

Fertoz

30 January 2019

ASX RELEASE / MEDIA RELEASE

QUARTERLY ACTIVITIES REPORT DECEMBER 2018

HIGHLIGHTS

- Fertoz progresses in all key areas in 2018: sales, partnering, exploration, permitting, ore supply, infrastructure, logistics, research and marketing
- Balance sheet is strong and able to fund growth with cash at bank, inventory at cost and receivables totalling approximately \$4 million
- Fertoz is well positioned to meet 2019 permitting, operational, sales and financial goals, with 11,000 tonnes of phosphate products crushed in dry storage ready for H1 CY19 delivery

Organic phosphate development company Fertoz Ltd (“Fertoz” or the “Company”, ASX: FTZ) is pleased to provide an update of activities during the quarter ending 31 December 2018.

Fertoz Executive Chairman Patrick Avery stated:

“Well, what a year! Although this is a quarterly report for September – December 2018, our new financial year is now January to December, so we want to use this report as a summary of not only the quarter, but to reiterate our CY18 achievements.

“We started the year with ambitious plans and managed to achieve them by year end. We delivered improvements across all aspects of our business: exploration, permitting, mined and stockpiled ore supply, agronomic research, sales, marketing and logistics.

“In focusing on our customers’ needs, we learned a great deal in 2018. We established that we do not want all our sales to be Free-In-Store to farmers, (we call it “delivered”). A number of Fertoz’s farmer customers and distributors are able to secure better logistics rates than we could last year, and so we have amended our business model to focus on mine-gate, FOB, Free-on-Truck and Free-on-Rail deliveries. This empowers distributors and farmers to leverage the value of their access to competitively-priced logistics providers and pick up products, exactly when it fits their needs. This substantially reduces our risks – since when we deliver to the farm gate or the distributor, we take the risk on snow, rain, hail delays, product storage and re-positioning, all of which cost money. We of course, will still offer ‘delivered’ pricing, but it will be a joint effort.

“During the year, we incurred a number of strategic one-off costs to establish a sustainably scalable operational structure. Rather than amortise these costs over a period of time, we have elected to wear these as “start-up” costs and include them in the accounts. Examples include our securing of many future years of ore in stockpiles and pre-processing ore for 2019 to ensure delivery can be made without delay and increase sales; undertaking more mining exploration and initiating environmental studies for 2019 mining. In the short term, these decisions have impacted the Company’s margins, but we will create more

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
J. Chisholm
A. Byass
J. Stedwell

Key Projects

Wapiti
Fernie

Ownership: 100%
Ownership: 100%

Fertoz Ltd

A.C.N. 145 951 622

value by wearing these costs upfront so that going forward, Fertoz's robust organisational structure will empower us to report costs and margins as the business continues to grow.

"Finally, subsequent to the end of the quarter, we appointed Sean Gatin as our Senior VP of Sales and Marketing. Prior to this, Sean was part-time, but with the amount of sales leads to follow-up, particularly from our mailouts, web site hits, and distributor agreements, our sales success and growth now demands a full-time person in this role. Sean is also going to oversee the various trials we have planned this year, our further expansion in to the cannabis sector and the development of an organic N-P-K blend that we believe will be highly regarded by the market

"Sean brings a record of achievement spanning more than 25 years in business. With deep roots in agriculture, Sean has started and grown a number of ag input businesses. He has led numerous sales, product development and operational divisions, and bought and sold several successful Ag businesses. I would like to take this opportunity to welcome Sean to the role. We will have more about this in our upcoming sales update.

"My fellow directors and management value and appreciate the support and interest that investors and customers are showing to Fertoz. We welcome all opportunities to engage and communicate with the market via phone, email and in person."

SUMMARY

Financial

- **Cash at bank as at 31 December 2018 – A\$2.9 million**
- **Receivables as at 31 December 2018 – A\$ 850k**
- **Inventory at cost – A\$400k**
- Adding receivables of A\$850 k (mostly caused by weather delays in Q3 CY18) to actual cashflow, means that Fertoz was cash flow break-even at year-end. Fertoz is experiencing a strong start to FY19 with accelerating positive cash flows.

