

30 July 2021

ASX RELEASE / MEDIA RELEASE

Quarterly Activities Report June 2021

HIGHLIGHTS

- Establishment of Fertoz Carbon division
- Delivery of granulator, installation underway in Butte Montana
- Beginning to mine Fernie BC, in response to orders from the Prairie Provinces
- Launched additional low carbon and soil sequestration products with our partners WAMCO Alfalfa, PhoSul and Humic Growth Solutions
- Rights Issue during the quarter raised \$1.5m and capital raise subsequent to quarter end raised \$5m
- Cash at bank of \$1.5m, receivables of \$465k and inventory (at cost) of \$460k (as at 30 June 2021) provides balance sheet strength to enable expansion of operations. Subsequent capital raise will facilitate growth in all key metrics of organic fertiliser sales, expansion into contracts within Carbon division and hiring of key personnel

Organic phosphate development company, Fertoz Ltd ("Fertoz" or the "Company", ASX: FTZ) is pleased to provide an update on activities during the quarter ending 30 June 2021.

Fertoz Executive Chairman, Pat Avery, stated:

"This quarter saw the establishment of Fertoz Carbon and a significant increase in our share price, not only due to the opportunities in the carbon market, but also due to the large increase in orders, the progress of our in-house granulation facilities, and the additional cash we secured in order to employ more people to market our expanding range of services.

"We find ourselves in a unique position at the start of the carbon revolution, with years of research, laboratory trials, farm trials, and agronomic studies that support our claim that Fertoz inputs expand the development of carbon in the soil. The establishment of Fertoz Carbon was a natural extension of the work we have been engaged in over a number of years. And like our base organic fertilizer business, we set about the establishment of this division by securing partners that can help us to enter and prosper in the carbon market.

"Derek Squair is leading our efforts in carbon – setting up partnerships with major corporations that allow us to measure, calculate, accredit and verify carbon credits from the growth of crops, trees and grasslands, all associated with the growth available from the application of our fertilizers, the subsequent increase in CO₂ sequestration, and the decrease in emissions of nitrous oxides that are so damaging to the environment.

"To provide a sense of our addressable market, the manufacturing process of typical synthetic nitrogen fertilizers generates significant amounts of CO₂ in and of itself. However, once applied to farms, these

ASX: FTZ



Registered Office

Suite 103, Level 1,
2 Queen Street
Melbourne VIC 3000
Ph: +61 3 8395 5446
office@fertoz.com
www.fertoz.com

Board of Directors

Executive Chairman
Non-Executive Director
Non-Executive Director
NED/Company Secretary

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

Key Projects

Wapiti
Fernie

Ownership: 100%
Ownership: 100%

Fertoz Ltd

A.C.N. 145 951 622

fertilizers emit nitrous oxides, and according to Fitch Ratings, 1 tonne of nitrous oxide does the same damage to the environment as nearly 300 tonnes of CO₂. Stated another way, nitrous oxide’s impact on climate change is more than 265 times higher than CO₂¹.

“We also expect that proposed new EU regulations will push up carbon costs for synthetic fertilizer producers, with serious action required under the new ‘Fit for 55’ climate plan that the EU has adopted leading to a targeted 55% reduction of carbon emissions by 2030.

“To mitigate this environmental impact, some of the world’s foremost fertilizer producers have stated plans to reduce their emissions intensity. The tables below outlines some of these plans.”

Company	Targets
CF Industries	To reduce total CO ₂ -equivalent emissions by 25% per tonne of product by 2030 (compared to 2015); carbon neutrality by 2050
ICL	45% reduction in the company's overall Scope 1+2+3 emissions by 2030 (compared to 2008), including a 3% YoY reduction from 2019 onwards
Mosaic	To reduce GHG emissions by 20% per tonne of product by 2025 (compared to 2015 for North America operations, 2018 for Mosaic Fertilizantes business)
Nutrien	30% reduction in GHG emissions (Scope 1+2) per tonne (compared to 2018)
OCI	Scope 1+2 GHG emissions intensity reduction by 20% by 2030 (compared to 2019); carbon neutrality by 2050
Phosagro	14% reduction in GHG Scope 1+2+3 emission by 2028 (compared to 2018)
Yara	To reduce absolute Scope 1+2 emissions by 30% by 2030 (compared to 2019); carbon neutrality by 2050

Scope 1 emissions: direct emissions from company-owned and controlled resources.

Scope 2 emissions: GHG emissions from acquired and consumed electricity, steam, heat or cooling.

Scope 3 emissions: all other indirect emissions caused along an organisation’s value chain, including emissions from product consumption by end-users.

