

**ASX Announcement**

(ASX: RAN)

28<sup>th</sup> July, 2021

**June Quarter 2021 Activities Report and Appendix 4C**

Range International Limited ('Range' or 'Company'), manufacturer of Re>Pal™ 'zero-waste', recycled plastic pallets, presents its Quarterly Activities Report and Appendix 4C for the quarter ended 30 June 2021.

**JUNE QUARTER HIGHLIGHTS 2021**

- Sales orders increased 48% over the last quarter.
- Signed new EasyPay 5-year rental agreement with Unilever Philippines for 8,000 HD pallets
- Shipped 4,230 EasyPay rental Pallets to Unilever and Mondelez in Philippines
- Completed grant funding agreement for over US\$85k with Nestle for purchase of factory waste processing equipment and trucks.
- Signed Supply Agreement with PT Aalborg for raw material supply.

The June quarter saw Re>Pal further increase sales orders with existing customers placing repeat orders and new customers using our products. It also saw the shipment of our first pallets under the new 5-year rental contracts in the Philippines to Unilever and Mondelez which opens a new longer-term stable income stream for the business with counterparties with strong credit, and scope for future rentals at higher pallet prices.

Operating conditions in the quarter have presented difficulties with material supply issues mainly due to the on-going Covid-19 restrictions in Indonesia limiting access to waste banks. We have established new supply contracts with Jakarta-based businesses to diversify and secure our source of raw materials. Through the quarter we have engaged in senior executive conversations with TetraPak, with the aim of increasing our supply of PolyAl and establishing new supply lines for this material. We are hopeful of additional PolyAl supply in this coming quarter. In the factory we have experienced sporadic and unpredictable waste processing equipment breakdowns which has affected output. As a result, we have further tightened maintenance programmes to reduce breakdowns. The installation of new and more efficient washing line equipment in Quarter 3 will effectively double our output capacity. We believe that this will help improve our margins due to better factory utilisation; margin improvement is a major focus area in Quarter 3 as we aim to see stability in supply lines. This does assume that the situation with Covid-19 across Indonesia does not see a worsening of current lockdowns or the supply issues.

## FINANCIAL UPDATE

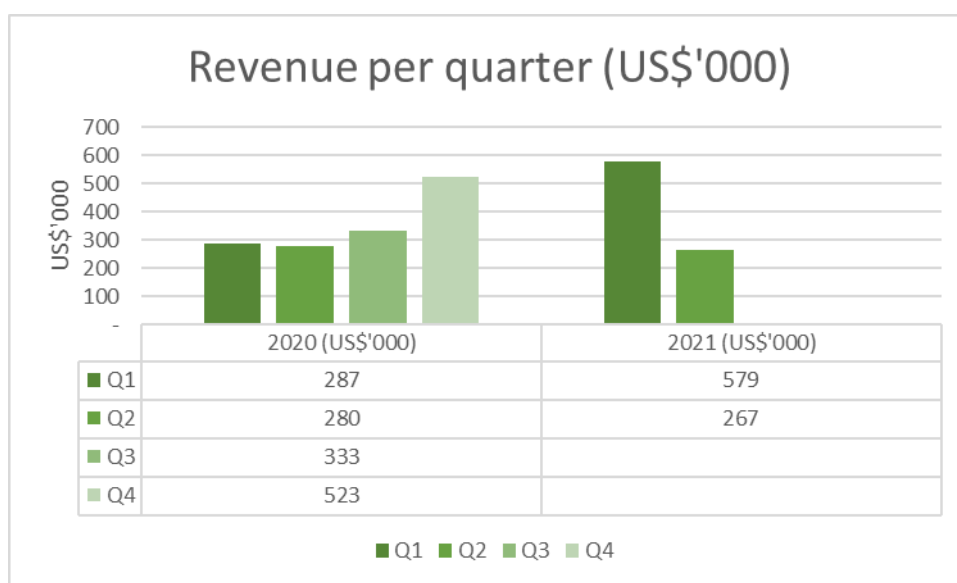
### Revenue

While revenue decreased in the June quarter it should be noted that 34% of production was switched to fulfill the rental pallet contract obligations, with 4,230 pcs of HD1201 being delivered to Unilever and Mondelez in the Philippines as their purchase orders commenced. The HD1210 is our heaviest pallet using the most recycled plastic.

As investors would be aware, May 2021 was a shorter working month because of religious holidays in Indonesia, and as mentioned above there were material supply issues due to Covid-19 restrictions causing some shortfalls from waste suppliers. These factors coupled with equipment breakdowns caused a fall in production for the June quarter which adversely affected revenue in the quarter.

Revenue and cash flow in the immediate short-term will suffer while we produce an additional 7,020 pallets for the rental contract obligations with Unilever and Mondelez.

