JAT is a specialist in Australia-China trade, focused on growth within the Australian health and wellness consumer goods export industry.

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ASX ANNOUNCEMENT

30 October 2020

September 2020 Quarterly Report

Highlights

- **JAT returns to positive operational cashflow, generating $841k in net cash in the September quarter on $7.7 million in cash receipts**
- **JAT's new product development strategy is being implemented**
- **JAT's new formula suitable for diabetics achieves Australian Glycemic Index Foundation Low GI certification**
- **Data from University of Sydney antiviral food supplement research positive**
- **Two new wellness products launched under Hopefern brand – avocado oil and walnut oil**
- **New distribution agreements signed with Shengding Pty Ltd and Suning, further extending JAT's network and reducing reliance on daigou stores**
- **First sales achieved in Taiwan and Vietnam**
- **Private equity executive Mr Sun Xin appointed to JAT Board**

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

JAT Managing Director Wilton Yao said:

"Despite reduced quarterly sales revenue due to the COVID-19 lockdown, with many daigou stores closed and the flow of Chinese students and tourists into Australia paused, JAT saw significant sales improvements in September, the Company achieved positive EBITDA for the month and we continue to see sales trending up. We expect to build on this momentum with an upcoming marketing campaign focusing on in-house branded products: Hopefern Nature Drops, Walnut Oil and Avocado Oil.

"JAT continues to pursue direct links with large Chinese state-owned companies and large private enterprises, demonstrated by two new distribution agreements signed in the September quarter. We are aiming to create stable and mutually beneficial supply chains.

"We also continue to develop new products to increase our offering into China and other countries, with our successful development of a formula suitable for diabetics and also our new Moroka formula, which will be exclusively marketed in China by one of our new partners. We also launched

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four new wellness products made in Australia under the Hopefern brand – avocado oil and walnut oil, and Ione Full and Skim Milk Powders with Prebiotics. We achieved first sales orders in Taiwan and Vietnam and we hope to extend our footprint in these markets in the months ahead."

Operational Commentary

- New distribution agreements signed with Shengding Pty Ltd and Suning
- JAT's formula suitable for diabetics achieves Australian Glycemic Index Foundation Low GI certification
- The data produced from the University of Sydney research project demonstrates antiviral activity of JAT products against certain common infectious diseases.
- Avocado oil and walnut oil launched under Hopefern brand
- First sales achieved in Taiwan and Vietnam
- Moroka Lactoferrin formula will be shipped to China in early November
- Ione Full and Skim Milk Powders with Prebiotics will be shipped to China in early November

JAT's new product development strategy

JAT is successfully continuing its strategy of developing its own health products. In the September quarter, significant milestones were achieved in relation to its new diabetic formula, the University of Sydney research project and two new Hopefern brand oil products.

Jinvigorate Diabetic Formula

JAT has successfully developed a formula specifically targeted at the diabetic market. The product is to be known as Jinvigorate Diabetic Formula which will provide nutritional support for people with diabetics.

The product was analysed by the University of Sydney and was granted the "Low GI Symbol Certification" by the Australian Glycemic Index Foundation. After developing the product, JAT commissioned University of Sydney's Glycemic Index Research Service (SUGiRS) to measure the Glycemic Index (GI) value of the product. The report by SUGiRS stated as follows:

> *"Using glucose as the reference food (GI = 100), foods with a GI value less than 55 are currently considered to be low-GI foods (12, 13). Foods with a GI value between 56-69 are medium- or moderate-GI foods, and foods with a GI value of 70 or more are high-GI foods. The Jinvigorate Diabetic Formula beverage powder prepared with water tested in this study produced an average GI value of 23, which places this product well within the low GI category."*

Based on the conclusions by SUGiRS, the Australian Glycemic Index Foundation confirmed to JAT that the product meets its certification rules and is eligible for the Low GI Symbol Certification. This is a very important requirement in marketing the product to the diabetic market.

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Jinvigorate Diabetic Formula will be manufactured by JAT at the ANMA facility in Melbourne and distributed throughout Australia.

JAT and University of Sydney antiviral food supplement research

In March 2020, JAT entered into a commissioned research agreement with the University of Sydney to develop a food supplement with potential antiviral properties.

JAT has been provided with the data produced from Stage I of the project which demonstrates that the products supplied by JAT show antiviral activity against certain common infectious diseases. Further research will continue to identify more potential compounds with anti-viral properties.

Two new wellness products launched: Hopefern Avocado Oil and Walnut Oil

JAT has developed Avocado Oil and Walnut Oil, two new products under the Company's Hopefern brand. In developing these products, JAT is meeting increasing demand for nutritional and healthy food ingredients, in which high-quality cooking oils are a key input.

