

# Fertoz

26 JULY 2019

ASX RELEASE / MEDIA RELEASE

## QUARTERLY ACTIVITIES REPORT JUNE 2019

### HIGHLIGHTS

- Fertoz signs Distribution Agreement with Ontario-based agribusiness Thompsons Limited, providing significant exposure to the eastern Canadian organic sector
- Fertoz signs Supply Agreement with Humic Growth Solutions for Canadian sales, expanding on USA agreement
- Approval received for Bulk Sample Permit at Marten and Exploration License for Barnes Lake
- Bulk Sampling commencing 1 August on leases in Alberta following receipt of Bulk Sample Permit for that area
- Awarded distribution rights for high-quality recycled gypsum to complement existing products
- Signed a Distribution Agreement with Farmers Coop Limited, the largest coop in Canada.
- Poor weather in North America is hampering deliveries but improving conditions are forecast, which will enable multiple deliveries to re-commence
- Experienced North American fertiliser executive, Ron Wilkinson, appointed as a Non-Executive Director.

Organic phosphate development company, Fertoz Ltd ("Fertoz" or the "Company", ASX: FTZ) is pleased to provide an update of activities during the quarter ending 30 June 2019.

Fertoz Executive Chairman Patrick Avery stated:

*"The unseasonably adverse recent weather has thrown up challenges for everybody in the North American agricultural supply chain, and Fertoz is no exception. However, we continue to deliver positive growth across all of our key metrics, and we are pleased to say that despite enduring a record-breaking cold winter and wet spring, meaning farmers were unable to plant many acres across North America, Fertoz now has many fall/winter contracts secured.*

*"Humic Growth Solutions is just finishing a processing plant expansion which will then allow us to begin ramping up deliveries there. Although we will likely struggle to reach the lower end of our earlier guidance of 30,000 – 50,000 tons in CY19, we have increased our sales force and the number and reach of our distributors to make the most of the improving weather.*

*"Due to weather-related disruptions, the revised sale guidance for CY19 is now 15,000 – 20,000 tons. While this is disappointing and outside Fertoz's control, the pleasing aspect of 2019 is the expansion in the number of buyers for the Company's products - currently nine separate distributor groups – up from two in 2018. While our 2019 tonnage growth is less than originally forecast, it remains solid growth on the*

ASX: FTZ



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#### Board of Directors

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

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

#### Key Projects

Wapiti  
Ferne

Ownership: 100%  
Ownership: 100%

Fertoz Ltd

A.C.N. 145 951 622

2018 tonnage sold. The Company's expanding network of very high-quality distributor groups gives Fertoz confidence that 2020 growth, subject to favourable weather, will deliver solid tonnage growth on CY19.

*"Meanwhile, we were pleased to announce the appointment of Mr Ron Wilkinson to the Fertoz Board during the quarter. Ron is a deeply experienced fertiliser industry executive, having held senior roles with Agrium for 20 years, and we look forward to his input as we continue to grow our business."*

## SUMMARY

### North America

- Bulk Sample Permit awarded for Marten property on the Fernie leases in British Columbia by the BC Government
- This follows approval to mine at the Fernie leases in Alberta; bulk sampling is scheduled to commence on 1 August 2019
- Bulk Sample Permits for the Fernie leases will allow Fertoz to mine these deposits and facilitate the delivery of high-quality, high-availability phosphate ore to Canadian farmers
- BC Government awarded Exploration License for Barnes Lake, with Fertoz planning to undertake further field work to test for additional shallow high-quality, low-impurity phosphate resources
- Studies continuing at Wapiti with mining commencement of mining targeted for 2020
- Fertoz awarded distribution rights for high-quality recycled gypsum to complement existing products after signing an agreement with Pacific Recycling in Surrey, BC to supply powdered and granulated gypsum products
- Distribution Agreement signed with Thompsons Limited, which deals in farm inputs across 12 branches in Ontario, Canada; Thompons has a dedicated organics business
- Additional agreement signed with Humic Growth Solutions to expand the scope of the partnership to include Canada. The previous agreement signed with Humic in November 2018 only covered the USA
- As reported last quarter, Fertoz signed a distribution with Blairs Ag in April. Blairs has 10 branches in Saskatchewan, Canada
- Fertoz progressed distribution initiatives with Limoges Seed Farms, Providence Grain Solutions and several other potential partners
- Sales goal of 30,000 – 50,000 tonnes in 2019 has been revised lower due to weather impacting spring sales. Fertoz continues to expand its marketing reach through partnerships; further guidance update planned for end of North American summer.

### Mining permits and planned mining of phosphate

Fertoz is pleased to have received approval from the British Columbia Government regarding its Bulk Sample Permit for the Marten property as part of the Fernie BC leases.

