



27 May 2019

ASX RELEASE / MEDIA RELEASE

## Fertoz 2019 Annual General Meeting

### Chairman's Address

#### HIGHLIGHTS

- Fertoz expanding its geographical reach across North America to provide deliveries to farmers on shorter timeframes
- Increasing marketing and brand awareness through expanded distribution agreements and employing more account managers
- Supply agreements in place with Humic Growth Solutions and gypsum sale rights in North America helping to drive growth
- Australian FertAg product moving into the retail sector expected to boost sales and brand awareness in Australia/New Zealand – first sales achieved in New Zealand and Western Australia.

Welcome everyone to the 2019 Annual General Meeting of Fertoz Limited. I'd like to introduce you to our directors. Stuart Richardson and Adrian Byass are present, while our other director, James Chisholm, is on the phone, calling in from Canada, along with Jay Hosanee, our CFO. Our auditors are also present – please welcome Craig Jenkins from BDO audit.

I plan to conduct this meeting in accordance with the Notice of Meeting, but first wanted to provide an update on our activities and achievements over recent months, and our plans and goals for this coming year.

Fertoz's last AGM was only about six months ago and at that meeting, we sought and gained approval to change our financial year end from 30 June to 31 December to align with growing seasons in North America. However, having two AGMs close together gives me another opportunity to update everyone on our activities.

There is much to discuss, and after the meeting, I am happy to take questions from shareholders and am able to remain for as long as shareholders require. Later, I will be heading out to meet some other key shareholders who could not attend today's AGM.

We have learned many things in this business, and we are continuing to learn new things every day. I think our key learning over the past few months is that we need more geographical reach, more sales and account personnel and have to co-locate our product in key organic hubs in order to achieve same day or next day delivery.

ASX: FTZ



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#### Board of Directors

Executive Chairman  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Company Secretary

P. Avery  
S. Richardson  
A. Byass  
J. Chisholm  
Stedwell

#### Key Projects

Wapiti  
Fernie

Ownership: 100%  
Ownership: 100%

Fertoz Ltd

A.C.N. 145 951 622

When unseasonal weather impacts the farming cycle, farmers have limited time to apply fertilizers. Up to now we have been able to deliver quickly to the local area from our processing facility in Montana, but orders from more remote organic hubs have seen delivery times of two weeks or more. This is not acceptable to farmers, as when the snow melts, they must be ready to plant immediately, and this delay has affected our order flow.

Co-location of processed, ready-to-deliver fertilizers is essential to allow us to deliver products within 24 hours of order, and we are working towards this in more areas so that our products are more easily accessed by farmers, particularly when they need deliveries on short timeframes.

Another issue we have faced over the last few months, which is associated with recent unseasonally harsh weather events experienced in North America, is the impact on construction. Several of our distribution partners had planned to expand their product warehouse and processing operations, but weather conditions prevented them from starting that construction until recently. This has delayed orders for our product by up to four months. Now that the planting season is underway, actual orders are lower than first forecast by our partners, though we do expect to catch up in the back half of the year.

The unseasonal weather over the last year has also led us to try to mitigate the impact of this by expanding our geographical footprint. We are aiming to open up new areas of organic customers primarily in more southern US states, where weather conditions are more favourable and there can often be three crops per year of high value organic produce. As you will see in our presentation, California is the largest organic farming market in the USA, but we currently only have one distribution agreement there. Our focus over the coming months is to establish a larger distribution network in California to access the numerous organic farmers located there. We will also co-locate processed product at various sites to enable fast delivery in this market.

Another key learning over the year has been that organic farmers are largely unaware of the Fertoz brand, and in fact any organic fertilizer brand. Anecdotal evidence from our own research shows that a majority of organic farmers do not use organic fertilizers because they are unaware that it is available. As we have seen in Australia and New Zealand, the education and marketing process is a layering process that builds gradually over time. Hits on our newly-refreshed website have climbed to more than 2,200 per month, so this is encouraging, and we now have distribution agreements covering 219 distributor branches across Australia, New Zealand, Canada and the USA. Managing these distributors requires trained personnel, and we are currently looking for more account managers to ensure the distributors promote our products.

Co-locating processed fertilizers at key branches will certainly assist as if there is a product taking up storage space, distributors are usually keen to move it. Although 219 distribution points might sound like a big number, we are aiming for four times this number to get the coverage we need. It is an ongoing process, but the more branches we can educate, the more organic farmers will get to know our products and brand.

In addition to distribution agreements in key organic areas, we have also secured supply agreements with Humic Growth Solutions, an international humic fertilizer producer, along with the right to sell a gypsum product in Canada and North America. Such agreements will help drive growth, and we are making good progress on both, with Canadian organic farmers in particular quite interested in trialling a rock phosphate/humate blended product.

Of course, all this is only possible as long as we have rock phosphate to sell. Over the last year, we have made good progress in obtaining bulk sample permits, additional exploration permits and additional

stockpiled rock phosphate that we can process into one of five different fertilizer products for the North American market. We have sufficient ore now to last until at least the end of 2021, and we expect to have a mining permit issued prior to that to access our own deposits.

Shareholders may be aware that we have three major products available in Australia and Les Szonyi has recently had success in getting our FertAg product into the retail sector via Vasili Gardens, under the brand name 'Black Grit'. FertAg in Australia and New Zealand continues to grow, with first sales in New Zealand as well as Western Australia in recent months.

I'll now quickly go over the AGM presentation before putting forward the resolutions. Any questions so far?

While I am knowledgeable and cautious about the organic agriculture adoption curve, we underestimated the lack of market awareness of organic inputs and the challenges of building a supply chain from scratch. We are working to build this out, but it is slow. Processing and then co-locating finished fertilizer also takes time. On the positive side, with support from our shareholders and a dedicated team of staff and management, we are building a diverse and robust company across North America and Australia/New Zealand, not a small one that is just focussed on local organic farmers. We plan to build the largest organic input business in North America and Australia. I hope you will stay with us on this journey.

That concludes my address at today's AGM. I'd like to thank all shareholders for their continuing support whilst we grow the business in North America, Australia and New Zealand. Please take a look at our updated website when you get a chance, as it provides a lot more detail on our products and operations.

With your support, we are pursuing a significant opportunity in the organic agriculture sector, and believe this will deliver healthy growth well into the future.

Pat Avery

Executive Chairman

Fertoz Ltd

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