

## ASX ANNOUNCEMENT

26 April 2022

# March 2022 Quarterly Report

## STRONG REVENUE GROWTH CONTINUES; CO-BRANDING WITH GLOBAL FOOD COMPANY CREATES NEW PATHWAY FOR EXPANSION

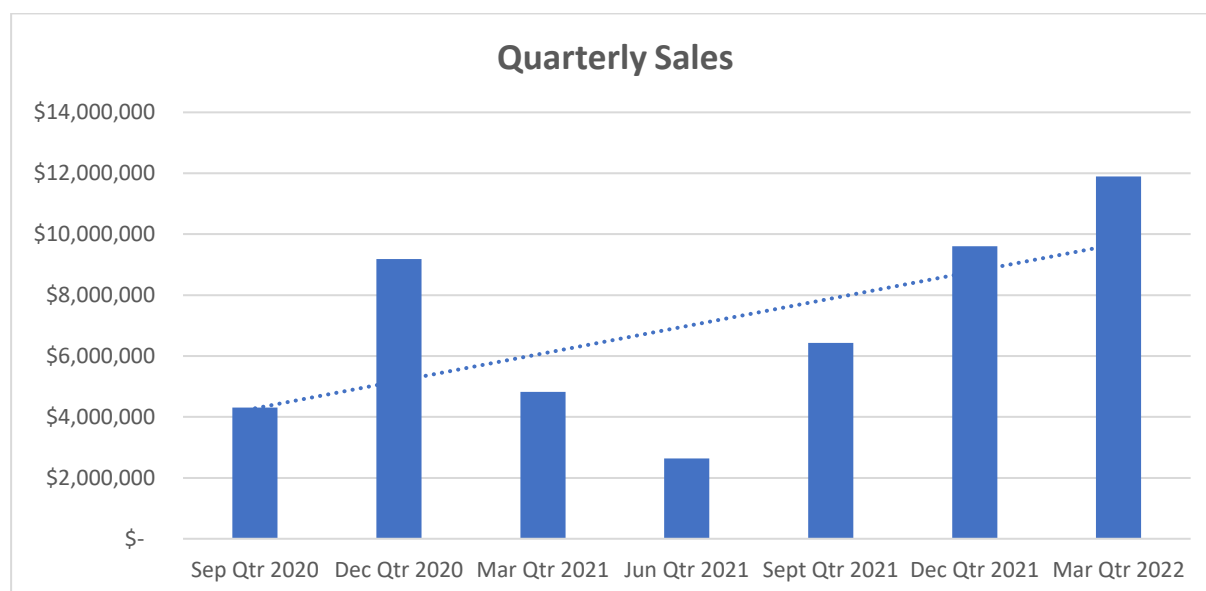
### Highlights

- Total gross revenue for the March 2022 quarter was \$11.95 million (unaudited), a **25% increase** on the December 2021 quarter (\$9.6m), and an **87% increase** on the September 2021 quarter (\$6.4m).
- JAT's significant investment in expanding ANMA's production capacity and building a robust and diversified distribution network across the Asia-Pacific region is proving to be a success.
- JAT's timely investment in developing its immunity-support formula has led to exciting new business opportunities, including the co-branding arrangement.
- The co-branding agreement has potential to quickly develop in size and scope, and offers significant near-term growth upside for JAT.
- JAT's co-branded products (CocoSoul Moroka) to begin US distribution in the June 2022 quarter shortly
- JAT's early investment in developing its plant-based food business has placed it in an enviable position in that sector, as global dairy leaders are increasingly moving into the plant-based foods space. M&A activity by dairy companies in the plant-based foods space is soaring - notable acquisitions include Saputo's acquisition of Bute Island Foods, Danone's acquisition of WhiteWave, Lactalis' acquisition of Siggi's, Nestle's acquisition of Terrafertil, Bel Group's acquisition of All In Foods.
- Strong balance sheet following \$4.4M Placement (announced completed April 2022), and full repayment of \$5M Topwei loan in April 2022.
- JAT looking to strengthen its Board with additional expertise given recent growth of its business.

Health and wellness consumer goods innovator and manufacturer Jatcorp Limited (ASX: JAT) is pleased to provide its quarterly report for the period ended 31 March 2022.

The continued rebound in sales, combined with the general easing of trading conditions in the Asia-Pacific region, has led to JAT achieving a total gross revenue for the March 2022 quarter of \$11.95 million.

This represents a 25% increase on the December 2021 quarter of \$9.6 million, and an 87% increase on the September 2021 quarter of \$6.4 million.



## FY22-24 Guidance

Since 2020, JAT has made significant investments in several key areas:

- expansion of ANMA's production capacity;
- building an extensive and robust distribution network across Asia;
- creating an online sales channel (Jatlife.com.au);
- development of its plant-based foods business; and
- development of immunity-support formula in response to the Covid-19 pandemic.

These investments were made during a very challenging trading period while other competing businesses were scaling back operationally. As a result of these timely initiatives undertaken by JAT's board, the Company is now in an enviable position to reap the benefits of not only a strong rebound in trading conditions post-Covid, but to rapidly expand its business on the back of booming demand in the dairy, plant-based and immunity-support sectors.

JAT's continued revenue strength and operational investments have laid the foundations for strong FY22-FY24 guidance.