North America

- Subsequent to the end of the quarter, Exploration and Bulk Sample permit awarded for Fertoz's phosphate mining claims in the Alberta project area. The Company intends to commence mining an initial 5,000t bulk sample in H1 2019 to develop organic N-P-K fertiliser products at a lower cost than existing stockpiles
- Bulk Sample permits expected in H1 2019 in other areas including Marten and Barnes Lake
- Progressed discussions with Canadian authorities on Wapiti small mine application
- Continued field trials and product development – now offering 12 variations of organic phosphate blends
- Obtained access to the high-quality and versatile Deerlodge, Montana phosphate ore stockpile, increasing supply for well over 100,000 tonnes.
- Partnered with Humic Growth Solutions to develop a blended Humic/phosphate product for various crops including cannabis. Fertoz and HGS forecast sales of new value-added products of 10,000 – 12,000 tons in CY19 and 25,000 – 28,000 tons in CY20, expecting further increases in CY21

- Partnered with Nutrien and Scotts Miracle Grow, two of the largest crop input providers in North America which operate in all states of the USA and sell tens of millions of tonnes of N-P-K per year
- Partnered with organic farm product retailer and supplier, Seven Springs Farms, to provide additional fertiliser blends. Seven Springs operates across 10 states in the USA, offering Fertoz access to eastern seaboard-based customers
- Currently have 4 draft partnering agreements out with major distribution companies
- Established and utilised contract ore processing locations in Canada and the USA
- Pre-processed over 11,000 tonnes of phosphate ore to be ready so that there is sufficient product available for H1 CY19 delivery
- Developed effective marketing brochures and educational material for organic farmers, pitching Fertoz's product benefits to new and existing customers
- Advanced sales of key products, powder and granular rock phosphate but also blends with sulfur, humic, gypsum and potash
- Deepened the Company's North American database – now directly communicating with organic farmers on orders, trials and blends, with more partnerships and distributor deals in the works



Phosphate outcropping at Fertoz's recently-permitted Alberta project area

Australia & New Zealand

- Achieved first sales into New Zealand
- Product ordered for sales into Western Australia in Q1 2019
- Working with Fertoz North American team to get the FertAg products accredited in the USA and Canada, to drive global sales growth
- Attended agricultural field days, showcasing FertAg's benefits directly to farmers and distributors to raise market visibility and support ongoing sales growth



FertAg Granular 0702 (left) and Sulphate of Potash (right) ready for application



Newly-planted sugar cane supported by FertAg

Planned Activities for March Quarter 2019

- Lock in Spring 2019 sales: currently seeing increases across all existing customers

- Launch revamped website, updated to provide richer product descriptions and background education on organic farming
- Finalise logistics for Bulk Sample permit work in Alberta, target beginning mining in H1 2019
- Plan additional drilling of Fernie project areas for June quarter, along with Marten and Barnes Lake
- Attend numerous Farm Shows, educating growers, distributors and potential partners on Fertoz products. Direct mail to over 4,000 dealers and growers.
- Update and expand all organic registrations as the Company develops and brings to market new products

SAFETY

There were no lost time injuries or environmental incidents recorded during the quarter ending 31 December 2018.

CORPORATE

Change of Financial Year End

In November, the Company resolved to change its financial year end from 30 June to 31 December.

Previously, the Company's financial year commenced on 1 July and ended 30 June. The change was made in order to synchronise the Company's financial reporting with its operations in North America and Canada. The change in financial reporting will facilitate the delivery of consistent reporting to shareholders and other stakeholders.

The Company has made the change in financial year end in accordance with section 323D (2A) of the Corporations Act 2001 (Cth). The Board confirms that:

- The Company's previous financial year ended on 30 June 2018;
- The Company will have a six-month transitional financial year beginning on 1 July 2018 and ending on 31 December 2018.