Source: Environmental Finance, 28 July 2021

Mr Avery further stated:

“In addition to our carbon market entry, during the quarter we also took delivery of our granulator, which we are currently installing. Once operational, this granulator will allow us to granulate our own product mixes and offer farmers just-in-time deliveries of bespoke blends. We also secured additional contracts during the June quarter – indeed, our largest quarter ever in terms of orders received.

“Although as always in agriculture there will be potential delays in deliveries of products due to weather events and potential delays in the commissioning of our granulator, and perhaps even some delays in sorting through the myriad rules and regulations for the sale of carbon credits, we expect this year will be a great one for Fertoz. We are leading the carbon charge in the organic sector and with the market expanding every day, the future does look very bright indeed.”

Cashflow Dynamics

Although Fertoz achieved record orders for Q1 CY21 compared to previous years, payment terms can be over 90 days and this impacts the cash receipts reported in the Company’s quarterly reports. As

¹ <https://www.environmental-finance.com/content/news/nitrogen-fertiliser-makers-to-be-hit-by-tighter-emissions-policies-warns-fitch.html>

shareholders would also be aware, the Company secured a significant order in Q2 which allowed the opening of the Fernie mine. This order has strict payment terms and pre-payments, which will materially assist cash flows over the coming quarters.

The first quarter of each year has traditionally been a challenging one as typically farmers want just-in-time deliveries, and with insufficient working capital until the Rights Issue and recent Capital Raise, the Company has been unable to accommodate such requests. However, with the granulator now delivered to Butte, Montana, and an injection of working capital from recent raises, the Company is now in a position to build inventory, and once the granulator is commissioned, deliver bespoke blends to farmers on request. This is expected to yield more orders, EBIT and cash receipts in future quarters.

The results of the increased working capital are becoming evident already, with increased inventory, the installation of the granulator, the opening of the Fernie mine, and the establishment of Fertoz Carbon, which is already trialing the first Carbon Credits transaction.

CORPORATE

Rights Issue

During the quarter, the Company announced an oversubscribed Rights Issue, raising A\$1.519m (before costs), with major shareholders and directors supporting the issue. Subsequent to the quarter, the Company announced a Capital Raise of A\$5m pre costs. Funds raised will accelerate development of the Company's Fertoz Carbon division.

Cash

The Company had A\$1,517,000 in cash as at 30 June 2021 and no significant loan balances owing. This figure was prior to the successful Capital Raise noted above, a portion of which will be subject to approval by shareholders at a General Meeting.

Operational Summary

North America

Fertoz mines high quality sedimentary soft rock phosphate from which the Company manufactures fertilizer products and blends targeting sustainable, regenerative and organic agricultural production, land rehabilitation companies and woodlot owners looking to reseed their woodlots in post clear-cutting timber.

During the quarter, the Company negotiated orders that are large enough to support the opening of the Fernie phosphate mine. This will be the third source of rock phosphate for the North American operations, with the other two sources in Montana and Mexico.

Approximately 50% of the Company's fertilizer sales are of a granulated fertilizer blend, with third parties undertaking the role of granulating the Company's rock phosphate with other products. During the quarter, the Company's granulator was delivered to port and arrived in July to Butte Montana, where it is being installed and tested, ready for in-house manufacturing later this quarter. The acquisition and installation of the granulator is expected to result in increased orders and EBIT for the Company, particularly from the potential to make bespoke blends on a just-in-time basis for local organic farmers.

During the quarter, the Company also developed additional fertilizer blends suitable for organic farming. Fertoz now offers a complete suite of N-P-K-S fertilizers that can be used by organic farmers. Importantly, these products can also be mixed with conventional synthetic fertilizers to reduce the carbon footprint of those conventional fertilizers. This significantly increases the potential market for the Company's products, as farmers looking to manage their carbon footprints and generate an additional income stream

from the sale of carbon credits can utilize these conventional/organic blends to improve carbon sequestration and reduce nitrogen emissions.

The Company's Carbon Division has been in the planning and development stage for some months, with the Company working on finalising a number of partnerships with companies experienced in drone seeding of forests and abandoned or unproductive lands, satellite imagery of forests and crops to estimate carbon sequestration in the plants and soils, measurement, calculation and verification of carbon credits generated through agricultural, grassland and forest planting, and the sale and banking of carbon credits.

These partnerships, finalised subsequent to the quarter (ASX 12.7.21) , have accelerated the Company's entry into the carbon market; a market expected to grow to somewhere between 10x and 30x that of the value of the world oil trading market, as noted in the Company's recent Annual General Meeting presentation. In this presentation, the Company also noted that the generation and trading of carbon credits to offset the production of greenhouse gases and the management of greenhouse gases to reduce climate change is forecast to become a multi-trillion dollar market.