As of the date of this release, the factory's production issues have been resolved, production is again increasing. We are trying to produce as many of the pallet back-orders to help offset the revenue short fall while also manufacturing the rental pallets above. As of the date of this release, we have 40,598 pallets on backorder, valued at over US\$480k, the majority of which we plan to ship over the coming quarter on the basis that there are no further production or Covid-19 issues. Invoicing happens once pallets are delivered. Investors will note that revenue for the half-year ended 30 June 2020 was US\$567k, compared to US\$846k for the current half-year ended 30 June 2021. The Board and management is are naturally disappointed at the Q2 revenue figure and are working to see the billing as strong as possible in this coming quarter.



### **Pallets Orders, Shipments and Receipts**

Sales orders continue to improve with significant growth over the same period last year and the previous quarter. This sales growth is expected to continue with numerous new and existing clients looking to expand their pallet purchases. Given the disruption in supply lines, working from home and Covid-19 lockdown restrictions across Indonesia we believe that this is a solid achievement. However, we also understand the focus needs to be on margins as well as sales and that we need to see an improvement in utilisation for the margin to show up in the bottom-line.

Pallets shipped in the quarter decreased due to the reasons explained above. While the coming quarter will continue to be challenging, with the unpredictability of Covid-19, we are planning to further increase production through Q3 and Q4.

### **Pallets ordered per quarter**

	2020	2021
<b>Q1</b>	25,153	31,882
<b>Q2</b>	15,577	47,639
<b>Q3</b>	20,059	
<b>Q4</b>	38,078	

*Refers to confirmed customer pallet orders*

### **Pallets ordered per quarter under 5-year rental contract**

	2020	2021
<b>Q1</b>	N/A	N/A
<b>Q2</b>	N/A	6,929

### **Pallets shipped per quarter**

	2020	2021
<b>Q1</b>	22,187	38,946
<b>Q2</b>	24,507	26,467
<b>Q3</b>	26,648	
<b>Q4</b>	28,575	

*Refers to pallets invoice and shipped ex-works Indonesia.*

### **Receipts from customer (US\$,000)**

	2020	2021
<b>Q1</b>	344	450
<b>Q2</b>	224	570
<b>Q3</b>	306	
<b>Q4</b>	474	

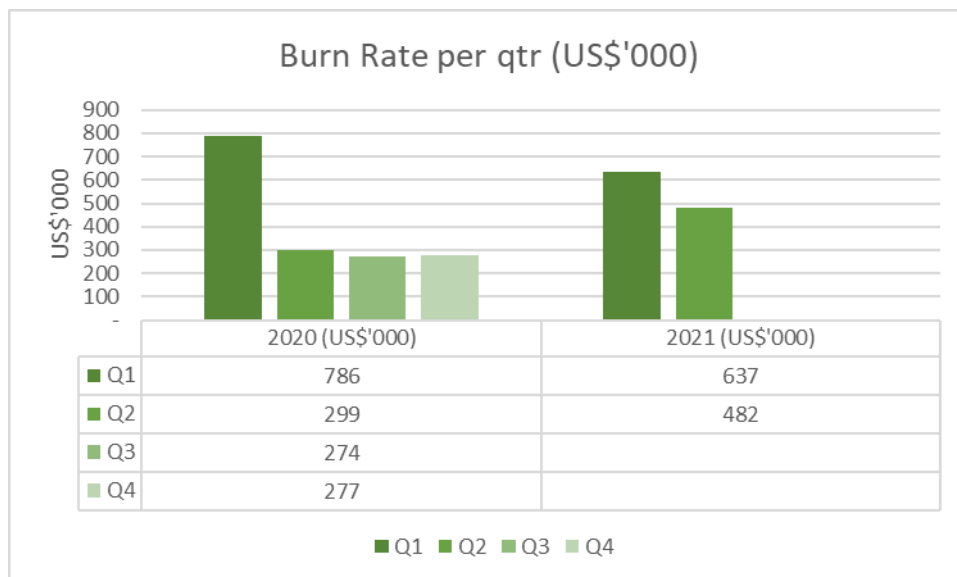
*Refers to funds received from customers.*

### **Cash Burn**

Total cash burn for Q2 was US\$482k. While this was a decrease on the previous quarter of US\$637k, the cash burn was significantly higher than corresponding period last year (Q2 2020 US\$299k). As explained, this was mainly due to the production of rental pallets at a cost of US\$207k and outages causing production and invoicing delays. Further major areas of cash outlay in the quarter contributing to this 'burn' were capital expenditure areas of US\$61k on the new HDX pallet mold, the pallet welder, and the friction washers to increase factory output and improve margins. And, this was coupled with a low pallets shipped number as explained (religious holidays, unforeseen outages & Covid-19) and the lower upfront revenue from the rental model. So it was a challenging quarter for cash.

