao

Managing Director

investors@jatcorp.com

www.jatenergy.com

About Jatcorp-Limited

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

Name of entity

JatCorp Limited

ABN

31 122 826 242

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,352	63,348
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,563)	(53,151)
(c) advertising and marketing	(481)	(961)
(d) leased assets	9	(79)
(e) staff costs	(544)	(2,191)
(f) administration and corporate costs	(817)	(3,068)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	52	284
1.5 Interest and other costs of finance paid	(885)	(2,241)
1.6 Income taxes paid	(235)	(1,354)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	161	324
1.9 Net cash from / (used in) operating activities	(2,951)	911
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,424)	(1,424)
(d) investments	(1,019)	(10,095)
(e) intellectual property	-	-
(f) other non-current assets		(1,318)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	1,238
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,443)	(11,599)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	754
3.2	Proceeds from issue of convertible debt securities	4,000	4,000
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	3,564	15,014
3.6	Repayment of borrowings	(1,278)	(3,058)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(2,447)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,286	14,263

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,527	7,844
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,951)	911
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,443)	(11,599)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,286	14,263
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	11,419	11,419

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	11,419	10,527
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)	11,419	10,527

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

99

-

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

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
\$12.25 million	\$12.25 million
-	-
\$4 million	\$4 Million
\$16.25 million	\$16.25 million

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

Nil

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.

1. Lender: Topwei Two Pty Ltd. Amount: \$5 million. Term: Repayable before 3 September 2021. Interest rate: 20% per annum. Repayable at any time provided 60 days' notice to the lender is made. Security: unsecured.
2. Lender: Topwei Two Pty Ltd. Amount: \$5 million. Term: Repayable at any time before 8 January 2021. Interest rate: 13% per annum. Repayable 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. Interest rate: 13% per annum. Security: second ranking PPSR security interest over JAT's shares in ANMA.
3. \$2.25M loan was taken from Topwei Two Pty Ltd on a short term basis to meet the working capital requirement in Jat. It has been repaid back in July 2020.
4. Convertible Securities agreement with Obsidian Global GP LLC. Amount \$ 4 million. Maturity date 18 months after the purchase date. Redemption amount: 105% of the amount outstanding. Face value US\$ 1.2 per convertible security.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(2,951)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

11,419

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

11,419

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

3.87

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

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?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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: 31st July 2020.....

Authorised by: Wilton Yao
(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.