

ASX RELEASE
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JAT signs 3 Year Dairy Products Distribution Agreement Minimum Sales of \$80 million in Year 1

- **Agreement signed with Ocker Products Pty Ltd for non-exclusive distribution of JAT's dairy products in China for the next three years.**
- **Ocker to purchase A\$80 million in product from JAT in the first year of the agreement.**

Health and wellness consumer goods developer and manufacturer, Jatenergy Limited, is pleased to advise that it has signed a Distribution Agreement with Ocker Products Pty Ltd ("OPP") for the non-exclusive distribution of JAT dairy products in China for the next three years.

OPP is based in Australia and has a strategic partnership with Beijing Grain Group Co Ltd ("BGG") and Beijing JingLiang Logistics Co Ltd ("BJL") to procure food and farm produce on behalf of BGG and BJL. The Distribution Agreement between JAT and OPP is to facilitate OPP meeting orders which it receives from BGG and BJL.

BGG, a large state-owned company, was established by the Beijing Municipal People's Government in 1999 to provide food security and distribution for China's capital city. Since then BGG has developed and launched a wide range of consumer brands and associated food products. BJL is a subsidiary of BGG.

Previous agreements with Ocker

As announced to the ASX on 29 October 2018, OPP has been distributing JAT products to the BGG distribution channels under a strategic cooperation agreement.

As announced to the ASX on 6 December 2018, an exclusive distribution agreement was entered into under which OPP was granted the exclusive distribution rights to distribute 900g tins of Golden Koala Full Cream Milk powder in China for five years.

Key points regarding those contracts are:

- Restrictions and delays in the SAMR registration of imported infant formula by the Chinese Government have resulted in sales into China of a much lower volume than JAT and Ocker planned at the time of signing the agreement for Golden Koala 900g tins. A total of 15,000 tins have been shipped under the agreement.
- A total of 14 containers of dairy products have been shipped under both of the above agreements.
- Revenue for JAT under both agreements to date is approximately \$2.4 million.

Although neither of the above agreements have formally been terminated, Ocker and JAT consider that both agreements are superseded by the Distribution Agreement announced today.

Trading arrangements under the Distribution Agreement

OPP will receive orders from BJL for specific dairy and other products. Upon receiving an order, OPP will place a corresponding order with JAT for the same product.

The main products to be sold under the Distribution Agreement will be dairy products including full cream, skim milk and goats' milk powders. JAT expects to receive orders for both packaged goods and for raw materials. JAT intends to fulfil orders for packaged goods through its ANMA dairy manufacturing facility in Melbourne, subject to any capacity constraints. JAT will fulfil orders for raw materials through its sources within Australia and overseas.

OPP have agreed, in the first year of the Distribution Agreement, to purchase a minimum of A\$80 million of JAT's dairy products and any other products supplied by JAT. No minimum amount has been specified in the Distribution Agreement for years 2 and 3.

JAT has been advised by Ocker that BGG purchased volumes of products from sources outside China during calendar 2018 of far greater than the amount proposed to be supplied by JAT. Accordingly, JAT believes there is a real opportunity for it to fulfil orders greater than A\$80 million per year subject to it obtaining additional funding and increasing its manufacturing capacity. JAT further believes that, should it meet the supply requirements under the Distribution Agreement in the first year, it is likely to achieve sales in subsequent years significantly greater than A\$80 million.

Material terms

The material terms of the Distribution Agreement include:

- (a) the term is for three years, commencing 17 January 2020;
- (b) each order made is subject to and conditional upon an order being received by OPP from BJL;
- (c) OPP agrees to purchase A\$80 million of JAT dairy products in the first year of the Distribution Agreement (subject to corresponding orders being received from BJL). There are no specific remedies in the event that OPP does not purchase a minimum of A\$80 million in the first year;
- (d) JAT is to offer all products to OPP at the best market price;
- (e) OPP has the right to extend the term of the Distribution Agreement provided it gives written notice within two months of the expiration of the agreement; and
- (f) OPP will provide a transferable letter of credit for the full amount of each order.

The Distribution Agreement contains no conditions precedent and no specific termination clauses.

Funding

Supply of products under the Distribution Agreement will require additional trade credit facilities of up to \$10 million at the minimum annual sales amount of A\$80 million. Those trade credit facilities are expected to be supported by the transferable letters of credit provided by OPP with each order. JAT is in the process of arranging those trade credit facilities with financiers.

JAT Manufacturing Capacity

The orders for packaged products will be, to the maximum extent possible, manufactured at JAT's dairy manufacturing facility in Melbourne. As announced on 28 October 2019, construction of the expansion of the facility's clean room from its previous size of 335 sqm to 620 sqm is underway and is expected to be completed in February 2020. The first batch of new equipment has been delivered to the factory and installation has begun. The second batch of equipment has been shipped and is expected to arrive in the first week of February 2020. The construction of the new facilities and installation of all of the new machines is expected to be completed by the end of February 2020. The expanded facilities and new equipment will allow JAT to meet the higher expected demand levels, including the supply of product to OPP.

Wilton Yao, JAT CEO, stated:

"We are continuing to work closely with our business partners including OPP, Beijing Grain Group, Sinopharm, Hipac and all major cross-border platforms. Strong commitments from our business partners will be the foundation for JAT's continued sales growth. The sales growth over the last year has resulted in JAT's trading operations becoming cash flow positive and profitability continues to rise. This trend should continue as our relationships with our business partners become stronger and more expansive."

"The expansion of our manufacturing facility in Melbourne, to be completed in February 2020, will be crucial in JAT satisfying the OPP orders as well as the many other orders expected to be received from China. We expect our manufacturing facility to be operating at close to full capacity from about April 2020 and beyond."

"We are delighted to be working with OPP and Beijing Grain Group to offer JAT dairy products in and around China's capital."

Wilton Yao
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About Jatenergy Limited

Jatenergy Ltd (ASX: JAT) is an Australian manufacturer and 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.