

ASX ANNOUNCEMENT

22 July 2019

JAT June 2019 Quarterly Report and Appendix 4C

Australia-Asian trade specialist, Jatenergy Limited ("JAT" or "the Company"), is pleased to provide its quarterly report for the period ended 30 June 2019.

JAT Managing Director, Wilton Yao, said:

"It has been a very busy quarter for JAT. We have hit the ground running to expand sales into China and expand our distribution channels across our subsidiaries. During the quarter, Sunnya launched an innovative product, the Neurio Middle-Aged Formulated Nutritional Powder with Lactoferrin for the fast-growing middle-aged market in China, Australia and other Asian markets. This significantly advances the Company's reach into the Chinese and other markets and we are excited by its potential.

"Sunnya also extended its range with the launch of three new goat milk formulas to be sold in China, Hong Kong and Macao. The Neurio goat milk formulas build on the success of the Neurio lactoferrin series products, and JAT believes the products will be a great success in the Chinese market. Sunnya expects its current sales network for Neurio products, well established in China through a series of valuable agreements, to expand globally.

"During the period, JAT also reached another key milestone and has taken a significant leap forward to expand into health-focused retail outlets across China, with the signing of an MOU with HIT Crown which opens the door to one million Chinese pharmaceutical companies, hospitals and clinics. The MOU provides a framework to jointly develop new nutritional and health foods and household products to meet Chinese consumer needs.

"Jatenergy's recently incorporated Australian joint venture, Jatpharm, will play an essential role in research, development and manufacturing of jointly developed products. Jatpharm intends to apply to become a TGA-approved manufacturer."

Financial Commentary

- Maiden cash flow positive quarter: cash generated from operations being \$2.87 million
- Cash receipts for the quarter \$17.90 million
- Strong cash position – cash on hand of \$7.83 million
- Gross cash receipts for the year to 30 June 2019 were \$67.21 million

The Company is pleased to report that it has achieved its maiden cashflow positive quarter, driven by positive cash from operations of \$2.87 million. JAT has cash on hand at 30 June 2019 of \$7.83 million. Cash receipts for the quarter of \$17.90 million was in line with expectations.

Sunnya Pty Ltd

During the quarter, Jatenergy subsidiary Sunnya Pty Ltd signed a significant distribution agreement with Guangzhou Niurui Trading Co, further expanding its market across China.

Under the 5-year agreement which has already commenced, Guangzhou Niurui will be the exclusive distributor of Sunnya's Neurio Lactoferrin milk powder to BABEMAX stores (a division of Shanghai Aiyingshi Co Ltd). Guangzhou Niurui may also distribute Sunnya's full range of products to other sales channels on a non-exclusive basis.

Guangzhou Niurui specialises in international trading, managing an import agency and product distribution. The company's senior management have an extensive track record of helping companies import and distribute health and nutritional products throughout the Chinese market.

Guangzhou Niurui has agreed to purchase 1.5 million tins of Sunnya's Neurio Lactoferrin milk powder over five years, commencing with 100,000 tins in the first year and increasing by 100,000 tins per year to reach 500,000 tins in year 5. Guangzhou Niurui must require BABEMAX (and any other retailers) to charge a retail price of 458CNY (A\$91.60 at current exchange rates) per tin.

During May, Sunnya entered a new high-growth market segment and launched an innovative premium nutritional product the Middle-Aged Formulated Nutritional Powder with Lactoferrin a new range of Neurio for the fast-growing middle-aged market in Australia, China and other Asian markets.

The new range, which has been specifically designed for people aged 40-plus, will be sold through Sunnya's extensive network of distributors, which includes retail outlets and cross border e-commerce platforms. The product offers a wide range of health benefits and will supplement calcium, iron, zinc as well as essential vitamins.

Launched in mid-May, Middle-Aged Lactoferrin has seen strong interest from retailers across China. The product will be sold in Australia, China and other Asian countries.

During June, Sunnya appointed HealthOne Pty Limited as its exclusive distributor for its products in Australia, Vietnam, Indonesia and Singapore. The products to be distributed under the agreement include Neurio Formulated milk powder with lactoferrin, Neurio Formulated goat milk powder with lactoferrin, Neurio Algae DHA (Kids) Gel Candy, Neurio Mushroom Powder Gel Candy, Neurio Seaweed Calcium Gel Candy. HealthOne works with a broad range of healthcare suppliers in Australia and overseas in retail, GP and specialist channels to position their products within retailers, especially pharmacies. HealthOne placed orders of 4 pallets in June 2019 and further orders in July 2019. JAT appreciates the performance of HealthOne so far and believe that cooperation between the parties will be very successful.

During the quarter, Sunnya extended its product range to include Australian made goat milk infant formula to be sold in China, Hong Kong and Macao. The development of the Neurio goat infant formula builds on the success of the Neurio lactoferrin series product.

The Neurio goat infant formulas are being manufactured in Australia to ensure the high quality of the products and will be distributed by BSC Trading, a well-known distributor based in China. The first order of more than \$450,000 was received in June and will be shipped in August 2019.

The Neurio goat milk infant formula has been developed to provide for three stages of child development by providing three separate products, being Neurio Goat Infant Formula, Neurio Goat Follow-on Formula and Neurio Goat Formulated supplementary food for young children.

