



31 October 2022 | ASX Announcement

RLF AgTech Ltd (ASX:RLF)

Q1 FY23 RESULTS UPDATE



Empowering
farmers



Nourishing
people



Restoring
the earth

STRONG QUARTERLY RESULT PRIMES RLF FOR HARVEST SEASON

Key Highlights

- Strong Q1 September quarterly result during seasonal low period for RLF AgTech
- Quarterly cash receipts up 57% on previous corresponding quarter (Q1 FY2022)
- \$1.5m increase in inventory for the quarter to be ready to capitalise on the upcoming seasonal peak demand during January to June 2023
- Release of breakthrough Veridium Seed Priming Technology (VSPT)
- South-East Asian distribution expansion strategy well underway with advanced discussions with potential distributors in Malaysia, Vietnam, Philippines and Thailand
- RLF AgTech's X2 Foliar product was received on schedule and is in Cambodia ready for distribution by local partner Total Agree (Cambodia) Co. Ltd.
- Addition of sales personnel to the team continues to grow, increasing by 15% during the period
- West Africa cotton trials progressing with the African market increasingly identified as a potential high growth sales opportunity
- Development of RLF Carbon commercial model and strategic partner discussions continue
- Strong Cash Balance of \$5.4m and inventory of \$4m

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



UPDATE FROM CEO & MD

RLF AgTech CEO and MD Ken Hancock said:

“The September quarter represented a period of strategic growth and investment for the Company. Cash receipts for the period outperformed the prior corresponding period by 57% (Q1 FY2022).

“Over the last three months we have seen significant product interest from new and emerging high growth agricultural markets as farmers seek to become more competitive to increase their product yields, reduce their use of traditional soil applied synthetic fertilisers, and grow more robust and nutrient dense crops.

“The agricultural market is subject to seasonal demand. In our seasonal sales cycle the September quarter is historically a period of lower product demand. As part of our business growth strategy, we continue to invest in people reflected in a further 15% increase in new hires to the sales team in the period. In the future this growing team is expected to add significantly to our distribution network to increase market penetration of RLF technologies. During the September quarter we have utilised cash to increase our inventory and stock levels by over \$1.5m as we look to take advantage of the upcoming peak in seasonal demands.

“Our aligned distribution network partners continue to reaffirm our confidence in the hard work the RLF team has undertaken to support them, including through the continued research and development of our proprietary technologies as a solution to the need for more and higher quality food production. We are excited that RLF AgTech has a role to play in helping growers by providing leading products designed to increase their income and on-farm efficiency, while creating a more sustainable global agricultural supply chain for the future.



“The September quarter represented a period of strategic growth and investment for the Company.”

BUSINESS PERFORMANCE AND OPERATIONS

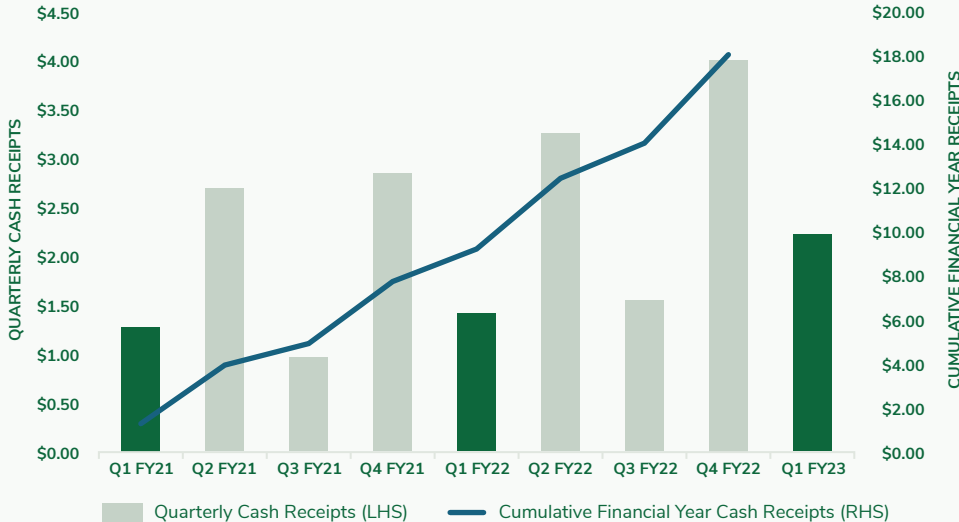
The September 2022 quarter represents the first full quarter of RLF AgTech since being listed on the ASX.

The Company is delighted with its outstanding quarterly results, which in part have been driven by continued organic growth, reinforcing the strong demand for the Company’s products. This is all while navigating the everchanging agricultural markets, which have seen raw materials and farm input costs increase as a result of global supply and availability issues.

RLF received \$2.2m in cash receipts during the period, which is a 57% increase from Q1 FY2022. The Company increased its inventory levels by 50% to approximately \$4.4m in preparation for the upcoming peak demands expected in the coming months ahead.

The September quarter is a seasonal demand low period and as such the Company has taken the opportunity to increase our sales team by 15% by investing significantly in recruitment. Results attributable to these new hires will be largely realised in FY2023, which provides us with the opportunity to spend the next couple of months focused on upskilling and training, which will empower the team as demand begins to ramp up. We also use the low period for the continued development of our existing staff members.

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.



