

**ASX RELEASE**

22 April 2020

## **New funding for capital expenditure and working capital**

Health and wellness consumer goods developer and manufacturer, Jatenergy Limited (ASX: JAT), is pleased to advise that it has arranged two facilities totalling \$5 million by way of a convertible note facility and a convertible loan. The funds will be used for capital expenditure and working capital purposes.

JAT Managing Director Wilton Yao stated:

*“JAT revenue in February 2020 reached a record of \$8.3 million. These sales levels were sustained in March with revenue of \$8.1 million. This new funding will allow JAT to reach higher turnover levels. JAT will have the capacity to increase raw material and inventory levels as well as acquiring and installing the new machinery at the ANMA facility to produce our new products which are being demanded by our customers.”*

Details of both facilities are set out below. A meeting of shareholders to approve both facilities is to be held in late May 2020. A notice of meeting will be forwarded to shareholders in the next few days.

### **A. Convertible note facility**

JAT has entered into a convertible note facility (“Facility”) to raise \$4 million to fund capital expenditure and working capital. The Facility has been provided by Obsidian Global GP, LLC (“Obsidian”) and was arranged by EverBlu Capital Pty Ltd (“EverBlu”).

Neither Obsidian nor Everblu are current shareholders of JAT and neither are related parties of JAT or a related party of a director of JAT.

### **Initial drawdown**

JAT will be entitled to drawdown an amount of \$4 million as debt within five days after shareholders have approved the issue of the convertible notes (the “Notes”) to Obsidian upon the terms set out in the Facility. If shareholder approval is not received, the drawdown and the issue of the Convertible Notes will not proceed.

### **Facility Terms**

The material terms of the Notes to be issued under the Facility are:

1. JAT will be entitled to drawdown an amount of \$4 million upon the issue of the Notes within five days after shareholders have approved the issue.
2. The face value of each Note is US\$1.20.
3. The number of Notes to be issued is that number which is equivalent to the actual amount paid in US\$ by Obsidian so as to procure the transfer of the A\$4 million to JAT.

4. The Notes do not bear interest.
5. The Maturity Date of the Notes is 18 months after issue.
6. On the same day that the Notes are issued, JAT will issue 60 million fully paid ordinary shares in JAT ("Collateral Shares").
7. The Notes may be converted to Shares upon Obsidian issuing a "Conversion Notice" to JAT. A Conversion Notice cannot be in respect of more than 25% of the Notes issued. The first Conversion Notice cannot be issued prior to 90 days after execution. Subsequent Conversion Notices cannot be issued within any period of 20 consecutive ASX trading days of the previous Conversion Notice.
8. Each Note shall be convertible into new Shares of JAT determined by dividing the Australian dollar equivalent of the face value of the Notes to be converted by the lower of (a) 95% of the lowest daily VWAP during the 10 trading days prior to the date of the Conversion Notice and (b) 7.95c.
9. Where at any time JAT is required to issue Shares to Obsidian under the Agreement, then Obsidian can elect to partially or wholly satisfy the Company's obligation to issue the relevant Shares by reducing the number of Collateral Shares equivalent to the number of shares which would have been issued under the Note. If the Agreement terminates early and there is no further amount outstanding to Obsidian by JAT any Collateral Shares outstanding will be transferred by Obsidian to JAT or its nominee.
10. Shares must be issued to Obsidian within 2 ASX trading days after receipt of a Conversion Notice.
11. Obsidian has agreed not to, on any given ASX trading day, engage in trading which exceeds the greater of (a) 15% of JAT's daily trading volume and (b) \$50,000.
12. Any Notes which are not converted at the Maturity Date must be redeemed by JAT by paying the Redemption Amount. The Redemption Amount is 105% of the Amount Outstanding (ie, the aggregate total of the Face Value of the outstanding Notes).
13. JAT may redeem any Notes prior to the Maturity Date by paying the Redemption Price of the Convertible Notes redeemed.
14. The Notes are not transferable except with the prior written consent of JAT.
15. The Notes do not provide for any voting rights at Shareholder meetings unless and until converted into Shares. A convertible note holder is not (by virtue of the Note) entitled to participate in any new issue of securities to Shareholders without first converting the Note into Shares.

