



17 December 2020

ASX RELEASE / MEDIA RELEASE

## Sales and Marketing Update

### HIGHLIGHTS:

- Strong growth in Fertoz's North American operations since early November, driven by concerted marketing and grower education, easing of logistics conditions and rates and processing partner equipment upgrades
- Fertoz has continued to build its standing and extend its reach into organic farming hubs through new and existing distributors, culminating in key Canadian distribution partner, P&H, now setting up a 100% dedicated organic fertiliser facility with Fertoz products – believed to be the first 100% organic location in Canada
- Australian operations deliver a solid 2020 year, with upbeat expectations into 2021
- Encouraging end of year indications from North American customers seeking to lock in Spring tonnes now, setting up a positive early outlook for 2021

Organic phosphate development company, Fertoz Ltd (ASX: FTZ, "Fertoz" or the "Company") is pleased to provide an update on operations, sales, marketing and the organic markets.

Pat Avery, Executive Chairman, commented:

*"2020 has certainly been the most unusual year I have experienced in my life, and I am sure many shareholders reading this report will feel the same. Who could have predicted back in January how the year would play out, with the unfortunate passing of many people, lockdowns, closed borders and escalating infections here in North America, leaving businesses and logistics chains reeling from the impacts.*

*"However, in the midst of all these challenges, we have managed to expand our network, increase our sales and open new distribution channels. Even more heartening is that our winter orders, whilst always lower than our Spring and Summer sales, have been stronger this year than any other. This bodes well for a good start to 2021. At the same time, our Australian and Pacific operations have weathered drought conditions and still made good sales in spite of the hurdles.*

*"I would like to take this opportunity to thank all of our shareholders for their support this year. The market-wide uptake of organic fertilisers has risen more slowly than we had expected, but we believe we have now reached critical mass with our products, distribution partners and adoption amongst key farming groups in the USA, Canada and Australia, all of which set Fertoz up for a stronger 2021.*

*"Merry Christmas and Happy New Year to all."*



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**Board of Directors**  
Executive Chairman  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
and Company Secretary

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

### Key Projects

Wapiti Ownership: 100%  
Fernie Ownership: 100%

**Fertoz Ltd**

A.C.N. 145 951 622

## North American Operations

The Company is pleased to advise that its North American operations have seen strong growth over the last four to six weeks, outperforming a traditionally slow period and one which was previously significantly impacted by closed borders, border delays, shuttered businesses and a lack of trucks and drivers to move product (which led to huge increases in transport costs).

Heavy snow across many areas in the run into Christmas has seen orders and deliveries recently slow, but overall, the end of CY20 has been positive, with Fertoz securing new customers, new distributors and opening new sales channels.

Fertoz has retained all mining permits in good standing. The Company has sufficient low impurity, high availability rock phosphate to supply to farmers and third party fertiliser processors in FY21.

Importantly, during the year, the Company began shipping product to customers from the Monterrey mine in Mexico. While we sell this product FOB Monterrey, trucking costs were expensive for our customers due to COVID-19, and often the border was closed or trucking firms experienced significant delays, but despite these setbacks, the Company managed to establish a toe-hold in the organic farming market in South Eastern USA. This is a growing organic region, and the COVID-19 pandemic has seen a move towards organic purchases by consumers, leading to increased demand for organic fertilisers in the area. As long as COVID-19 issues are controlled in the US and Mexico by mid-2021, the Company expects that this region will deliver strong sales.

Late in the year, the Company opened a new sales channel – the ability to order Fertoz products through its website, [www.fertoz.com](http://www.fertoz.com). Although in its infancy, this channel is expected to appeal to smaller organic farmers and home gardeners in the Pacific North West, an area dominated by smaller organic operations, but with an expanding organic market. With eCommerce first added to the Fertoz website only as recently as October 2020, the Company expects this channel to contribute to revenue growth in CY21.

