



29 July 2022 | ASX Announcement

RLF AgTech Ltd (ASX:RLF)

# Q4 FY22 RESULTS UPDATE



Empowering  
our farmers



Nourishing  
our people



Restoring  
our earth



# STRONG FUNDAMENTALS AND GROWTH UNDERPIN RECORD PERFORMANCE

## Key Highlights

- Strong Quarterly Results underpin record RLF AgTech performance
- Record Full Year Cash Operating Receipts of \$10m (up 23% YoY)
- Continued product demand with forward orders of \$2.2m for FY23 already executed
- Asia Sales Expansion Underway – 40% increase in sales staff YoY
- Diversification strategy underway with establishment of new regional partnerships
- New large scale cotton trials in West Africa and Asia with major conglomerates
- Provisional Patent Application entitled 'A Method For Accumulating Carbon In Soils' filed to support soil carbon initiatives
- Commercial discussions for the roll-out of RLF Carbon underway in Australia
- Strong Cash Balance of \$8m with majority of IPO funds still to be deployed to accelerate further growth

**RLF AgTech Ltd (ASX:RLF)**, a technology-driven plant nutrition company, is pleased to provide its Quarterly Activities Report for the period ended 30 June 2022.



# UPDATE FROM CEO & MD

## **RLF AgTech CEO and MD Ken Hancock said:**

“We are delighted to report strategic growth and record cash operating receipts for FY22 of \$10m.

“Over the past 12 months, we have seen increasing demand for our advanced crop nutrition products, which gives farmers the ability to reduce their use of traditional fertilisers, increase typical crop yields by 10%-30%, and grow healthier, more nutritious food. Our novel technology is supporting increased income for our valued growers, whilst making a bold contribution to the efficiency and sustainability of global agriculture too.

“We are seeing a unique confluence of new dynamic factors in the global agricultural supply chain, such as record fertiliser prices, escalating crop prices, increased energy costs and an awakening to the need for greater food security measures to address the emerging global food crisis. Combined with the appearance of more extreme weather events and changing climatic conditions, this has led to an exceptional increase in interest for RLF products.

“As we celebrate these record results, we are filled with confidence in RLF’s future, particularly as our cash balance of \$8m means most of the funds raised in our \$8.5m IPO remain available for our planned growth initiatives. These funds will be used to accelerate further expansion of our traditional sales networks; to continue our work with large scale strategic conglomerates; and to increase our presence in new markets. Combined with the exciting work we are doing with RLF Carbon and its mission to help global agriculture to reach net zero, we believe our future is bright.”



# BUSINESS PERFORMANCE AND OPERATIONS

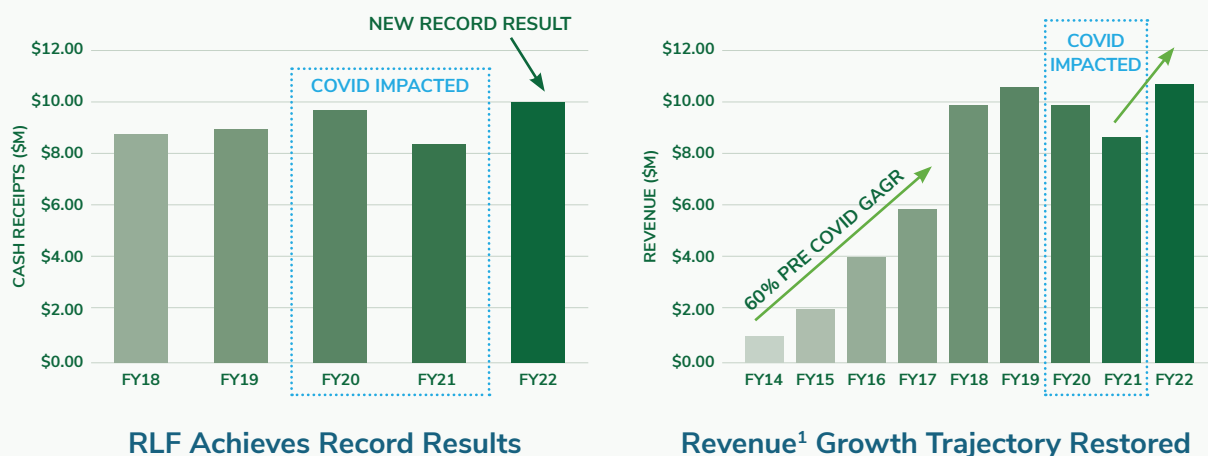
The Company was successful in listing on the ASX during the quarter, commencing trading on 21 April 2022.

