

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

ASX ANNOUNCEMENT

29 October 2019

September Quarterly Report and Appendix 4C

Highlights

- **Second successive cash flow positive quarter, with \$12.7 million in cash receipts (+18.9% YoY) generating over \$1 million in net cash from operations**
- **Acquisition of a 70% controlling interest in Australian infant formula manufacturer, with CNCA/SAMR approval to export infant formula to China**
- **Australian Natural Milk Association Pty Ltd (ANMA) facility commences milk production under JAT control**
- **Cash balance of \$9.9 million as at 30 September 2019**

Australia-Asia trade specialist, Jatenergy Limited is pleased to provide its quarterly report for the period ended 30 September 2019.

JAT Managing Director, Wilton Yao, said:

"Completing our acquisition of a controlling interest in Australian Natural Milk Association significantly accelerates JAT's strategy of vertical integration. This facility allows JAT to manufacture our fast-growing product range and decrease reliance on contract manufacturers. ANMA's state-of-the art manufacturing facility has already commenced milk powder production for JAT for one of the Company's key brands, Neurio Goat Infant formula.

"We are pleased with the impact ANMA has made on JAT's trading business in the first 75 days since ANMA commenced production for JAT. It is a key step as the Company continues to build a strong asset base, meet growing demand and decrease reliance on contract manufacturers. The acquisition will allow JAT to boost its exports of infant formula into China and we expect it to drive value for shareholders as the Company delivers on its long-term growth plans."

Financial Commentary

- A second successive cash flow positive quarter, generating \$1.06 million of net cash from operations, an improvement of \$6.6 million from the September 2018 quarter
- \$12.7 million in cash receipts, up 18.9% from the September 2018 quarter
- Increasingly robust cash position: cash on hand of \$9.9 million as at 30 September 2019

In their first year of ownership by JAT, Green Forest International Pty Ltd and Sunnya Pty Ltd generated net profit before interest and tax for the year ended 30 June 2019 of \$1.94 million and \$2.1 million respectively, a significant improvement over the previous year prior to acquisition. These results exceed the internal targets set for both businesses, and recent trading indicates continued improvement in profitability. Although seasonality in healthcare sales and political unrest in Hong Kong impacted on revenue for Green Forest during the September quarter, JAT mitigated these effects by focusing on sales in the Australian market during this period, and steady sales for the forthcoming period are expected.

The strong performance by Green Forest and Sunnya has triggered the issue of earnout payments agreed to at the time of acquisition of both companies. The criteria for the earnout payments are set out in the notices of meeting released on 12 June 2018 and 6 September 2018 and provision for these payments were made in the audited accounts for the year ended 30 June 2019. JAT is intending to hold a general meeting of shareholders on 12 December 2019 to obtain shareholder approval for the issue of the share components of these earnout payments.

Australian Natural Milk Association Pty Ltd (“ANMA”)

During the quarter, JAT agreed to acquire 70% of ANMA, a Melbourne-based dairy product manufacturer with regulatory approval to export infant formula to China.

ANMA owns and operates a 5,000sqm manufacturing facility on 8,000sqm of land in western Melbourne equipped with state-of-the-art processing lines specialising in handling infant formula milk powder and other dairy products. ANMA is one of only 15 milk powder manufacturers in Australia approved by China’s Certification and Accreditation Administration (CNCA) for exporting infant formula into China under regulatory requirements administered by China’s State Administration for Market Regulation (SAMR).

As a result of the acquisition, JAT has control of the supply chain of one of its major growing products, has reduced supply risk by no longer relying on contract manufacturers and will increase margins by capturing the manufacturer’s margin.

The acquisition paves the way for JAT to export products into the Chinese market such as Sunnya’s Neurio goat infant formula.

Since acquiring a controlling interest in Sunnya Pty Ltd in June 2018, JAT has entered into material agreements with several partners to distribute Sunnya’s infant and adult dairy products in China and other Asian countries. One of Sunnya’s in-house brands, Neurio, now has one of the most popular product ranges with lactoferrin in the Chinese market.

Production of Neurio goat infant formula has commenced at the ANMA facility. ANMA will continue to produce formula for other third-party milk powder suppliers.

Outlook

In the current quarter, it is expected:

- Sales by JAT and its subsidiaries are expected to exceed the previous quarter.
- Green Forest will launch a new product into the market.
- ANMA production of both JAT products and third-party products will increase. Contracts for new equipment for the packaging of lactoferrin products will be entered into, the equipment will be installed and production commenced in February 2020.
- Work will commence on developing new plant-based meat substitute products for export to China and other Asian countries.
- JAT's 50/50 cosmetics JV, JWR International Limited, will commence manufacture of its products.
- JAT's contract with CIIC Australia will assist with Chinese regulatory and approval issues.

Corporate

After the end of the quarter, the Company received \$474,300 cash through the exercise of 7,905,000 JAT options at 6c per share.

At JAT's AGM to be held on Thursday 21 November 2019, the directors have asked shareholders to approve a consolidation of all ordinary fully paid shares on a 5 to 1 basis. The Directors consider that the consolidation will assist in mitigating disadvantages including share price volatility and potential negative perceptions associated with a low share price. If the proposed share consolidation is approved by the Company's shareholders, the number of the Company's shares on issue will reduce from 842,881,776 shares to approximately 168,576,355 shares. The timetable for completing the consolidation is set out in the Notice of Annual General Meeting released on 21 October 2019.

Details of Company Address

The new address and phone number for Jatenergy Limited is as follows:

Address: Suite 306, 521 Toorak Road, Toorak VIC 3142
Telephone: 03 9090 7592

Wilton Yao

Managing Director

investors@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

Quarter ended ("current quarter")

31 122 826 242

30 September 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	12,732	12,732
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10,422)	(10,422)
(c) advertising and marketing	(156)	(156)
(d) leased assets	-	-
(e) staff costs	(437)	(437)
(f) administration and corporate costs	(655)	(655)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(7)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	3	3
1.9 Net cash from / (used in) operating activities	1,059	1,059

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(4,000)	(4,000)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
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 (see note 3)	-	-
2.5 Other (Provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(4,000)	(4,000)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	5,009	5,009
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	5,009	5,009

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	7,844	7,844
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,059	1,059
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4,000)	(4,000)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,009	5,009

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	9,912	9,912

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	9,912	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)	9,912	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	137
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	

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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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	11,000
9.3 Advertising and marketing	250
9.4 Leased assets	
9.5 Staff costs	450
9.6 Administration and corporate costs	650
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	12,350

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:



Print name: Wilton Yao (Director)

Date: 28 October 2019

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.
