

Fertoz

4 June 2018

ASX RELEASE / MEDIA RELEASE

Fertoz Expands Footprint, Enters the Booming Cannabis Market

HIGHLIGHTS

- Fertoz expands mining footprint in Alberta and adds customers in Saskatchewan
- Fertoz enters the booming cannabis fertilizer supply market in Canada
- Fertoz presents at the BMO Agriculture Conference in New York

Organic phosphate development company Fertoz Ltd (“Fertoz” or the “Company”, ASX: FTZ) is pleased to provide a sales and operations update.

Fertoz Executive Chairman, Pat Avery, said:

“Although our deliveries of phosphate rock have been slowed by excessive rainfalls in Montana and Southern Alberta, and the BC permitting process is taking longer than expected, we are pushing ahead with sales, product development, additional trials, securing additional land in Alberta, and signing up more distributors and distribution facilities to ensure farmers can enjoy the benefits of our rock phosphate products.

“We have traced the Fernie deposit across the border into Alberta and now have over 700ha of new mineral claims. In the process, we have identified some volcanic rock dust deposits which can be blended with our rock phosphate to create a soil remineraliser, a product popular with smaller acreage farms and greenhouses.

“The team has identified a significant opportunity to provide organic fertiliser for cannabis growers in Canada. With the impending legalisation of the CAD\$6.5 billion per annum cannabis industry in Canada, we have positioned the Company as an experienced supplier of organic rock phosphate. Already, two of the larger suppliers to the cannabis industry have ordered product for trials, and with phosphate a major nutrient required for cannabis development, we expect further market penetration in the near future.

“We were delighted to be invited to present a paper at the annual BMO Farm to Market conference, held in New York in May. It was obvious from listening to the other presentations, that conventional fertiliser groups are simply looking for ways to differentiate their products or commercial terms in order to win market share away from competitors, whereas, in the organic sector, there are new acres being added each year, and the margins are superior. Our presentation was well-received by a number of groups and has resulted in follow-up meetings with potential customers and investors.

ASX: FTZ



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Board of Directors

Executive Chairman	P. Avery
Non-Executive Director	J. Chisholm
Non-Executive Director	A. Byass
Company Secretary	J. Stedwell

Key Projects

Wapiti	Ownership: 100%
Fernie	Ownership: 100%
Fertoz Ltd	A.C.N. 145 951 622

“Finally, although deliveries have been hampered, we are already taking orders for the Fall. Our team is executing well and I look forward to providing a further update in the coming months.”

Product Development and Sales Update

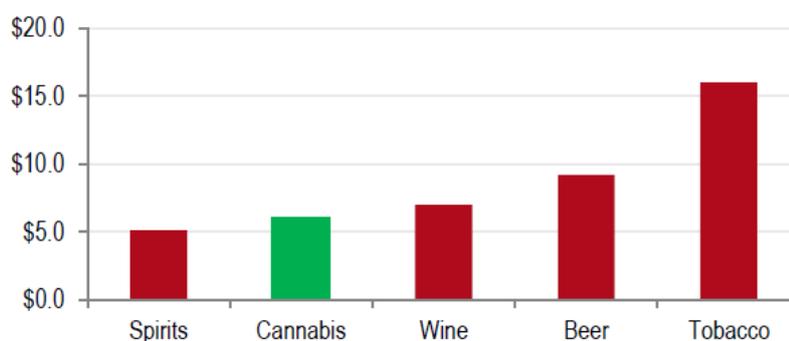
Late Spring rains in southern Alberta, south-western Saskatchewan and substantial flooding in Montana, have delayed processing and trucking of ore, but the rain is easing and the Company is expecting to make up some of the lost time over the coming weeks.

Fertoz has made further recent sales to new customers including large agricultural groups. Most purchase truckloads but we have also moved containers and rail cars, with some purchasing from as far away as Ontario and Virginia. Customer feedback has been positive with trials showing increased yields.

The Company has solved a number of logistics issues, allowing fast, inexpensive and easy movement of containers, super-sacks, trucks and loads of Fertoz organic rock phosphate and phosphate blends. Further trials are on-going in relation to granulation, polymer coating, humate blends and other client requests.

Customers are already starting to place orders for August delivery. With a calendar based financial year in Canada, growers will pre-purchase fertilisers if they have a good year in order to off-set profits. Although Spring was late, and rains have impacted deliveries, parts of Canada and the USA are experiencing good growing seasons, with unusually warm weather. This gives farmers the confidence to trial new products and convert conventional acres to organic acres in order to increase profits. The Company is also gaining a benefit from growth in Fall fertiliser application in sustainable “no till” farms – this allows nutrients to begin migrating into the soil over the Winter, which ultimately aids in plant productivity in Spring.

The Company is seeing solid growth in the Cannabis market, both conventional and organic. Canada is set to legalise recreational cannabis use in the Summer and this has led to a boom in cannabis farming – on land, in greenhouses, by First Nations groups, and conventional and organic farmers.



Source: Statistics Canada and CIBC World Markets Inc.

Fig 1: Projected cannabis market growth in CAD\$ billion, 2020

The market is expected to grow at around 30% pa, and a major Canadian bank has recently estimated the market to be valued at over CAD\$6 billion once cannabis use is legalised.

A key nutrient for cannabis growth is phosphate, whether applied on land, through fertigation or via drip systems in greenhouses, and Fertoz is actively seeking out suppliers to the industry to enable trials of Fertoz phosphate blends. Two suppliers have already ordered product and one has already completed successful tests and ordered more product for commercial sales.

The Company's field testing program continues unabated with Mackenzie Applied Research Station conducting more farm trials for the Company at Fort Vermillion, AB. The Company has designed the trials to demonstrate the effectiveness of its rock phosphate blends on boosting yields and early growth parameters such as root, stem and leaf development.



Fig 2: Fertoz farm trials at Mackenzie Applied Research Station, Alberta, Canada

Combined with the numerous trials underway across Canada and USA by Fertoz customers, the Company is amassing a significant amount of field data that farmers require in order to switch to organic farming. Other trials underway are with humates, sulphur, polymer coatings and soon volcanic rock dust.

The Company has also been in discussions with leading microbial fertiliser groups that use bacteria to improve the uptake of phosphate by plants. Reducing phosphate tie-up and improving uptake is a key consideration in the various trials currently underway.

Conferences

The Company was invited to present at the 13th annual BMO Food to Market conference, held in New York on May 16 and 17. This is one of the major fertiliser conferences of the year, and is attended by the major farm input groups such as Nutrien (formerly Agrium and Potash Corp), Mosaic, CF Industries, the Anderson Group and large food groups such as Tysons, Pilgrim's Pride, Dean Foods and Sprouts.

It was clear from the various presentations that the conventional fertiliser space is saturated, with suppliers simply looking for ways to differentiate their products and/or commercial terms in order to secure orders for fertiliser supply onto conventional acres. The number of conventional acres being farmed and the amount of fertiliser required is generally stagnant. However, it was also obvious that organic acres and organic fertiliser use are growing. The Company's presentation was well-received and resulted in a number of follow-up calls to potential customers and investors, including the largest co-op in Canada.

The Company will present at the Resources for the Future Generations Conference in Vancouver on 16 – 18 June. Organised by the Canadian Institute of Mining, Metallurgy and Petroleum, the conference will explore the rapid growth of developing economies and the fundamental needs of disadvantaged people across the globe, which will drive demand growth and supply chain changes for many resources.

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