Hopefern Avocado Oil is made in Australia and is cold-pressed to an Extra Virgin quality level. Hopefern Walnut Oil is also made in Australia and is cold-pressed. Both products are ready for the local and overseas markets and will be sold in local supermarkets as well as overseas retail stores.

Expansion of sales to Taiwan and Vietnam

ANMA received its first orders from Taiwan during the quarter, with orders for children's goat milk powder amounting to $354,000 being filled. ANMA received its first order from Vietnam for formulated milk powder in 300g cans and lactoferrin in 60g cans. The sales revenue for this order was $60,000.

Although both orders are relatively small, JAT expects to grow sales in both of those countries in the very short term. JAT has also commenced promotional work in other countries and expects to secure sales shortly.

Distribution agreement with Shengding Pty Ltd

JAT has developed a product under a new brand, Moroka Formulated Milk Powder with Lactoferrin. JAT entered into an agreement with Shengding Pty Limited which gives Shengding the exclusive right to distribute the Moroka formula into supermarkets throughout China. Shengding has placed its first order of one 20' container of Moroka Lactoferrin which will be manufactured by ANMA and shipped to China in early November.

Shengding has in recent years successfully distributed many Australian products into Chinese supermarkets including the new concept retail stores. It is expected that Shengding will assist JAT to distribute lactoferrin range products into China's supermarket chains and new concept retail chains such as Hema Supermarket (owned by Alibaba Group) and 7Fresh (owned by JD Group).

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This distribution channel is significant for JAT since most of JAT's lactoferrin products, including the Neurio range, have to date been predominantly sold in baby and mother stores. The Company expects its relationship with Shengding to expand JAT's sales network into Chinese supermarket chains and the new concept chains such as Hema and 7Fresh. Shengding will also assist JAT to distribute other JAT in-house products, such as Ione Full and Skim Milk Powders with Prebiotics.

Distribution agreement with Suning

JAT received its first purchase order following its signing of a distribution agreement with HongKong Suning Appliance Resourcing Ltd (Suning), based in Hong Kong on 30 September 2020.

The agreement will see Suning distribute Australian products including JAT's in-house brands in mainland China on a non-exclusive basis. Suning is part of the Suning Holdings Group, which is one of the largest civilian-run enterprises in mainland China, and is primarily involved in the trading of FMCG products.

This agreement aligns with JAT's strategic plan for China focusing on dealing with large state-owned or private companies, such as Suning. JAT sees dealing with larger enterprise counterparties as providing the Company with a much more stable and reliable distribution platform, helping to mitigate any potential changes in the Chinese trading environment.

Suning made its first purchase order with an order value of A$127,000.

Outlook

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

- The release and marketing of newly-developed products, including Ione Full and Skim Milk Powders which JAT plans to sell both in Australia and internationally.
- Expanding JAT's business and distribution networks, particularly to expand operations into other Asian countries.
- Continue to seek and cultivate new sales channels to offset constraints of the daigou channel.
- Complete the upgrade of its ANMA factory during the period, allowing ANMA to produce more products, particularly the probiotic range.

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Expenditure on business activities

A summary of the expenditure incurred on JAT's business activities for the quarter follows:

Expenditure Category	Amount $
Expenditure on inventory and manufacturing	4,865,000
Advertising and marketing costs	367,000
Leasing	108,000
Employees	649,000
Interest	481,000
Administration and corporate	509,000
Total	**6,979,000**

Corporate

Board Changes

In August, after a number of productive years with JAT, Mr Xipeng Li resigned from the board.

At the same time, Mr Sun Xin was appointed a director of the Company. Mr Sun is Managing Director of Guangdong RYS Investment Ltd, a midmarket private equity buyout firm with a focus on mainland China. RYS is based in Shenzhen, China, and currently employs a team of 20 professionals. Mr Sun had previously worked for several securities firms including CDB Securities Ltd, a company within the China Development Bank group. Mr Sun is well experienced in Chinese securities and business regulation as well as the development and execution of strategic transactions in China and the Asia-Pacific. Mr Sun is a Representative Sponsor of the China Securities Regulatory Commission. It is expected that Mr Sun will be of significant assistance in developing JAT's business in China.

Conversion of Convertible Notes

In July, JAT received a conversion notice from Obsidian Global GP, LLC in respect of 100,000 Convertible Notes with a face value of US$1.20 per Convertible Note. Upon conversion of the 100,000 Convertible Notes, 5,319,390 ordinary shares in the Company at a deemed issue price of AU$0.032 were satisfied by the reduction of Collateral Shares held by Obsidian Global GP, LLC per clause 6.c of the Convertible Securities Agreement.

The remaining number of Convertible Notes following Conversion is 2,677,900.

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Payments to related parties of the entity and their associates
The amount included in section 6.1 of the Appendix 4C is the payment of fees to directors.

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

For more information, please contact:

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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.