

ASX ANNOUNCEMENT

29 April 2021

March 2021 Quarterly Report

Highlights

- **JAT's new product development strategy is being implemented**
- **New management be appointed at ANMA to ensure high quality operation**
- **New Head of Sales and Marketing appointed for Australian market expansion**
- **Major construction work at ANMA has largely been completed**
- **Plant based meat product sales expected to commence in China in June 2021 quarter**
- **First skincare product approved by China's CFDA**

Health and wellness consumer goods developer and manufacturer Jatcorp Limited (ASX: JAT) is pleased to provide its quarterly report for the period ended 31 March 2021.

JAT Strategy

Throughout the quarter, JAT continued with its strategy of:

1. Establishing its China-located business;
2. Developing its own proprietary products;
3. Expanding and improving its ANMA manufacturing facility;
4. Reducing risk by manufacturing products outside Australia; and
5. Expand sales destinations so as not to be wholly reliant on the China market.

Trading

The March quarter had a negative cash flow of (\$1.51m) from operating activities due to the impact of Chinese New Year holidays, interruption to ANMA's operation due to the installation of new machines. Also included in the negative cash flow was a \$1.9 million income tax payment by Sunnya.

(a) China

During the March quarter, sales decreased due to Chinese New Year holidays. Most logistics firms within China were closed for about two weeks which resulted in stock not being able to be delivered.

The major construction works at ANMA interrupted the supply of Neurio, lone Milk and other in-house brands. ANMA is now producing at its expanded capacity.

JAT's plant-based meat products have been successfully trials with restaurants in China and it is expected that commercial sales will commence in the June 2021 quarter.

As announced to the ASX, the first skincare product produced by JAT's Hong Kong based JV

under the brand “Poupin”, was approved by the Chinese licensing authority, CFDA, for sale in China through off-line channels. It is expected that the first sales of the Poupin product will commence in May 2021.

(b) ANMA

The major construction works at an ANMA’s manufacturing facility in Melbourne was carried out in March through to mid-April. During that time, the power and gas supply was disconnected to ensure the safe installation of the new machines and other equipment. This interruption resulted in a decrease of the production and sales of Neurio, Lone Milk, Moroka and other OEM products. Most of the major works have been completed and the factory is from mid-April operating at its expanded capacity.

JAT has installed a new management team at ANMA and the factory is now meeting the highest industry standards.

(c) JAT Brands

A new Head of Sales and Marketing has been appointed, based in Melbourne, to expand the sale of JAT’s own brands in Australia.

Business outlook

The ANMA factory is, since mid-April, operating at its expanded capacity to produce both in-house brands and OEM products.

JAT continues to expand market for in both the Australian and overseas markets with sales of in-house brand products expected to expand into the Japan, Vietnam and Malaysia markets.

Sunnya is moving part of its production into China to reduce costs and risk for political uncertainty. In order to expand China market sales, Sunnya is in the discussion with potential contract manufacturer in China to produce some of Neurio products in China to reduce the production and logistics costs. Management will ensure the quality is in the control and products will reflect the true value of Neurio.

A new E-commerce platform it is being established for to expand the JAT sales channels. JAT will establish a special platform to promote and sell its in-house brands as well as other selected products.

The Shanghai retail store fitout is complete. The store will commence trading as soon as final licensing arrangements are completed by the relevant Chinese authorities. The 50sqm store will be branded JAT Maternity & Infant Boutique and is located next to the Sinopharm pharmacy which is expected to drive significant consumer traffic to the JAT store. A primary purpose of opening the store is to establish JAT’s image in the Chinese market, promote the Company’s products and expand the influence of the Company’s products in China. JAT intends to open further stores in Shanghai and other cities in China.

Corporate

JAT received a conversion notice from Obsidian Global GP, LLC with the result that at the end of the quarter, there were 50,000 Convertible Notes with a Face Value of US\$1.20 per Convertible Note remaining. In April 2021, the 50,000 Convertible Notes were converted so that there are now no Convertible Notes on issue.

There remains on issue 29,491,449 Collateral Shares which will be returned to the Company and the Company will seek shareholder approval to cancel these shares for no consideration.

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	3,354,000
Advertising and marketing costs	152,000
Leasing	7,000
Employees	560,000
Interest	454,000
Administration and corporate	417,000

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.

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")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,179	21,890
1.2 Payments for		
(a) research and development	-	(217)
(b) product manufacturing and operating costs	(3,354)	(15,014)
(c) advertising and marketing	(152)	(690)
(d) leased assets	(7)	(165)
(e) staff costs	(560)	(1,785)
(f) administration and corporate costs	(417)	(1,465)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	(454)	(1,411)
1.6 Income taxes paid	(1,870)	(2,242)
1.7 Government grants and tax incentives	124	547
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,509)	(548)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(701)
(c) property, plant and equipment	(378)	(1,636)
(d) investments	-	(1)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 from 51% owned subsidiary – Sunnya (see note 3)	-	1,041
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(378)	(1,297)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,828	2,828
3.2	Proceeds from issue of convertible debt securities	-	168
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(170)	(170)
3.5	Proceeds from borrowings	55	895
3.6	Repayment of borrowings	(1,848)	(5,134)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid by 51% owned subsidiary - Sunnya	-	(2,041)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	865	(3,454)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,142	11,419
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,509)	(548)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(378)	(1,297)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	865	(3,454)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,120	6,120

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	6,120	7,142
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)	6,120	7,142

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	306
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	9,000	9,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	79	79
7.4	Total financing facilities	9,079	9,079
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: \$4 million. Term: Repayable at any time before 8 May 2022. (The initial loan amount was \$5 million and repayable at any time before 8 January 2021. \$1 million loan amount was repaid to the lender on 11/02/2021 and \$4 million loan was extended to be repaid on or before 8 May 2022.) Interest rate: 13% per annum. Repayable at any time. The lender may, subject to shareholders' 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. Security: second ranking PPSR security interest over JAT's shares in ANMA. 3. 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\$1.20 per convertible security. At 31 March 2021, the outstanding convertible notes have a combined face value of AUD78,927.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,509)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,120
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,120
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions: 8.6.1 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?	
Answer:		

8.6.2 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?

Answer:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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:29/04/2020.....

Authorised by:The Board.....
(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.