The Company's listing has given RLF a platform from which to capitalise on the growing demand for agricultural commodities, record food and fertiliser prices, and the need for efficiency in the sector globally.

RLF's operations can now leverage the funds raised in its IPO for accelerating its commercial growth and capturing an increasing share of the massive ~\$300bn per year crop nutrient market.

The Company's excellent quarterly results have been largely driven through organic growth and strong demand within key markets for its products, as COVID-19-associated business restrictions have begun to unwind and distribution networks return to normal.

FIGURE 1



The Company has commenced its growth strategy. This included increasing the size of its internal sales team by more than 40% when compared to the previous year, together with an active and ongoing recruitment campaign. Results attributable to these new hires will be largely realised in FY23 and the Company expects to see near-term improvements in sales as the existing distribution network ramps up core marketing activities.

<sup>1</sup>Unaudited FY22 Revenue

## Execution of Forward Orders

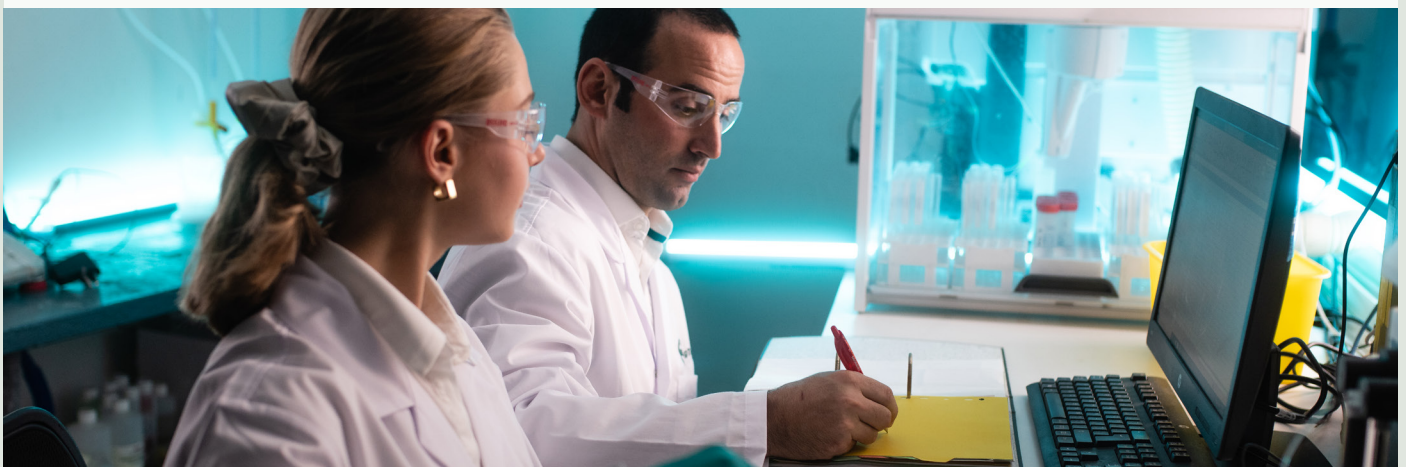
RLF has seen an increase in forward orders from key strategic OEM customers who are looking to secure product and long-term supply arrangements to support business planning and certainty.

