

Fertoz

28 January 2022

ASX RELEASE / MEDIA RELEASE

QUARTERLY ACTIVITIES REPORT DECEMBER 2021

HIGHLIGHTS

- Carbon partnerships performing well with multiple projects underway and carbon team expanding
- Carbon credit price increases and forecasts show strong demand and a lack of suitable, high quality nature based credits available to emitters looking to offset their emissions
- Record winter 2021 fertilizer orders support significantly improving cashflow dynamics, headlined by \$1.74 million in December quarter cash receipts
- New fertiliser products well-accepted by the market – increasing orders exceeding budget
- Cash balance as at 31 December 2021 of \$5.2 million

Sustainable land management company Fertoz Ltd (“Fertoz” or the “Company”, ASX: FTZ) is pleased to provide an update of activities during the quarter ending 31 December 2021.

Fertoz Executive Chairman Patrick Avery stated:

“We are now well into the winter season in North America and our forward orders are exceeding expectations. Rising prices for conventional fertilizers and a lack of supply are encouraging conventional farming businesses to look into organic supply to save money and help offset greenhouse gas emissions. We are noticing changes in farming decision-making that are driven by rapidly increasing awareness of the weight of emissions generated across the sector, including nitrous oxide and carbon dioxide. We expect this shift in purchasing decisions to continue and accelerate into 2022 and beyond.”

“Our carbon team and partners are working well and we have multiple carbon sequestration projects underway and in development. Indeed, not a week goes by that we are not in discussions on a carbon sequestration project – either trapping carbon in vegetation and/or soil, in blending organic fertilizers with conventional fertilizer to reduce a carbon footprint, or researching ways to accredit new farming practices that lead to a reduction in nitrous oxide, carbon dioxide and methane.”

“In light of carbon credit prices setting record highs and the lack of quality nature-based carbon sequestration projects that can generate high value carbon credits, we expect prices to continue to climb. Co-benefits are becoming increasingly important for emitters looking to purchase carbon credits, and to respond to this unmet need we are in discussions with our partners to undertake carbon sequestration projects incorporating ESG initiatives to meet the needs of emitters.”

“Looking forward, 2022 is shaping up to be our best year yet – with new fertilizer sales personnel already hitting home runs, multiple carbon projects underway or in development, and an expanding team that is fast becoming well known in the agricultural carbon space in both North America and Australia. We enter 2022 with confidence in our team, the market and in our approach to environmentally friendly sustainable land management practices.”

ASX : FTZ



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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

Carbon Projects: Update

During the quarter, Fertoz achieved and announced breakthroughs in the carbon sector developing accredited no-till farming protocols. These allow farmers to generate carbon credits from adopting no-till and low-till farming practices. Fertoz's partner Trimble Inc (NASDAQ: TRMB) took the lead on this development, with assistance from Fertoz personnel. Both Fertoz and Trimble are now rolling out this protocol across Canada and generating significant interest and enquiries from farmers and retailers.

When this protocol is combined with the nitrous oxide emissions reduction protocol (NERP) which is currently being finalised by Trimble and Fertoz, farmers in Canada will be able to stack carbon emissions reductions protocols to claim multiple sources of carbon credits if they register with the Trimble/Fertoz partnership and follow the detailed protocols. To encourage adoption of these protocols, Trimble and Fertoz follow the 4R approach to nitrogen fertilizer application management (applying the Right Source at the Right Rate at the Right Time in the Right Place). This promotes nitrogen use efficiency while reducing nitrous oxide emissions, improving nutrient management within a framework of environmental, social and economic goals for the farm.

To this end, Fertoz offers sustainable fertilizer solutions that farmers can use to accrue relevant NERP offset credits. The Company already has buyers for these carbon credits, so revenue from such activity is expected in the coming months as farmers improve their land management strategies accordingly with the agronomic support from Fertoz. Once all documentation is collected and producer acres are agglomerated, Fertoz and Trimble will calculate and report the total carbon credits accrued.

Carbon credits from crop plantings in 2021 are expected to be generated after harvest, estimated in late Q2 of CY22. Fertoz will also collect 2020 cropping season data from producers who are eligible. The Fertoz team have engaged a leading forestry company that will assist with planning, reporting, monitoring, and verification of improved forestry management and reforestation projects. Registration of these long term projects is expected in 2022, with generation of carbon credits expected over the next 20 to 50 years.

The Company is researching a number of additional protocols suitable for carbon credit generation, including protocols suitable for semi-arid lands, protocols relating to cattle grazing and grass growth and mixed leguminous grasses, shrubs and trees that could be planted in marginal pastureland in Australia and the USA to significantly increase greenhouse gas sequestration. Mass planting in semi-arid environments looks particularly interesting, with some research suggesting that certain native species can sequester amounts of carbon per acre similar to rainforests.

The Company continues its research and development of scope 1 (on farm) and scope 3 (upstream) protocols on rock phosphate use on the farm, intended to increase carbon sequestration potential and reduce upstream conventional fertilizer emissions.

Carbon Projects: Pipeline and Outlook

With so much going on in the carbon sector, the Company has introduced regular meetings of staff to keep abreast of the pipeline of reforestation projects in Kentucky, Virginia, Montana and West Virginia in the USA, British Columbia and Alberta in Canada, and projects in Australia and South America. Fertoz Carbon plans to commence reforestation projects from this pipeline by Q2 CY22.