Product development was another key area of focus in 2020. Although our partnership with Humic Growth Solutions has not yet delivered the sales and product development originally expected, the Company was able to jointly develop products with multiple distribution and manufacturing partners in Idaho – Propeat and Pocock Trucking. These new products, phosphate/sulfur blends, will be marketed to farmers beginning 2021, not only in the local area, but as far away as Texas.

The Company's processing partner in Alberta undertook a number of equipment upgrades during the year. Although this disruption impacted sales into Southern Alberta, over the last 8 weeks, their new equipment has performed well and the Company has seen an increase in volumes requested from farmers. As contract processing remains relatively expensive, the Company aspires and plans to develop its own in-house granulation facilities. With several successful examples in the market to consider, the Board will review its vertical integration strategy in 2021.

As noted above, freight rates increased considerably in the US and Canada through the middle of CY20 due to the lack of trucks and drivers: in some cases, by as much as 100%. This made farmers more cautious when ordering. This dynamic also drove some cost increases for the Company, as around half of the Company's sales include delivery, whilst the other half are ex-works. In the few weeks that trucking prices soared, the Company was unable to recoup the increased costs from farmers as the contracts had fixed and firm pricing including freight costs. This precipitated a change to offering primarily ex-works prices, with any Free-In-Store (i.e. delivered) prices having variability on trucking costs.

Throughout the year, the Company increased its reach into organic farming hubs by signing additional distributors, such as P&H and Sylvite. In business for well over 100 years, P&H is a longstanding, respected grain and fertiliser business which is strong across Canada, and Sylvite is a large, growing, multigenerational fertiliser dealer supplying in eastern Canada and northwest USA. It is noteworthy that P&H is setting up a 100% dedicated organic fertiliser facility with Fertoz products, which the Company believes to be the first 100% organic location in Canada. P&H is considering developing additional organic facilities in other areas.

In the US, Fertoz added a new partner in North Carolina, a large specialty manufacturing fertiliser business, which the Company will supply from the Mexico mine. Recently, another large fertiliser dealer based in Oregon started buying Fertoz products. This group has extensive reach across Washington, Oregon and California, and the Board is expecting strong sales through this channel during 2021.

### **Australia and Asia-Pacific Operations**

The Australian business (FertAg) has performed well in 2020. FertAg is on track to significantly exceed the budgeted profit of \$30,000 for the year despite bushfires, drought and COVID.

The major challenge facing the business into 2021 is the impact COVID is having on the cost and availability of international shipping. Shipping prices from Vietnam to Australia have approximately tripled since October. Product is ready to ship from Vietnam to Australia, but as yet, no ships are available.

A consequence is that FertAg is totally sold out of stock in Australia, and from January onwards, the Company has implemented a significant price rise to help cover higher shipping costs. The drought has now broken in Australia and sales are expected to be good in Autumn once normal shipping resumes.

FertAg is also sold out in New Zealand. This market has been put on hold due to the very high logistics costs and the difficulty in growing the business with no local sales force in place.

The Philippines market was slow for the first 9 months of the year, mainly due to COVID impacts. It is now starting to take off, with two full time local sales staff supporting the sales manager Dennis Northey who is based there.

Opportunities for Fertoz's Australian operations in 2021 include:

1. The rapidly-growing home and garden market, developed by distributor Maresi Operations. Sales to this market have more than doubled in 2020 and are expected to grow more rapidly in 2021.
2. The continued development of the Atherton Tablelands in North Queensland. FertAg sold its first product there in early 2020, when farmers were offered product cost savings of approximately \$100/t by the freight of product to Cairns by rail instead of road. Four farmers have used the product and are very excited with the results they have seen on avocados, limes and pasture. These customers attribute this to the highly available calcium, silicon and magnesium in the FertAg product. A field day is planned on an Atherton Tablelands avocado farm in January 2021 to further promote sales.

*Authorised by the Board of Directors of Fertoz Ltd*

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