These arrangements demonstrate our customers' confidence and belief in RLF and ultimately their trust in the commercial benefits of the using RLF products.

These forward orders included a minimum \$1 million forward order from Hebei Veyong Bio-Chemical Co. Ltd (Veyong). Veyong has been operating in the field of agricultural pesticides for more than 60 years and has an extensive product line which is used in more than 80 countries throughout Asia, Europe, Oceania, Africa and the US. In 2020, Veyong was ranked number 26 of the top 100 agrochemical companies in China and had total sales of RMB 1.96 billion (~AUD 408 million). RLF is working closely with Veyong and similar companies to benefit from closer alignment with their global operations.

During the quarter, RLF received forward orders for FY22 from two other significant long-standing customers, representing an 80% increase in last year's purchases. These orders represented a 100% increase on prior year orders from Sichuan Davofeng and a 60% increase in orders on prior year orders from Hainan Kangxifeng.

Contractual commitments from long-standing customers demonstrate increasing demand for RLF plant nutrition products within market leading businesses, and growing confidence in the performance of RLF's products to increase grower yields and ROI.





# UPDATE ON STRATEGIC PRODUCT TRIALS AND NEW MARKETS

## **Ivory Coast Trials in West Africa Commence**

The Company previously noted that following the success of its recent trials in Tunisia in which RLF's products achieved an increase in yields of up to 38% with a farmer ROI of 275 X, the Company is currently seeking additional opportunities on the African continent.

During the quarter, RLF partnered with a large French based conglomerate, which has an extensive distribution network on the Ivory Coast in West Africa, and access to 40,000+ farms growing cotton, maize, rice and ground nuts. The Ivory Coast produces significant quantities of these products and the Company's Plant Proton Delivery (PPD) technology products were exported in readiness for this season's trial and evaluation program.

The Company is pleased to note that trials associated with this relationship have commenced and looks forward to deploying its products into the African continent. This is important as fertiliser prices continue to rise and food security in these countries becomes more acute.

## **Export Order to New Distributor in Turkey Fulfilled**

Continuing on its international market growth strategy, during the March quarter RLF AgTech's premium PPD Technology foliar formulation BROADACRE PLUS MAX was successfully exported from its Asia manufacturing facility to RLF distributor in Turkey, TIM Plant Care.

The primary application of this product is the nation's important wheat crop. Turkey is the world's largest flour exporter and often ranks as the world's 10th largest producer of wheat. RLF is pleased to announce these products are now distributed within the Turkey market and looks forward to the opportunity to leverage its extensive experience increasing wheat production in Asia into the Turkey market, following successful product evaluations and government registration of RLF PPD technology by the local distribution partner.

## **New Distribution Partnership in Cambodia Established**

RLF continued the expansion of its Asian distribution footprint and is pleased to announce the signing of an exclusive distribution agreement with a respected local Cambodian distributor. The agreement consisted of a long-term distribution agreement with a minimum first phase sales commitment in Cambodia being a value of US\$1.7 million (A\$2.4 million)<sup>2</sup>.

The Cambodian agriculture sector was valued at more than US\$5 billion in 2020 which makes it a prime target for, and a significant beneficiary of, RLF and its products.

This new distribution contributed to RLF's wider strategy to bolster food production in emerging markets and increase its distribution and sales around the world via greater presence in new markets.

## **Trials with Major Global Cotton Producer Proceed to Stage 2**

Prior to the Company's IPO, cotton trials commenced with one of the largest global integrated cotton operations based in China. Even though Stage 1 of the trials were conducted in less than ideal conditions, due to a number of factors out of the Company's control, the trial results still reported a successful yield response in RLF-treated cotton.

RLF estimates at today's cotton prices, this yield response would have resulted in an additional A\$80 million net farm profit, if the RLF products were applied to the operator's entire crop. The application of RLF products over this single operation would constitute a very significant increase in RLF revenue.

