

DECEMBER 2018 QUARTERLY REPORT

Highlights

- Jatenergy records maiden positive operating cash flow since establishing its fast-moving consumer goods (FMCG) business.
- Board appoints Wilton Yao as JAT Managing Director
- Improved performance for JAT subsidiary Green Forest
- New distribution contract sees NEURIO products expand into more mother and baby outlets
- Golden Koala Full Cream Milk Powder achieves exclusive distribution agreement for shipping in January

Quarterly Review

Jatenergy (JAT or the Company) (ASX Code: JAT) is pleased to provide its second quarterly report for the year ending June 2019. Most notably, in the December quarter, JAT achieved positive operating cash flow for the first time since establishing its FMCG business. Operating cash flow was finalised at \$929,000 for the December quarter compared to negative \$5.5 million in the quarter ending September 2018. Factors influencing this result include:

- Acquisition of Sunnya on 10th October, which added 82 days cash flow to the December quarter results.
- The first full quarter of cash flow from Green Forest (acquired on 10th August). In the first quarter, Green Forest contributed 50 days cash flow.

The board was pleased to announce the appointment of Wilton Yao to the role of JAT Managing Director in recognition of his leadership skills and strategic capability. The board is confident that this appointment will facilitate Mr Yao's continued success to develop JAT as a successful and profitable business.



This quarter saw management achieve a number of significant commercial goals.

Having completed its acquisition of the distribution company, Green Forest, in the previous quarter, JAT turned its attention to improving the company's operations

Pleasingly, Green Forest maintained its sales, Managing Director Wilton Yao said. "Green Forest management determined that it would focus its promotions on its high-profit products, resulting in a significant profit margin increase," he said.

The quarter shows JAT is delivering on its three-phase growth strategy. "The first stage was to change the business direction from energy to trading and investment. We started by representing local brands and suppliers in their China exports," Mr Yao said. "The second stage is to establish our own brands, such as Golden Koala, NEURIO and Green Forest. The third stage will be to manufacture our own products."

Growth Outlook

JAT Directors are seeking to enter into more distribution deals and strategic agreements to continue the Company's rapid growth.

Sunnya Pty Ltd

The distribution deal announced by JAT on 26 June 2018 with Cyclone saw Sunnya's NEURIO Lactoferrin reach the shelves of 3,000 mother and baby stores throughout China in the December quarter through Cyclone's Hipac platform. Expansion will continue in the next quarter. "We reached out to Hipac to supply baby and mum stores through them," Mr Yao said. "Hipac selects the stores and we supply the products."

Promotional days have produced strong results. "On a single day, a promotion resulted in sales of over 2 million Chinese Yuan (approximately AU\$ 412,000)," Mr Yao said. "We selected the company's premium product, NEURIO Formulated Milk Powder with Lactoferrin, to promote."

Golden Koala Group Pty Ltd

Following a new exclusive distribution agreement, signed in October last year, JAT has shipped the first palette of products to China.

On October 29th, 2018, JAT signed a Strategic Cooperation Agreement with Ocker Products Pty Ltd (OPP), providing a framework for OPP to distribute JAT products through the Beijing Grain Group Co Ltd.'s (BGG) distribution channels.

BGG is a state-owned company responsible established by the Beijing Municipal People's Government to provide food security and distribution for China's capital city. The agreement is valid for three years and renews automatically unless terminated with three month's written notice.



Shanghai Dragon Corporation

JAT was the only Australian company to sign a Strategic Cooperation Agreement with the Shanghai Dragon Corporation (SDC). SDC is a state-controlled, publicly listed business.

Under the agreement, JAT directors expect SDC to import and distribute US\$5 million worth of JAT food products, including:

- Golden Koala infant formulas and milk powders
- NEURIO Formulated Milk Powder with Lactoferrin and other NEURIO products
- Cobbitty Country products

"We are delighted to sign Shanghai Dragon Corporation to distribute a range of JAT in-house brands, further cementing a strong relationship between the two businesses," said Mr Yao.

Strategic partnership with Shanghai Bios Medical Nutrition Technology

At the China International Import Expo in Shanghai (November 2018), JAT and Shanghai Bios Medical Nutrition Technology Ltd (SMN) signed a memorandum of understanding for a Strategic Partnership Agreement. The MOU provides a framework to jointly develop new nutritional and functional foods for Chinese consumers.

JAT and SMN will jointly select products to develop and create, marking a significant step towards JAT's stage three goal to manufacture its own branded products in China.

Mr Yao said: "Shanghai Bios have a wealth of experience, and we are delighted to be working with them."

Staff recruitment

To meet the opportunities presented by JAT's growth in the past two quarters, management is actively recruiting staff across its subsidiaries who will assist Jatenergy and its subsidiaries with business expansion in the future.

"We always look at what the market needs and what staff members we need to accrue for each position," Mr Yao said. "In our nutritional and milk powder businesses, we have found the staff to help develop the company and grow. And we are seeking more staff members to meet the growing demand across all our businesses.

JAT directors are delighted with the progress made in the past quarter to meet operational improvements, achieve positive trading cash flow and advance the growth opportunities of our clients and subsidiaries. Our three-stage plan to become a significant exporter of Australian products and a manufacturer in our own right is well on track.

Wilton Yao

Managing Director



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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18,049	28,730
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(16,097)	(31,512)
(c) advertising and marketing	(38)	(47)
(d) leased assets	-	-
(e) staff costs	(386)	(505)
(f) administration and corporate costs	(528)	(1,211)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	105	105
1.5 Interest and other costs of finance paid	(222)	(222)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	46	46
1.9 Net cash from / (used in) operating activities	929	(4,616)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(2,600)	(4,600)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$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	(2,600)	(4,600)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	6,221	7,846
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	-	3,306
3.6 Repayment of borrowings	(878)	(878)
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	5,342	10,274

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	1,591	5,795
4.2 Net cash from / (used in) operating activities (item 1.9 above)	929	(4,616)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,600)	(4,600)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,342	10,274

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,262	6,853

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	5,262	6,853
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)	5,262	6,853

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	264
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

Add notes as necessary for an understanding of the position

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	15,500
9.3	Advertising and marketing	50
9.4	Leased assets	-
9.5	Staff costs	400
9.6	Administration and corporate costs	550
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	16,500

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

Acquisitions

Disposals

10.1	Name of entity	Sunnys Pty Ltd	
10.2	Place of incorporation or registration	New South Wales, Australia	
10.3	Consideration for acquisition or disposal	2,600,000	
10.4	Total net assets	\$ 562,000	
10.5	Nature of business	Manufacturing, Distribution & Exporter of Milk Powder	

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: 25th January 2019

(Director)

Print name: Wilton Yao

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.

JATENERGY LIMITED

ABN 31 122 826 242

ASX CODE: JAT

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