Thereafter, the Company will revert to a twelve-month financial year, commencing on 1 January 2019 and ending on 31 December 2019.

The change in financial year requires the Company to, in respect of the transitional financial year:

- Lodge an annual report by 31 March 2019; and
- Hold an annual general meeting by 31 May 2019, the date of which will be determined and advised in due course.

Results of Annual General Meeting

At the Annual General Meeting of Shareholders held on 29th November 2018, all resolutions were passed on a show of hands. The next AGM will be held in May 2019 in line with the Company's aforementioned new reporting period of January to December each year.

Cash

The Company has A\$2.9 million in cash as at 31 December 2018 and nil loan balances owing.

This amount excludes cheques for C\$712k received from a customer of which C\$600k will be deposited in the Company's account during the March quarter. Exceptionally bad weather caused disruption in the operations of certain customers, which gave rise to higher-than-expected receivables.

Fertoz Tenements

A list of tenements is provided in Appendix 1.

For further information, please contact:

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Appendix 1 – Tenements

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
Canada					
Wapiti Project - British Columbia, Canada					
Wapiti East					
WK-1	851942	100%	450.83	4/21/22	Fertoz International
WK-2	851948	100%	451.02	4/21/22	Fertoz International
WK-3	851952	100%	375.66	4/21/22	Fertoz International
WK-4	851958	100%	451.2	4/21/22	Fertoz International
WK-5	941760	100%	450.83	4/21/22	Fertoz International
WK-6	941761	100%	469.87	4/21/22	Fertoz International
WK-7	941762	100%	432.07	4/21/22	Fertoz International
WK-8	941763	100%	413.49	4/21/22	Fertoz International
WK-9	941764	100%	451.33	4/21/22	Fertoz International
WK-10	941769	100%	432.53	4/21/22	Fertoz International
WK-11	955278	100%	470.31	4/21/22	Fertoz International
WK-12	956829	100%	37.56	4/21/22	Fertoz International
WK-One	982744	100%	18.8	4/21/22	Fertoz International
Wapiti NE	1015556	100%	375.54	4/21/22	Fertoz International
Wapiti Two	1015557	100%	168.93	4/21/22	Fertoz International
Wapiti South	1015558	100%	376.35	4/21/22	Fertoz International
WAP S2	1018104	100%	451.82	4/21/22	Fertoz International
WAP S3	1018106	100%	451.75	4/21/22	Fertoz International
WAP S4	1018107	100%	451.93	4/21/22	Fertoz International
WAP S5	1018108	100%	452.09	4/21/22	Fertoz International
WAP S6	1018109	100%	452.3	4/21/22	Fertoz International
Red Deer 1	1023921	100%	150.2	4/21/22	Fertoz International
Red Deer 2	1023922	100%	206.3	4/21/22	Fertoz International
Red Deer 3	1023923	100%	150.1	4/21/22	Fertoz International
Munok	1029417	100%	207.38	4/21/22	Fertoz International
Munok 1	1015626	100%	169.58	4/21/22	Fertoz International
Belcourt 1	1015627	100%	113.27	4/21/22	Fertoz International
Munok 2	1024783	100%	603.05	4/21/22	Fertoz International
Belcourt 2	1024803	100%	301.76	4/21/22	Fertoz International
Belcourt 3	1024806	100%	188.7	4/21/22	Fertoz International
Belcourt 4	1024805	100%	339.78	4/21/22	Fertoz International
Belcourt Link	1027037	100%	282.59	4/21/22	Fertoz International
WAP 11	1027038	100%	168.94	4/21/22	Fertoz International
South 1	1029488	100%	112.64	4/21/22	Fertoz International
South 2	1029489	100%	376.16	4/21/22	Fertoz International
South Road 2	1030777	100%	413.66	4/21/22	Fertoz International
Wapiti Project total			11,870.32		