RLF is pleased to announce that trials have been progressed to Stage 2, which will be undertaken in more controlled conditions to ensure maximum yield response is achieved.

RLF is looking forward to advancing this relationship and will continue working with larger, corporate farming operations as an additional pillar of its organic expansion and growth strategy.

<sup>2</sup>See RLF announcement dated 9 June 2022



# RLF CARBON

Representatives of RLF and RLF Carbon travelled to North America in the quarter to discuss the opportunities both in general distribution as well as potential opportunities to incorporate RLF products into programmes to build carbon in global soils.

The Company met with a number of senior figures within or connected to the US Department of Agriculture, and with a number of CEOs and Business Development Managers of very large companies dedicated to generating and commercialising soil carbon initiatives. RLF found that billions of dollars of capital have been raised by these companies and they have expressed how extremely active they are in looking to deploy these funds in worthwhile projects. RLF will continue to explore ways in which it can develop these relationships and accelerate its carbon initiatives.

RLF filed its global provisional patent application entitled 'A Method for Accumulating Carbon in Soils'. This is an important milestone in the progression of RLF Carbon's business, as a successful patent grant will provide RLF Carbon with significant (and ideally global) protection with respect to activities involving foliar and seed applications to generate soil carbon.

In addition, the Company has commenced glass house trials with the University of Western Australia, which was named the world's leading university for plant science and agronomy in 2022, to generate data required to support the Company's patent application and commencement of plans for Australia's largest soil carbon field trials.

RLF continues to progress its discussions with the Commonwealth Bank of Australia, with whom the Company has executed a letter of intent (LOI) for a potential strategic carbon partnership. More information will be announced to market in accordance with ASX-disclosure requirements.





# MARKET COMMENTARY

RLF continues to leverage its track record of its products allowing farmers to achieve significantly more efficiency on a wide range of crops in many cropping environments globally, in such a way that can deliver them significant returns on investment and at the same time improvements in both yield and quality.

Improved on-farm efficiency, increased yields and improved food quality (produce) is becoming increasingly important. During the quarter, RLF representatives attended the WSJ Global Food Forum in Chicago, Illinois. It was noted that the global conditions underpinning the requirement for using crop nutrient technology, like RLF's technologies, have never been more acute, particularly in the context of a looming food crisis.

Without reference to the impacts of the recent conflict in Ukraine, the United Nations had already noted that some 193 million people were facing acute food insecurity in 2019, which was then at record highs and with a much larger number of up to 828 million facing hunger generally during the year. Since then, the food price index has increased more than 39%.

In the global markets, increasing costs, extreme weather events, changing climatic conditions and the impacts of the Ukraine crisis, food security has severely deteriorated.

The availability of food staples like wheat and fertiliser inputs have been caught out in these events and as a result have seen significant price rises. This is because Russia and Ukraine have historically exported about 30% of global wheat and about 20% of global corn. In addition, Russia alone has historically been responsible for approximately 10% of global nitrogen fertiliser production and together with Belarus, accounts for approximately one third of global potash production. These factors have triggered dynamic changes and instability in the global agricultural market.

The June quarter has seen continued strong growth in global commodity prices including grains, cotton and food commodities, generally. Together with a very large increase in energy and NPK fertiliser prices, as traditional inputs for global agriculture, and significant energy costs too. These factors combined have played into a very high inflationary environment.

As previously noted, this means there have been a number of challenges in managing raw material prices affecting global industry. In this regard, the market conditions present a significant opportunity for RLF as farmers look to use technology to enable the reduction of traditional NPK fertiliser inputs in conjunction with increasing yields. RLF Plant Proton Delivery (PPD) technologies have consistently shown yield increases in the range of 10%-30% in commercial crops whilst providing significant returns on investment for farmers.

The Company will continue to build on this and plans to play a major role in enabling agricultural technology to increase global food production in a more efficient and sustainable manner.

# CORPORATE

## Cash Position

RLF had total cash reserves of \$8 million for the quarter ended 30 June 2022.