Mr Avery commented:

*"This follows a similar approval we secured for the Alberta portion of the Fernie leases. These permits will allow us to mine our own deposits and use this material to satisfy customer requirements. We have done the spring environmental checks and will begin mining Alberta Crown leases on August 1. We have reached an agreement with the owners of some private tenure contiguous to the Alberta crown land and we expect*

*to be able to mine this in September. We are finishing seasonal environmental monitoring at Marten in the Fernie BC leases, and will extract phosphate based on sales forecasts. We are continuing exploration studies in the large Barnes lease.”*

The Company expects to finalise all studies at Wapiti this summer for mining commencement in 2020.



**Figure 1: Barnes Lake (Fernie Project) outcropping phosphate**

### **Expanded product range and distributors**

Commenting on several strategic distribution agreements Fertoz signed during the quarter, Mr Avery said:

*“We are excited to have found a high-quality gypsum supplier in Pacific Recycling in Surrey, BC. Pacific will work with us to supply powdered and granulated gypsum products to our customers, who have been requesting it, and Fertoz will make a margin on each sale.*

*“Fertoz continues to grow its network of distributors and suppliers, with Thompsons Limited and Blairs Ag adding to our reach across North America. Several more are in the works. We also signed a second agreement with Humic Growth Solutions which covers Canada, in addition to the USA agreement in place. Having distributors throughout the farming regions of Canada and the US will enable us to get our products to farmers more quickly when growing conditions are best, and we are working on more distribution agreements. We were also pleased to grow our volumes during the period with Nutrien, Tiger Sul, Thompson’s, Blairs and Anderson’s.*

*“We continue to investigate more innovative applications through which we can expand our addressable market. Fertoz continues to develop initiatives that will further expand the Company’s product range and*

customer reach and expects to update the market on further distribution agreements and joint ventures shortly.”

## **Organic Food Segment continues to expand**

Despite weather events, which impact both organic and conventional farmers, the Prairie Provinces continue to be the powerhouse of Canadian organic agriculture. The Canada Trade Association’s *Organic Agriculture in the Prairies 2018* report highlights a 28% growth in organic farming in the Prairies between 2015 and 2018, with 1,975 registered organic farms now operating there. Organic livestock acres fell but organic pulses and pea producing acres increased in line with the large increase in plant-based proteins being consumed in Canada (“Beyond Meat”-style plant-based meat substitute burgers and sausages are now served in many major fast-food outlets and supermarkets).

Saskatchewan has the most organic acres under production in the Prairies, but even though there are almost 2,000 registered organic farms across the region, the total number is still below the 2,700 organic farming operations in California. A recent report by the California-based CCOF Foundation, “*A roadmap to an organic California*”, found that 4% of all agricultural acreage in California is certified as organic. The CCOF have released a plan to increase that to 10% by 2030. A by-product of such an increase in organic production is a reduction in greenhouse gases, equivalent to removing over 600,000 cars per year from US roads the report quoted.

In 2018, there were 1.8 million acres of certified organic farmland in the Prairies, and according to a report by CCOF (*Organic Survey: Certified Organic Acres in California*), just over 1.1 million acres in California. Washington State, Oregon, Montana, Idaho and North Dakota also contain numerous organic farms, with more than 700 organic farms in Washington State alone. All these states are within truck and rail distance of the Company’s stockpiles and processing operations.

In terms of organic sales, California leads the way with annual organic sales of approximately US\$3 billion pa, compared to the Prairie region organic sales of C\$850 million pa. Unlike the Prairies, some farms in California can manage three crop rotations per year, which boosts total organic sales. Even with such a large addressable market, the Company has found that most organic farmers contacted directly by Fertoz sales and marketing personnel were unaware of the availability of organic fertiliser inputs, let alone those offered by Fertoz. This feedback has prompted a renewed telemarketing and sales effort by the Company, adding another part-time sales person to cover the booming organic markets in British Columbia and Vancouver Island (with 83% of Millennials buying organic produce at least one per week according to the Canadian Organic Trade Association); a part-time business development executive moving to full-time; and one of the Company’s directors taking over responsibility for access into the North American organic cannabis market.

The other key difference in organic agriculture between Canada and California is that organic root crops, fruits and vegetables only account for 2% of the organic market in the Prairie Provinces, whereas these crops are the major organic products in California. For more information on organic markets and Fertoz’s plans to service them, please refer to the Company’s website.

Mr Avery commented, “the organic Ag sector continues to expand. Fertoz is strategically placed as a leading supplier of organic inputs into the sector having developed the supply chain with leading

distributor networks, significant stockpile tonnage and developing mine permits to commence mining high grade organic phosphate within a month. The Fertoz business plan remains focused on becoming North America’s leading organic group in line with the strengthening trend of consumers towards organic food and investors focusing on companies with sustainable practices within Ag”

## **Australia & New Zealand**

- Research and testing of FertAg 0-8-0 for potential sales in California continued
- Sales were steady in the quarter despite the continued dry weather in NSW and Victoria
- The certification of FertAg 0-8-0 as an allowable input in the production of organically certified agricultural products has been renewed in Australia and New Zealand by Australian Organic and Biogro NZ respectively
- New initiatives are in progress to grow the FertAg business further including a planned entry into the Philippines market, which has soils suitable for the application of FertAg products. FertAg product registration is currently underway with the Fertilizer and Pesticide Authority in the Philippines.