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
Fernie Project					
Barnes (formerly Barnes Lake)					
Barnes Lake	1011319	100%	608.98	5/19/22	Fertoz International
BL 2	1020873	100%	629.88	4/18/22	Fertoz International
BL 3	1046619	100%	524.89	1/12/22	Fertoz International
Barnes Lk West	1055454	100%	83.97	10/09/22	Fertoz International
South of Alberta 1	1059393	100%	309.31	3/17/22	Fertoz International
Barnes 5	1059412	100%	104.96	3/18/22	Fertoz International
Coal Mountain 1	1059422	100%	230.78	3/19/22	Fertoz International
Barnes Subtotal			2,492.77		
Pump Station (formerly known as Crows Nest)					
Crows Nest	1023062	100%	1450.89	15/10/2021	Fertoz International
Crows 2	1023064	100%	38.67	15/10/2021	Fertoz International
Pump Station Subtotal			1,489.56		
Tunnel					
Tunnel 3	1059590	100%	148.74	3/26/19	Fertoz International
Tunnel Subtotal			148.74		
Pallson					
Pallson	1054976	100%	18.51	9/17/19	Fertoz International
Pallson 2	1063895	100%	92.53	10/18/19	Fertoz International
Pallson Subtotal			111.04		
Windy Camps					
Windy Camps 1	1063894	100%	280.38	10/18/19	Fertoz International
Windy Camps Subtotal			280.38		
Hook					
Hook 1	1063893	100%	260.69	10/18/19	Fertoz International
Hook Subtotal			260.69		
Marten					
Marten 1	1024365	100%	754.32	6/29/21	Fertoz International
Marten 2	1025533	100%	460.86	6/28/21	Fertoz International
Marten Nth	1029979	100%	334.99	8/01/21	Fertoz International
Marten E	1031107	100%	188.48	9/23/21	Fertoz International
Marten Subtotal			1,738.65		

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
Mt Lyne					
Lyne 2	1058762	100%	124.94	2/21/19	Fertoz International
Line 4	1042177	100%	332.78	2/19/19	Fertoz International
Line 5	1042208	100%	290.72	2/20/19	Fertoz International
Line 3	1042176	100%	186.99	2/19/19	Fertoz International
Mt Lyne	1058747	100%	41.57	2/20/19	Fertoz International
Mt Lyne Subtotal			982.00		
Graves Lake					
Graves Lake 1	1046685	100%	499.54	9/14/21	Fertoz International
Graves 2	1058774	100%	208.29	2/22/22	Fertoz International
Graves 5	1063603	100%	208.42	10/04/19	Fertoz International
Graves 5	1063646	100%	83.38	10/06/19	Fertoz International
Graves 6	1063647	100%	228.87	10/06/19	Fertoz International
Graves 7	1063598	100%	166.44	10/04/19	Fertoz International
Graves 8	1063648	100%	41.60	10/06/19	Fertoz International
Graves 9	1063655	100%	41.61	10/07/19	Fertoz International
Graves 10	1063656	100%	41.66	10/07/19	Fertoz International
Graves Subtotal			1,519.81		
Big Horn					
RAM 1	1047502	100%	126.72	29/10/2021	Fertoz International
RAM 2	1050068	100%	253.48	16/03/2021	Fertoz International
RAM 3	1050069	100%	168.93	16/03/2021	Fertoz International
RAM 4	1050660	100%	105.64	3/10/21	Fertoz International
RAM 5	1050661	100%	295.58	3/10/21	Fertoz International
RAM 6	1050662	100%	253.5	3/10/21	Fertoz International
BIGHORN 7	1050686	100%	211.28	3/10/21	Fertoz International
Bighorn Southwest	1057281	100%	211.28	10/29/21	Fertoz International
BIG HORN Subtotal			1,626.39		
Fernie Project Total			10,650.02		
CrowsNest, Alberta, Canada					
TWP	9318030431	100%			Fertoz International
TWP	9318100162	100%			Fertoz International
Alberta Subtotal					
Canada Total			22,520.34		