As per section 6.1 of the Appendix 4C, the payments to Directors of the Company for the quarter ended 30 June 2022 of \$365,000 were for gross wages, fees and superannuation.

## Use of Funds Statement

\$'000s	Use of Funds reported to ASX	Expenditure to quarter end 30 June 22
Sales and Marketing	4,110	-
Carbon	900	-
Manufacturing PPE	550	-
Corporate*	1,140	669
Working Capital	810	647
IPO expenditure	990	880
<b>Total</b>	<b>8,500</b>	<b>2,195</b>

\*Please note that the Company recharges management overheads to its subsidiaries. For the quarter end, payment for the management overheads were not received but is expected to be received in due course that will offset the corporate expenditure incurred.

The use of funds reported in the replacement prospectus on 24 February 2022 was based on a minimum raise of A\$7 million and a maximum of A\$10 million. The use of funds above reflects the actual funds raised for the public offer of \$8.5 million.

RLF notes in addition to the IPO funds received during the quarter of A\$8.5 million (before costs), cash receipts received for the quarter end 30 June 2022 was A\$3.4 million. Therefore, the total cash received during the quarter was A\$12.4 million which would have been utilised for the Use of Funds expenditure of A\$2.2 million stated above.

As the ASX listing was partway through the quarter, the Company will continue to deploy the IPO funding to expand its sales and marketing, develop its research and development into carbon and grow its manufacturing during the next 24 months.

**This announcement had been authorised for release by the Board of Directors.**

## About RLF AgTech Ltd

**RLF AgTech Ltd (ASX: RLF)** is a technology-driven plant nutrition company that develops products to empower farmers, nourish people and restore the earth.

RLF combines plant science with advanced chemistry and manufacturing practices to produce high-quality plant nutrition products for commercial agriculture. **RLF's Plant Proton Delivery Technology** enables farmers to grow higher-yielding, better-quality, and more nutritious produce while supporting the plants' natural ability to store and reduce atmospheric carbon.

In the years ahead, commercial agriculture is destined to play a significant role in sequestering carbon. RLF's technologies will support this, using its Integrated **Crop Nutrition and Carbon Management Systems** to help capture and store CO<sub>2</sub> by increasing the organic matter in the world's soils.

### For further information, please contact:

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## Appendix 4C

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

**Name of entity**

RLF AGTECH LTD

**ABN**

43 622 055 216

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

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,413	10,000
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,255)	(6,960)
(c) advertising and marketing	(647)	(3,157)
(d) leased assets	(111)	(268)
(e) staff costs (unallocated salaries)	(416)	(637)
(f) administration and corporate costs	(427)	(1,084)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(11)	(38)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Related party payments to Rural Liquid Fertilisers Pty Ltd an RLF Global Pty Ltd	-	(342)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(453)</b>	<b>(2,485)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(19)	(35)
(d) investments	-	-
(e) intellectual property	-	(2,066)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
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)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(19)</b>	<b>(2,101)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,502	8,502
3.2	Proceeds from issue of convertible debt securities	-	3,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(637)	(1,085)
3.5	Proceeds from borrowings	-	250
3.6	Repayment of borrowings	(250)	(250)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – net payments from cash backed guarantees	(15)	(15)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>7,600</b>	<b>10,402</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	818	2,075
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(453)	(2,485)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(2,101)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,600	10,402
4.5	Effect of movement in exchange rates on cash held	53	108
4.6	<b>Cash and cash equivalents at end of period</b>	<b>7,999</b>	<b>7,999</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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,999	818
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>7,999</b>	<b>818</b>

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	365
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		



**7. Financing facilities**

*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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	400
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	400

7.5 **Unused financing facilities available at quarter end** -

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.

N/A

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(454)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,999
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	7,999
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	17.6

8.6 If Item 8.5 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: N/A

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: N/A

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: N/A

## 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: 29 July 2022

Authorised by: 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 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.