## Trading Highlights

1. During the quarter, JAT and the owner of the brand of plant-based drink products agreed to produce a new range of drinks under the Moroka co-brand. These products,

which contain JAT's immune support formula, will commence to be distributed by Saputo in North America and UK in the June 2022 quarter.

2. JAT entered into its first distribution agreement in the US with Koha Foods. The agreement provides Koha Foods with exclusive five-year distribution rights in Hawaii for the Jinvigoate range of products, the Moroka range of products and the Vmeat range of products (collectively referred to as the Products).
3. JAT entered into an agreement with Sanmik, an Australian food manufacturer, to develop ice cream and yogurt products using JAT's immune support formula (see ASX announcement dated 25 March 2022).

### IP development

The first report prepared by the Royal Melbourne Institute of Technology (**RMIT**) in relation to the research project (**Project**) it is undertaking on behalf of JAT to investigate the ability of JAT's supplementary food formulas, Jinvigoate Platinum and Moroka Platinum, to promote enhanced immune function and antiviral activity was contained in the ASX announcement dated 4 March 2022. One of the conclusions of the Report was that the testing of the Jinvigoate Platinum and Moroka Platinum formulas "...suggest high binding effectiveness against the omicron variant, particularly for the lactoperoxidase enzyme product hypothiocyanite." The next stage is for clinical trials on humans to be conducted by RMIT to evaluate whether, on consuming JAT's LF-Ig formulas (Jinvigoate Platinum and Moroka Platinum), the humans exhibit improved immune function and recovery times after contracting viruses and evaluate the protection against upper respiratory tract infections (such as Flu and Covid).

There is now growing market evidence that the significant investment in the development of its immune support products is creating a strong market differentiation of JAT's products. See details regarding the co-branding agreement with Coco Soul, the distribution agreement in the US and the development of ice cream and yoghurt products. (see below)

### ANMA

ANMA continues to expand its operation with more in-house and OEM products production. JAT expects the average monthly revenue during the June quarter will be more than \$2m.

### JATLIFE

JAT's online sales platform, Jatlife, continues to build its customer base by selling JAT's in-house brands as well as third-party health and Eco related products.

### Babycare

JAT has expanded its import children's products section since late last year with BabyCare, one of China's largest children's products manufacturers and suppliers. JAT has expanded its product range by commencing to distribute Lemonkid products. Online sales are being expanded through JAT's best4kidz.com.au e-commerce sales platform.

## Corporate

The Company has a sound balance sheet and is in a strong financial position with a cash balance of \$8.4 million as at 31 March 2022. An amount of \$4 million of the cash balance was used to fully repay the outstanding Topwei loan in early April 2022. The repayment of the Topwei loan will result in a reduction in annual interest costs of \$1 million.

During the quarter the Company completed the following:

- a) Share purchase plan  
JAT closed its share purchase plan on 11 March 2022, raising a total of \$840,000 in new capital.
- b) Placement  
On 31 March 2022, JAT advised that it was raising up to \$4.4 million via a private placement. The placement was completed in April 2022.

## Clear Path Forward

Since 2020, JAT's Board has implemented several timely strategies set out above which have dramatically improved the quality and capacity of the ANMA factory, developed a number of new JAT products which are now positioned in the market, and reduced operational risks.

The directors believe that these strategies together with the improved international environment will drive a significant increase in revenue for the 2022 and subsequent years.

Additionally, JAT's Board is focused on cultivating several of its existing business partnerships that have the potential to significantly expand JAT's operations on a global scale and deliver significant shareholder value if developed further.

## 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	11,687,000
Advertising and marketing costs	1,275,000
Leasing	108,000
Employees	844,000
Interest	222,000
Administration and corporate	278,000

As disclosed in Item 2.1(b) of the attached appendix 4C, an amount of \$500,000 was paid as a further instalment of the ANMA purchase consideration (see note 13 of the Notes to Financial Statements for the year ended 30 June 2021).

### **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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13,536	33,429
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,687)	(25,967)
(c) advertising and marketing	(1,275)	(3,444)
(d) leased assets	(108)	(312)
(e) staff costs	(844)	(2,344)
(f) administration and corporate costs	(278)	(1,768)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(222)	(842)
1.6 Income taxes paid	(118)	(769)
1.7 Government grants and tax incentives	(86)	137
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,082)</b>	<b>(1,878)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(500)	(1,170)
(c) property, plant and equipment	16	(193)
(d) investments	-	-
(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	-	3
	(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)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(484)</b>	<b>(1,360)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,840	6,001
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(10)	(193)
3.5	Proceeds from borrowings	13	563
3.6	Repayment of borrowings	(1,024)	(1,215)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid by 51% owned subsidiary - Sunnya	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,819</b>	<b>5,156</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,138	6,473
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,082)	(1,878)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(484)	(1,360)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,819	5,156
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,391</b>	<b>8,391</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,391	8,138
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,391</b>	<b>8,138</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	81
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>		



<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	4,000	4,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>4,000</b>	<b>4,000</b>
<b>7.5 Unused financing facilities available at quarter end</b>		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: Repayment date was 31 March 2022. Interest rate: 20% per annum. Security: unsecured. At end of March 2022, \$1 million was repaid. \$4 million balance has been repaid in full early April 2022.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,082)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,391
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,391
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>8</b>
<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:	
<i>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.</i>	

## 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: .....22/04/2022.....

Authorised by: .....Wilton Yao.....  
(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.