It is believed that a very large proportion of the Chinese population has a certain degree of cow lactose intolerance and cow milk protein allergy. There is a significantly lower goat milk lactose intolerance to goat milk powder formula in China.

Strategic Partnership Agreement

JAT signed a Memorandum of Understanding for a Strategic Partnership Agreement (“MOU”) with HIT Crown Co., (“Hit Crown”) during June. The agreement signals a significant step forward for the Company and expansion into health-focused retail outlets across China.

HIT Crown is a large Chinese technology company based in Heilongjiang Province (north-east China) which provides online data and retail platforms to Chinese companies. HIT Crown’s online platform, China Golden Medicine E-business serves more than one million Chinese pharmaceutical companies, hospitals and clinics with a wide array of medicines and other products. The MOU opens the door for Jatenergy products through those pharmacies, hospitals and clinics.

The MOU is for a term of three years under which the roles of the parties are:

- HIT will distribute Golden Koala, Neurio and other Jatenergy in-house branded products to Chinese pharmacies, hospitals, clinics and other retailers through their business networks.
- HIT will focus primarily on distributing Jatenergy’s product range into pharmacies and hospitals, where they are ideally suited.
- As HIT specialises in online platform development, the parties will jointly develop new online trading platforms and related financial services, such as payment systems development.
- The parties will cooperate in developing new products for the health sector.

JWR International Limited

During May, JAT agreed to establish a joint venture company to be known as JWR International Limited (“JWR”). JWR will develop, manufacture and sell cosmetic products in China, Hong Kong, Korea and Australia. Cosmetics is becoming a large, high-demand consumer goods market in China and Asia.

The joint venture agreement provides that JWR will establish its own brand name for the cosmetic products, which will be manufactured in Korea. It is anticipated that the products will start to sell later this year.

Under the agreement, JWR will be incorporated in Hong Kong and will be 50% owned by JAT. JAT will contribute its capital contribution from its current cash reserves. The other 50% shareholder is

Zhi Chen, an experienced executive in China having expertise in brand promotion and marketing development. JWR will leverage from the strong understanding and contacts of the JWR shareholders in the Chinese market and the major e-commerce platforms and the media.

China's 618 Shopping Festival

On June 18th, JAT participated in China's second most prominent e-commerce festival, 618, which celebrates the founding of JD.com. The 618 shopping festival follows China's Singles' Day in popularity and as with Singles' Day, other retailers host sales, although JD has considerable sales throughout the festival and engages in strong promotion leading up to the event.

JAT and its subsidiaries received special orders for goods to be shipped to China specifically for the 618 shopping festival amounting to more than \$2.7 million. The orders were received from various Chinese platforms including major maternal stores and pharmacies.

Outlook

Despite China's current well-documented fluid situation with regard to international trade, JAT continues to increase its sales and profitability. The Company attributes its business improvement to offering innovative, healthy, Australian-branded products to the market. Of note, the sales channels of the Neurio and Golden Koala brands in the Chinese markets are also increasing in each trading period. Following the recent launch of Sunnya's super premium goat infant formulas, JAT believes the new products will be well-received in the Chinese market.

For more information, please contact:

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Managing Director

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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

31 122 826 242

Quarter ended ("current quarter")

30 June 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 | 17,895 | 67,212 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (13,677) | (65,546) |
| (c) advertising and marketing | (34) | (286) |
| (d) leased assets | (64) | (64) |
| (e) staff costs | (472) | (1269) |
| (f) administration and corporate costs | (532) | (2,175) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 150 | 256 |
| 1.5 Interest and other costs of finance paid | (355) | (577) |
| 1.6 Income taxes paid | (53) | (88) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | 20 | 66 |
| 1.9 Net cash from / (used in) operating activities | 2,877 | (2,471) |

| | | |
|--|----|---------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | 16 | (4,584) |
| (c) investments | - | - |

| 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 | | - | - |
| 2.6 | Net cash from / (used in) investing activities | 16 | (4,584) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | 8,543 |
| 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 | 55 | 3,406 |
| 3.6 | Repayment of borrowings | (390) | (1,268) |
| 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 | (335) | 10,681 |
| 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 | 5,272 | 4,204 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 2,877 | (2,471) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 16 | (4,584) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (335) | 10,681 |

| 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 | 7,830 | 7,830 |

| 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 | 7,830 | 5,272 |
| 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) | 7,830 | 5,272 |

| 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 | 76 |
| 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 | |

| 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. | | |

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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 | 21,000 |
| 9.3 Advertising and marketing | 200 |
| 9.4 Leased assets | |
| 9.5 Staff costs | 500 |
| 9.6 Administration and corporate costs | 495 |
| 9.7 Other (provide details if material) | |
| 9.8 Total estimated cash outflows | 22,195 |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|---|---|-----------|
| 10.1 Name of entity | Sunnya Pty Limited Green Forest International Pty Limited | |
| 10.2 Place of incorporation or registration | New South Wales, Australia | |
| 10.3 Consideration for acquisition or disposal | Earnout Sunnya: 1,006,532 Earnout Green Forest: (935,965) | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | Sunnya Pty Limited- Manufacturing, Distribution and Exporter of Milk powder Green Forest International Pty Limited- Wholesaler, Distributor and exporter of fast-moving consumer goods | |

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: 22/07/2019

(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.