## **Planned Activities for September Quarter 2019**

For the coming quarter, Fertoz is focused on delivering value through:

- Marketing campaigns to boost market awareness of Fertoz and its product range, particularly in the booming cannabis sector
- More sales contracts – we expect to complete several new Distribution and Supply agreements with major partners which will incorporate sales contracts for CY19.
- The Company continues to develop initiatives that will further expand the product range and customer reach for Fertoz product, and blends with partners’ products.
- Co-locating processed fertiliser at distributor sites to ensure same-day or next-day delivery
- Geographic expansion to the south to mitigate weather risks in Alberta, Saskatchewan and Montana.

## **SAFETY**

There were no lost time injuries or environmental incidents recorded during the quarter ending 30 June 2019.

## **CORPORATE**

### **Director Appointment**

In June, Fertoz announced the appointment of experienced fertiliser industry executive Ron Wilkinson as a Non-Executive Director to its Board. Mr Wilkinson is a chemical engineer and was a senior executive in Canadian-based fertiliser company Agrium (now known as Nutrien) for 20 years, responsible for wholesale production and sales of Agrium’s fertiliser products into the USA and Canada. As President, Agrium Wholesale Business Unit, he had direct profit and loss responsibility for annual revenues of more than US\$4 billion, with annual sales of 8 million tonnes, primarily into North American markets. Mr

Wilkson was appointed to the Board of phosphate fertiliser company Itafos Ltd last year, which has operations in the USA and Brazil and additional phosphate deposits in Brazil, Peru, Africa and the USA.

## Results of Meeting

At the Annual General Meeting of Fertoz shareholders on 27 May 2019, all resolutions put to the meeting passed on a show of hands. Resolutions were as follows:

1. Adopt Remuneration Report
2. Re-elect James Chisholm as Director
3. Approve additional placement capacity.

## Shares Issued

During the quarter, 550,000 ordinary fully paid Fertoz shares were issued under the Company's Employee Share Plan. Fertoz issued a notice under Section 708A (5) of the Corporations Act 2001.

## Cash

The Company has A\$1.6 million in cash as at 30 June 2019 and no loan balances owing.

## Fertoz Tenements

A list of tenements is provided in Appendix 1.

**For further information, please contact:**

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## TENEMENTS LIST

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
<b>Canada</b>					
<b>Wapiti Project - British Columbia, Canada</b>					
<b>Wapiti East</b>					
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
<b>Wapiti Project total</b>			<b>11,870.32</b>		

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
<b>Fernie Project</b>					
<b>Barnes (formerly Barnes Lake)</b>					
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
<b>Barnes Subtotal</b>			<b>2,492.77</b>		
<b>Pump Station (formerly known as Crows Nest)</b>					
Crows Nest	1023062	100%	1450.89	10/15/2021	Fertoz International
Crows 2	1023064	100%	38.67	10/15/2021	Fertoz International
<b>Pump Station Subtotal</b>			<b>1,489.56</b>		
<b>Tunnel</b>					
Tunnel 3	1059590	100%	148.74	9/26/19	Fertoz International
<b>Tunnel Subtotal</b>			<b>148.74</b>		
<b>Pallson</b>					
Pallson	1054976	100%	18.51	9/17/19	Fertoz International
Pallson 2	1063895	100%	92.53	10/18/19	Fertoz International
<b>Pallson Subtotal</b>			<b>111.04</b>		
<b>Windy Camps</b>					
Windy Camps 1	1063894	100%	280.38	10/18/19	Fertoz International
<b>Windy Camps Subtotal</b>			<b>280.38</b>		
<b>Hook</b>					
Hook 1	1063893	100%	260.69	10/18/19	Fertoz International
<b>Hook Subtotal</b>			<b>260.69</b>		
<b>Marten</b>					
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
<b>Marten Subtotal</b>			<b>1,738.65</b>		



Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
<b>Mt Lyne</b>					
Line 4	1042177	100%	332.78	8/19/19	Fertoz International
Line 5	1042208	100%	290.72	8/20/19	Fertoz International
Line 3	1042176	100%	186.99	8/19/19	Fertoz International
Mt Lyne	1058747	100%	41.57	8/20/19	Fertoz International
<b>Mt Lyne Subtotal</b>			<b>982.00</b>		
<b>Graves Lake</b>					
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
<b>Graves Subtotal</b>			<b>1,519.81</b>		
<b>Big Horn</b>					
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
<b>BIG HORN Subtotal</b>			<b>1,626.39</b>		
<b>Fernie Project Total</b>			<b>10,650.02</b>		
<b>Crowsnest, Alberta, Canada</b>					
TWP	9318030431	100%			Fertoz International
TWP	9318100162	100%			Fertoz International
<b>Alberta Subtotal</b>					
<b>Canada Total</b>			<b>22,520.34</b>		