Cash burn, utilisation and margins are a significant area of focus for the Board.

As at the date of this release, accounts receivable are US\$165k. Except for a single account valued at US\$12k we do foresee any problems collecting these monies. This is an improvement on last quarter where we had outstanding accounts receivables of US\$450k.



### **SALES UPDATE**

As announced on 19 July 2021, Re>Pal has received further significant orders from PT Unilever Oleochemical (UOI). UOI is an excellent Re>Pal customer and wishes to expand their business further with us. We are currently completing their supplier audit (USQS) and hope to successfully complete this by the end of the coming quarter. After which point it is likely that UOI will sign a multi-year supply contract with Re>Pal, we will update the market accordingly.

Successful completion of the Unilever USQS Audit is vitally important as it allows Re>Pal to sell to other Unilever entities. Given Unilever's intent to choose sustainable suppliers and to incorporate their plastic waste into the production of their pallets, we believe that this positions Re>Pal as a potential key supplier to Unilever. At the time of writing, our recycling initiative for client waste-to-pallets programme with Unilever Indonesia Tbk is ongoing and testing has switched focus from the

RP1210L to testing of our HD 1210L pallet with their Jakarta manufacturing, logistic operations and their main supply chain partners. This process is now nearing the conclusion of testing and we will update the market accordingly of any results from this testing.

During the quarter we shipped our first order for over 1,050 NP 1210L pallets through our new distributor to Universal Leaf Tobacco. Follow up orders for a further 5,500pcs are anticipated in Q3 2021 and we will update the market accordingly.

Our resellers continue to place new orders and are expanding their businesses through the quarter, as well as ensuring we have enough production for rental orders, current orders and back-log, it is our intention to build a modest inventory of pallets as resellers demand a faster turnaround of pallets than retail end user clients. It is our intention to put in another price rise for both end users and resellers, subject to contract obligations and market conditions, as of January 1<sup>st</sup> 2022.

Numerous large corporate customers have expressed interest in our recycling waste to pallet program and we are currently in ongoing discussions with various potential large MNC's for using pallets and testing their waste-into-pallets in Indonesia. Shareholders should note that the sales cycle for these potential new major brand customers is over two years, and we have conducted many trials of pallets and waste with each of these potential customers over this period.

## **OPERATIONAL UPDATE**

### **Raw Material Supply (RMS) Update.**

- Continuous regular supply of mixed plastic bags has been difficult over the quarter. Resulting in under performance of output. We have maintained our pricing regime and quality requirement with our informal suppliers, and some have had difficulty meeting these standards.
- We are continually developing our network of suppliers and expect to see supply conditions improve, notwithstanding the unpredictability of the Covid-19 situation.
- PolyAl supply from our local recycling supplier over the quarter has been sporadic the effects from Covid-19. However, at the time of writing they are now starting to send new material again with a first shipment of 19 tonnes. This is the first shipment of new materials from this local supplier in 2021. As mentioned, we are working at an executive level now to seek TetraPak's sponsorship of broader supply of PolyAl, which is their strategic intent too to see more recycling of this material.
- Consequently, we have received our first samples from a new Poly Al supplier that has been developed in partnership with TetraPak. We anticipate having regular supply of this material commencing in August 2021. This will help stabilise our production, lower our average raw material costs and help to boost factory output.
- PT Aalborg is progressing with the production of material for Re>Pal. First shipments are expected at the beginning of August after the current Covid-19 lockdown in Jakarta is relaxed. Anticipated initial volume is 5 tonnes per day, with this growing over the coming quarter. Aalborg will supply shredded, washed and dried material ready for use in production. This enables us to directly increase output. We can use this in parallel with our own wash plant output so immediately increasing our production capacity.

- Nestle has provided a grant of over \$US85k to Re>Pal for the purchase of equipment to support our collection efforts. This includes two trucks and compacting/bailing machines. This will enable us to increase local area collections with community-based suppliers that can also provide for improved plastic quality. At the time of writing, we are ordering the trucks and other equipment.
- Factory utilisation in the quarter underperformed due to RMS supply issues detailed above and unforeseen breakdowns which has been disappointing. This is an area of focus for the factory manager Pak Idwansyah and he is working with the team in Indonesia to bed down a rigorous preventative maintenance programme, which includes planned stops during the normal production days to clear materials, weekly check of wear and tear, weekly checking and changing of shredders knives and increased stocking of essentials spare parts. At the time of writing, we are seeing improved uptime with higher quality materials output into the extrusion process and better production numbers.

Our negotiations with the provider of the solar power system are continuing with the aim of reducing electricity costs. Subject to final contract negotiations and permits we are aiming for the system to be installed by calendar year end. This installation requires zero capital from Re>Pal and operates as a lease over 25 years.

