

Fertoz

27 April 2021

ASX RELEASE / MEDIA RELEASE

QUARTERLY ACTIVITIES REPORT MARCH 2021

HIGHLIGHTS

- **Strong start to 2021, but production delays with third-party granulators have slowed customer deliveries; will catch up in Q2 2021**
- **Granulator order placed and delivery expected in coming weeks; installation planned thereafter with in-house granulation in place by Q3 2021**
- **Carbon initiatives gaining strong support from dealers and farmers. Rolling out extensive programs**
- **Rights issue closed over-subscribed, raising over \$1.5 million**
- **Fertoz Carbon Reduction Certificates developed and set to launch on May 1**

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 March 2021.

Fertoz Executive Chairman Patrick Avery stated:

“Although both our contract granulator partners have experienced production issues, leading to delayed deliveries and thus invoicing, we have started the year strongly – indeed, our order book for Q1 is the highest it has ever been in the first quarter. This bodes well for the remainder of the year.

“We have placed the order to purchase our own granulator and expect that to land in the coming weeks with in-house granulation beginning in Q3 this year. Having our own granulator will enable us to meet Just-In-Time customer orders as well as reduce our dependence on third party suppliers. In addition to the granulator, we will have buildings for dry storage of raw ore, the granulator and finished products which in turn means Fertoz will be less impacted by winter and poor weather.

“Our carbon initiatives are being well received and generating a lot of interest among farmers, distributors and conventional fertilizer manufacturers. With bipartisan support for the Climate Growing Solutions Act (2021) in the USA, we expect a federal approach to carbon credits will replace the current state-based system. This should enable farmers to benefit from the CO₂ sequestered in the soil by their crops, and if they use organic fertilizers, they’ll help reduce their carbon footprint. We are developing a full carbon monetisation platform, which includes partnerships with trading companies, field and tech services with measurements and inspections of grower and dealer farm and sequestration practices. Additionally, by May 1, we will be providing carbon reduction certificates with each sale, and while new regional and federal programs are being developed, growers can begin saving these for future trading. We continue to lead the way in dealer and grower education on carbon programs and look forward to providing investors with updates as our platform emerges in this exciting field.

ASX: FTZ



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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

“The European Commission recently announced that it would expand financial and policy support to help Europe’s farmers transition 25% of their farmland to organic by 2030. We expect that the US will follow a similar approach during the Biden Administration, and with our carbon-reducing phosphate and advanced carbon management solutions, we believe Fertoz will be in a very strong position in the coming years.

“Our Australian operations have also started the year well, selling out of product much sooner than anticipated, particularly in the Philippines. Again, like the North American operations, our Australian-based operations are expected to deliver a solid year of growth.”

SUMMARY

North America

- Granulator ordered and expected to be delivered in the coming weeks, with installation and commissioning to follow. This will allow the Company to undertake in-house granulation of fertilizers, and also develop and deliver Just-In-Time solutions for major agricultural groups
- Both external contract granulators have experienced delays in Q1, leading to extended delivery periods (and thus invoicing of customers)
- Sales beginning for new N-K-P-S pellets using Fertoz phosphate – joint venture with Western Alfalfa Milling Company (refer to ASX announcement *“Fertoz partners with WAMCO to broaden NPKS product suite”* dated 24 February 2021)
- Strength in customer orders in Q1 has continued into Q2. Even with contractor and weather delays, no orders have been cancelled. Once in-house granulation commences, costs will reduce substantially
- Multiple marketing campaigns underway on the back of increased awareness of the potential for carbon sequestration in annual crops and reforested areas
- Investigating potential to undertake reforestation (fertilising, seeding and planting) to gain additional CO₂ credits and use these as leverage in discussions with CO₂ emitters looking for credits
- Additional services in development, using latest drone and satellite imagery, to assist Fertoz to determine the best fertilizer spreading pattern for farmers
- Additional services in relation to carbon sequestration are also in progress, with significant interest from farmers

Australia & New Zealand

- Sales in first quarter were slightly below budget due to shipping delays, but with most product arriving at the end of the quarter, this situation is expected to be corrected during Q2

Philippines and other regions

- Sales have been steady with 96 tonnes arriving in March and a further 96 tonnes due in late May. Three demonstration farms have been set up to show the advantages of using FertAg fertiliser.



Figure 1: FertAg demonstration farm in Philippines with 2 FertAg employees

Putting Carbon Back Into The Soil

The carbon market is evolving quickly. US Senators have recently reintroduced the Climate Growing Solutions Act (2021). The bill creates a certification program within the United States Department of Agriculture (USDA) to help farmers and landowners to join the carbon credit marketplace. The USDA will outline protocols for carbon markets and provide guidelines for how third-party businesses can become “USDA Certified” under the program.

This is a great step forward for the carbon sector, as until now, States have operated their own system (and some have no carbon credits system in place at all). The Bill, which has bipartisan support, will provide a nation-wide approach that will allow farmers, traders and intermediaries to confidently develop and trade carbon credits.

The Fertoz team have been working hard to position the Company as one that will help farmers put carbon back into the soil using our carbon reducing sustainable fertilizers.

Fertoz: Reducing the Carbon Footprint

During and subsequent to the quarter, the Company has continued to develop a service offering to facilitate carbon sequestration in agricultural establishments and link these to CO₂ emitters seeking carbon offsets. As well, during this time, the Company has engaged with a potential partner in reforestation works across Canada and the USA. The search for suitable land for reforestation has now widened to Australia. The Company is investigating the potential to take on a service role in fertilizing, seeding and planting forests on suitable lands, and managing those forests, in return for the carbon credits associated with the trees, shrubs and grasses planted.

Planned Activities for June 2021 Quarter

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

- Growing sales by supplying farmers and third-party fertiliser processors in North America with sufficient low impurity, high availability phosphate rock
- Receipt and installation of the granulator to allow in-house granulation, custom blends and Just-In-Time deliveries
- Finalising service offerings in relation to CO₂ sequestration – discussions underway at present with emitters looking to offset CO₂
- Finalising service offerings in relation to drone and satellite mapping

SAFETY

There were no lost time injuries or environmental incidents recorded during the quarter ending 31 March 2021.

CORPORATE

Rights Issue

Subsequent to the quarter, the Company announced an oversubscribed Rights Issue, raising A\$1.519m, with major shareholders and directors supporting the issue.

Cash

The Company had A\$674k in cash as at 31 March 2021 and no significant loan balances owing. NB: This figure was prior to the successful Rights Issue noted above, raising A\$1.519m. The Company also held inventory at cost of approximately A\$605k.

ASX Additional Information

ASX listing rule 5.3.2 - There were no substantive mining production or development activities during the quarter, apart from the ordering of a granulator to produce multiple granulated blends of fertilizer for organic and conventional farmers.

ASX listing rule 5.3.5 - Appendix 5B, Section 6.1 – description of payments: During the December quarter 2020, the Company paid directors fees totaling \$Nil to non-executive directors; \$62,000 to the Managing Director; and \$9,000 to a director for corporate secretarial services.

Fertoz Tenements

A list of tenements is provided in Appendix 1.

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 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		

* These tenements have been protected to 31 December 2021 following COVID incentives by the Government of British Columbia