16. If, before the maturity date there is a reorganisation, reconstruction, consolidation, sub-division or bonus-issue of the capital of the Company, the Notes shall be reorganised, reconstructed, consolidated or subdivided on the same basis so that each Investor is treated in the same manner as the other shareholders in JAT and to ensure that:

- (a) the value of any Shares and Notes issued are not adversely affected; and
- (b) no Investor is conferred with any additional benefits which are not also conferred on Shareholders.

17. The Notes will not be quoted on ASX.

18. JAT will apply for quotation on ASX of all Shares issued on conversion of Notes in accordance with the Listing Rules.

19. The Notes to be issued to Obsidian will be secured. The Company will execute a General Security Deed with Obsidian that will remain until all outstanding amounts are paid under the Facility.

The table below provides an estimated range of the number of Shares that could be issued under the Notes should they be converted. The table provides a range of exchange rates based on set appreciation or depreciation, as well as a range of potential Share prices.

<b>Exchange rate</b>	<b>VWAP 2.6c</b>	<b>VWAP 4c</b>	<b>VWAP 5.2c</b>	<b>VWAP 6c</b>	<b>7.95c</b>
Current exchange rate: USD:AUD 0.642	184,615,385	120,000,000	92,307,692	80,000,000	60,377,358
5% appreciation of the AUD	175,824,176	114,285,714	87,912,088	76,190,476	57,502,246
10% appreciation of the AUD	167,832,168	109,090,909	83,916,084	72,727,273	54,888,508
5% depreciation of the AUD	194,331,984	126,315,789	97,165,992	84,210,526	63,555,114
10% depreciation of the AUD	205,128,205	133,333,333	102,564,103	88,888,889	67,085,954

Notes:

1. Appreciation/depreciation based against the Current Exchange Rate stated above.
2. The VWAP represents the volume weighted average price estimate. JAT has used 5.2c as the mid VWAP for this table based on past performance of the share price over the past 30 trading days. JAT has used 2.6c as the lowest VWAP, being 50% of the mid VWAP.
3. For the purposes of this table and in accordance with the terms of the Facility, the table uses 7.95c as the highest VWAP. Conversions are made based on the lower of (i) a 5% discount to the lowest VWAP in a 5-day period prior to conversion or (ii) 7.95c per share.
4. The face value (being US\$1.20) has been used to determine the potential dilution in the table above.
5. The number of ordinary shares currently on issue in JAT is 929,547,291.

## **Fees to EverBlu**

In consideration for arranging the Facility, the following fees are payable to Everblu:

1. A cash fee of \$240,000, equal to 6% of the Facility;
2. The issue of 4 million fully paid shares in JAT at a deemed issue price of \$0.05, subject to shareholder approval; and
3. the issue of 4 million options with an exercise price of 100% premium to the price at which the shares are issued with an expiry date of two years after issue, subject to shareholder approval.

JAT will seek shareholder approval for the shares and options to be issued to Everblu at the meeting to be held in late May 2020.

## **B. Convertible Note**

JAT has entered into a Convertible Note (“Convertible Note”) with Ms Wen Huang (the “Noteholder”) on the following terms:

1. The Noteholder has subscribed \$1 million in cash for the issue of the Convertible Note.
2. The Convertible Note must be redeemed on the Maturity Date if it is not converted to shares in JAT as at that date.
3. The Maturity Date is three months from the date of issue, being 21 April 2020.
4. The Note will, subject to shareholder approval, convert to JAT shares at an issue price of 5c per share.
5. There is no provision for partial conversion of the Convertible Note.
6. If shareholder approval is not obtained for the conversion, the Convertible Note will be redeemed for \$1 million cash.
7. No interest is payable on the Convertible Note.
8. The Convertible Note is unsecured.

Ms Huang is not a current shareholder of JAT and is not a related party of JAT or a related party of a director of JAT.

The release of this announcement was authorised by Wilton Yao, Managing Director, on behalf of the Board.

### **For more information, please contact:**

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