With a large underpinning order now in place, a granulator soon to be commissioned, and additional revenues from land rehabilitation, reforestation and the measurements, verification and trading of carbon credits, the Company expects future quarterly reports to be significantly improved to those over the past few quarters. With the rights issue completed during the quarter and a capital raise subsequent to the quarter, the Company has sufficient cash to employ additional sales personnel who can drive sales not only in fertilizer and putting carbon back in the soil, but in activities related to carbon credits. Fertoz is currently actively advancing discussions with key hires which should boost the Company's sales capability in its fertilizer and Carbon divisions.

Australia

The potential carbon market in Australia is huge. Much is happening in the carbon market, including a potential listing of a new carbon trading exchange, and the sale and purchase of carbon credits by large farming and land companies. Some Asian countries, such as the Philippines, where Fertoz has a local operation, are also moving into the carbon market, with numerous wetlands and forest projects underway to sequester CO₂.

The Company's FertAg product is well suited to address the carbon market opportunity, as many of the sales of FertAg products are to beef cattle producers, who use the product to stimulate grass growth. Methane expelled from cows is a major contributor to world greenhouse gases, accounting for between 11% and 14% of total greenhouse gases produced annually. Feeding cattle grass rather than grains in feedlots reduces the amount of methane produced by cattle.

There is a huge opportunity for cattle graziers in this regard – with the production of carbon credits from the reduction of methane. The Company is engaged in research on the potential to generate carbon credits from the reduction of methane and will update shareholders on its findings in the coming months.

In the June quarter, Fertoz focused on delivering value through:

- Growing sales by supplying farmers and third-party fertilizer processors in North America with sufficient low impurity, high availability phosphate rock - **achieved**
- Receipt and installation of granulator to allow in-house granulation, custom blends and Just-In-Time deliveries – **achieved**
- Finalise service offerings in relation to CO₂ sequestration – discussions underway at present with emitters looking to offset CO₂ – **achieved with trial underway at present for a CO₂ emitter looking to offset greenhouse gas production**
- Finalise service offerings in relation to drone and satellite mapping – **achieved**

In addition, the Company achieved the following during the quarter:

- Opening Fernie and contracting with a nearby crusher/screener
- Launched and begin production of low carbon fertilizer and soil sequestration products with Wamco Alfalfa, Phosul, and Humic Growth Solutions
- Established the Fertoz Carbon division and secured a trial order

Planned Activities for the September 2021 quarter

- Further develop the Fertoz Carbon division and complete the current carbon credits trial to offset carbon emissions
- Commission the Company's granulator and begin just-in-time production of bespoke blends
- Employ additional sales personnel, particularly in the key organic (and carbon focussed) states of Washington, Oregon and California

SAFETY

There were no lost time injuries or environmental incidents recorded during the quarter ending 30 June 2021.

ASX Additional Information

ASX Listing Rule 5.3.2 - the Company's Fernie project was prepared for mining. In addition, the Company's granulator was shipped from China to Vancouver, ready for trucking to site in Butte, Montana.

ASX Listing Rule 5.3.5 - Appendix 5B, Section 6.1 – description of payments: During the June quarter 2021, the Company paid directors fees totaling \$3,300 to non-executive directors and \$35,892 to the Managing Director and \$13,750 to a director for corporate secretarial services. Shareholders approved the issue of shares to non-executive directors at the AGM.

Fertoz Tenements

A list of tenements is provided in Appendix 1.

Approval

This release has been approved by the Board of Fertoz Ltd.

For further information, please contact:

Pat Avery

Executive Chairman

Fertoz Limited

m: +1 720 413 4520

Tim Dohrmann

Investor and Media Enquiries

NWR Communications

m: +61 468 420 846

APPENDIX 1 - TENEMENT

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	10/15/2021	Fertoz International
Crows 2	1023064	100%	38.67	10/15/2021	Fertoz International
Pump Station Subtotal			1,489.56		
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		
Graves Lake					
Graves Lake 1	1046685	100%	499.54	10/14/22	Fertoz International
Graves 2	1058774	100%	208.29	10/22/22	Fertoz International
Graves 5	1063603	100%	208.42	10/04/21	Fertoz International
Graves 5	1063646	100%	83.38	10/06/21	Fertoz International
Graves 6	1063647	100%	228.87	10/06/21	Fertoz International
Graves 7	1063598	100%	166.44	10/04/21	Fertoz International
Graves 8	1063648	100%	41.60	10/06/21	Fertoz International
Graves 9	1063655	100%	41.61	10/07/21	Fertoz International
Graves 10	1063656	100%	41.66	10/07/21	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			8,908.75		
Crowsnest, Alberta, Canada					
TWP	9318030431	100%			Fertoz International
TWP	9318100162	100%			Fertoz International
Alberta Subtotal					
Canada Total			20,737.50		