The Company and its partners are extending their work on the no-till protocol into other areas that show potential for carbon credit generation, most notably the NERP, supported by additional scientific studies to further develop protocols in carbon-in-soil and carbon-in-vegetation for crops and grasses. Cover crop carbon sequestration is also of major interest to the Company's carbon and fertilizer partners, and as such, Fertoz is working to assist farm operators in the generation of carbon credits from cover crop management practices. Fertoz is also exploring joint opportunities on feedlot enhancements to reduce methane emissions.

Fertoz Carbon added key personnel in late 2021 to boost the in-house capability to design carbon projects and collect documentation required to obtain third party verification. The enhanced team continues to

further develop a range of agricultural based protocols to grow the generation of carbon credits for producers. Fertoz continues to target consultants and employees that can offer an end-to-end capability to ensure Fertoz develops and manages carbon projects to the highest recognized standards worldwide.

Fertilizer Sales and Outlook

Fertoz's sales personnel are making good progress for Q1 CY22, with multiple sales in negotiation at present – a record for this time of year. The 2021 year saw Fertoz achieve record sales, with forecasts for 2022 expected to build on the 2021 volumes.

The new products (Phosul and Nutrient Vigor Plus) have been accepted into the market and sales are performing well, with early pre-order indications exceeding budget. The Humi(K) product is yet to be released to the wider market but this is expected to occur in the coming weeks. Early indications are that this product will also exceed expectations.

Australian and Asia-Pacific sales are also tracking well, with a number of marketing initiatives planned for H1 CY22 to further sales growth in the year ahead.

CORPORATE

Cash / Appendix 5B Commentary

The Company had \$5.2 million in cash at 31 December 2021, including \$285k as an advance on sales received for 2022, with no loan balances owing.

The balance sheet remains strong, with net trade receivables of \$225k (net of trade payables), leaving the Company able to comfortably fund the record order flows on its books commencing Q1 2022.

Appendix 5B, Section 6.1 – description of payments

During the December 2021 quarter, the Company paid director's fees totaling A\$6K for non-executive director services, A\$61K to the Executive Chairman and \$10K to a company connected to a director for Corporate Secretarial services.

Although cash outflows for the December quarter totaled \$475k, the working capital position remained very solid, and cashflow dynamics were sound when stripping out inventory build and netting against prepayments. Inventory on hand at year end was 15,981 tonnes of finished product, and costs associated with this inventory build were incurred in the September and December quarters. This record level of inventory build is reflective of the forward order book for 2022 and ensures Fertoz has fertilizer on hand to meet demand from Q1 CY22 onwards.

2H CY21 operating cash outflows of \$860k (not including inventory spend) were materially lower than the first half, reflecting improved sales volumes and positive margin improvements. Fertilizer inventory paid and on hand amounted to \$886k, netted by \$285,000 in a payment which relates to a receipt in advance of a Q1 sale (referenced above).

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:

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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 Subtotal			707.83		
Big Horn					
RAM 1	1047502	100%	126.72	29/10/2021	Fertoz International
Bighorn Southwest	1057281	100%	211.28	10/29/21	Fertoz International
BIG HORN Subtotal			338.00		
Fernie Project Total			6,766.81		
Crowsnest, Alberta, Canada					
TWP	9318030431	100%			Fertoz International
TWP	9318100162	100%			Fertoz International
Alberta Subtotal					



Canada Total	18,637.13
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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Fertoz Limited

ABN

86 145 951 622

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Twelve months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (see below)	1,738	3,286
1.2 Payments for		
(a) exploration & evaluation	(682)	(834)
(b) development	-	-
(c) production - (see footnote)	(709)	(2,255)
(d) staff costs	(21)	(126)
(e) administration and corporate costs	(827)	(1,838)
- Marketing costs	(464)	(957)
- Other Administration costs (see note)	(363)	(881)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - GST paid (received)	26	45
1.9 Net cash from / (used in) operating activities	(475)	(1,722)

1.1 Receipts in Q4 include an amount of \$285K received in advance from a customer for sales in 2022

1.2 (a) includes work carried out on Marten and Fernie properties for the extraction of material which was sold in Q4.

1.2 (c) includes the purchase of 8,200 t of phosphate material and crushing work on inventory carried out during Q4

1.2(e) "other Admin costs" includes preparatory work on Carbon activities (\$91K), D&O insurance (\$48K)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Twelve months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(6)	(405)
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(6)	(405)

2.2 (c) During the quarter the Company purchased and paid for granulation equipment which it intends to operate in the US. The amount spent in this quarter represents clearance of the machines and installation.

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,531
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(359)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	6,172

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Twelve months) \$A'000
3.1 The Company completed a placement of 33.3 M shares at \$0.15 each for total proceeds of \$5M. In addition, the Company received \$87K from the entitlement issue it completed in April 2021, which was subject to the approval of the AGM			
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period (See note 1)	5,678	1,156
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(475)	(1,722)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(405)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,172
4.5	Effect of movement in exchange rates on cash held	16	12
4.6	Cash and cash equivalents at end of period	5,213	5,213

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,713	1,178
5.2	Call deposits	3,500	4,500
5.3	Bank overdrafts		
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,213	5,678

6. Payments to related parties of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	77
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Non-Executive Director fees – A\$6K

Payment to a director for corporate secretary services – A\$10K

Executive Director's remuneration - A\$61K

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,000	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,000	-

7.5 **Unused financing facilities available at quarter end** 1,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The loan facility is a debtors' factoring facility secured against invoices raised by the Company for the sale of inventory. The interest rate is 12.95%pa.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(475)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(475)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	5,213
8.5 Unused finance facilities available at quarter end (Item 7.5)	1,000
8.6 Total available funding (Item 8.4 + Item 8.5)	6,213
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	13.08

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..28 January 2022.....

Authorised by: ..The Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.