As of 23<sup>rd</sup> of July there are 40,598 of orders awaiting production and where possible we will re-build a limited stock inventory in addition to fulfilling orders over the next quarter as raw material supply improves.

#### **PRODUCT DESIGN PALLET PROGRESS**

We have combined the new CP 1311 design within our new HDX range of pallets. This initiative allows us to build lighter weight pallets using hollow steel inserts to reinforce the pallet. Weight savings are in the range of 30% against our existing HD and HDL pallet designs which will better meet client expectations and allow us to fulfill such things as a higher racking load requirement where needed.

The new HDX mold uses inserts for each piece of the pallet. By doing this we can achieve 3 different pallet sizes in a single mold. Having flexibility on manufacturing different pallet sizes allows us to meet different sales applications without having the bottleneck of not having the correct pallet mold. It should also be a more efficient use of capital instead of having all capital for one design size being tied up in the one pallet mold. The first HDX mold will make the 1300x1100, 1200x1100 and 1100 x1100 pallet sizes. These have application and significant volume requirement in the chemical bag industry, the food manufacturing industry and Asian export market respectively. These are all new pallets dimensions for Re>Pal and offer us access to parts of the market we could not previously service. This new HDX mold is currently in production with the first pallet sales expected in Q4 and delivery late Q4 2021.

Our HD1210L mold has been modified during the quarter and this can now be used as both a HD1210 mold as well as well as an HD1210L mold. This enables us to double production of the HD pallet to meet the rental orders in the Philippines and for other customer orders.

Additionally, we have modified the HDL mold to increase the pallet window height to allow for a wider range of pallet movers to use the pallet. This has been a critical improvement in our pallet to meet the detailed requirements of the current Unilever testing program which completes soon.

#### **CORPORATE UPDATE**

##### **CAPEX SPEND**

As previously stated, the Company has ordered a pallet welder and production is ongoing. This will be operational by the end of September 2021 and will enable us to deliver stronger pallets that can also be used in a wider range of applications than any current two-piece pallets in our range that are fastened by nails.

The company has ordered friction washers as previously stated in the last report and these will be delivered in the next few weeks. We hope to have these units fully installed and operational by the end of the quarter. Their installation requires the reconfiguration of parts of the wash line so there will be disruption to pellet production. However overall output should not be affected with plans to minimise disruptions by stocking up on pellets before any works are carried out so that our extrusion lines can continue to run. Successful implementation of this initiative will mean a 100% increase on current wash plant output.

##### **INFORMATION REQUIRED BY ASX LISTING RULES**

Net cash outflows from operations were US\$390k for the quarter. The material expense items of Product Manufacturing and Staff Costs, being US\$687k and US\$138k respectively were offset by Receipts from Customers of US\$570k.

Directors, being related parties of the Company, were paid remuneration in the amount of US\$35k during the June quarter.

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**This announcement has been authorised for release by the Board of the Company.**

**About Range International:**

Range is a manufacturer of plastic pallets. Our ThermoFusion™ technology allows Range to make 'zero waste', 100% recycled and recyclable plastic. Range currently has production lines operating in its East Java factory in Indonesia and sells its pallets under the brand Re>Pal™, supplying pallets into Indonesia and across Asia/ globally.

**Forward looking statements:**

This announcement may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Range International Limited or its Directors and management, and could cause Range International Limited's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Range International Limited

**ABN**

22611998200

**Quarter ended ("current quarter")**

30/06/2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	570	1,020
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(687)	(1,290)
(c) advertising and marketing	(18)	(52)
(d) leased assets	-	-
(e) staff costs	(138)	(324)
(f) administration and corporate costs	(117)	(343)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	(1)	(1)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(390)</b>	<b>(988)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(61)	(64)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(61)</b>	<b>(64)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,387
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	-	(81)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,306</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,159	490
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(390)	(988)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(61)	(64)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,306
4.5	Effect of movement in exchange rates on cash held	(32)	(68)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>676</b>	<b>676</b>

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	676	1,159
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>676</b>	<b>1,159</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	35
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note to Item 6.1: The amount of US\$35k was payment of Director remuneration for the quarter ended 30 June 2021.*

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

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(390)
8.2	Cash and cash equivalents at quarter end (item 4.6)	676
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	676
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.73
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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: Yes	
8.6.2	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: The Company is contemplating various options to raise additional funds. The Company believe that any such raising will be successful and will update the market on such a raising at the appropriate time.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. As detailed in the response to question 8.6.2, the Company believes that a successful raising of funds will assist the business to continue its operations and to meet its strategic business objectives.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

## 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 July 2021.....

Authorised by: **By the Board**

(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 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 standard applies 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.