Graph 1. Quarterly Cash Receipts and Cumulative Financial Year Cash Receipts

Global Release of Veridium™ Seed Priming Technology

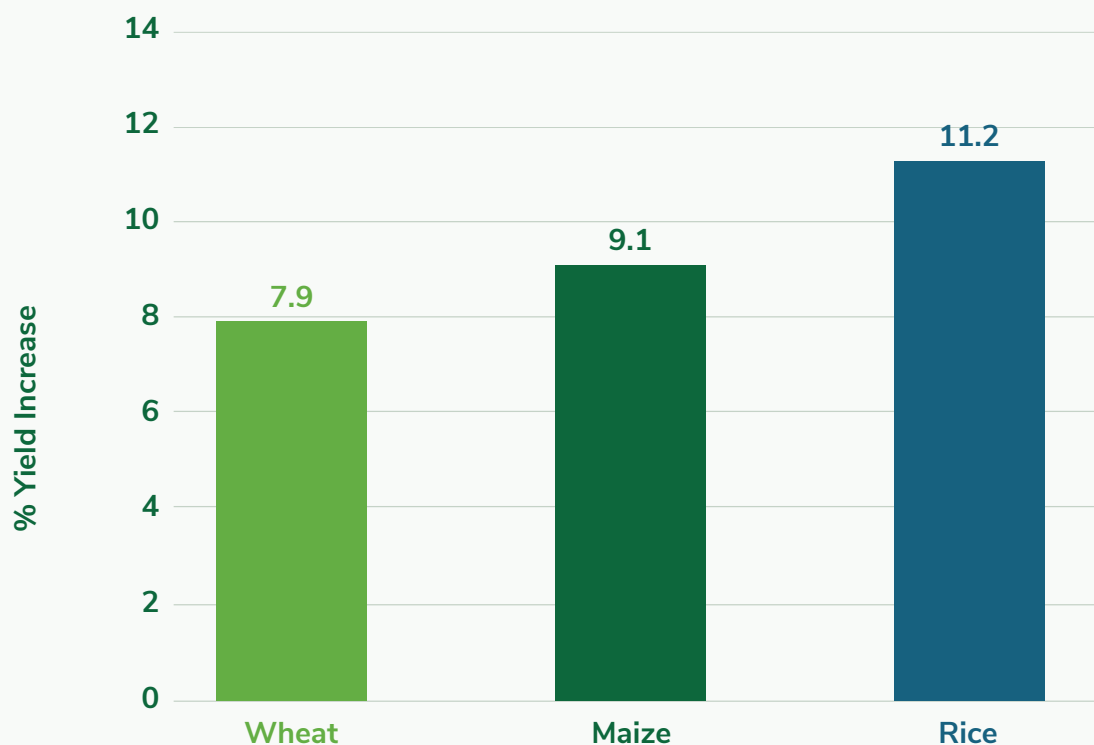
RLF bolstered its technical product offering for the growing global seed treatment market during the quarter with the global release of its new Veridium™ Seed Priming Technology. Imbibed into the seed Veridium™ is formulated to increase crop vigour, yield, and quality whilst also having a positive impact on soil carbon and health.

Approximately 100 grams of Veridium™ on rice seed yielded more than an additional one tonne of grain per hectare.

RLF sees the release of its Veridium™ technology as a critical part of supporting the future of the agricultural supply chain and as a positive contribution to the world's escalating hunger crisis. Veridium™ can achieve an increase in yields and crop quality, plus, if used as part of an integrated crop nutrition program, a reduction in soil applied granular fertilisers which are a large part of current farm input costs.

As an example, extrapolated across the world's rice crops of 742M tonnes annually, the expected 11% yield increase could potentially feed an additional 1.3 billion people every year.

Veridium Yield Response Compared to Control



Trials of Veridium™ were conducted throughout China in Jilin Province on corn/maize, in Inner Mongolia on wheat and in the Anhui Province on rice. Veridium™ was trialed at an application rate of 5ml per kg of seed which on a rice crop is approximately 112ml per hectare with rice seed at a rate equivalent to 22.5kgs per hectare.

RLF AgTech Product arrives in Cambodia

During the period, RLF AgTech's product called XFoliar 2 arrived in Cambodia and was transported to facilities just outside Phnom Penh. Received by the in-country distributor Total Agree (Cambodia) Co. Ltd., the product is the first shipment under the recently signed distribution agreement (previously announced on 9 June 2022) and has a value of US\$146,000 (approximately \$230,000 Australian dollars). Excitingly, this product has started to be sold and distributed into the regional Cambodia agricultural dealers and farm shops, ready for this season and application mostly on the nation's rice crops.

XFoliar 2, or X2 as it is known, is part of a two-stage application product mix, adding valuable potassium and phosphorus, plus other vital nutrients, to the rice crop, during weeks 7-12 of growth. X2 ensures that the rice crops have the required nutrition at the right time, stimulating the vital functions within growth and grain-filling, to ensure the crops yield potential. RLF AgTech originally developed the XFoliar 1 and XFoliar 2 products for rice crops in Vietnam and looks forward to the same success in this season's important Cambodian rice crops.

Total Agree, CEO, Piseth Try says,

"We are delighted to receive X2, on schedule and ready for distribution. It's a great start to the new distribution contract with RLF and we look forward to seeing our farmer customers achieve excellent results across the market."

Picture 1. XFoliar2 delivered at Total Agree (Cambodia) Co. Ltd. warehouse in Phnom Penh



BUSINESS DEVELOPMENT AND TRIAL UPDATE

South-East Asia Business Development

During the quarter the investment into activities relating to business development within the South East Asia region have been increased. Including the number of face-to-face meetings and presentations to existing distributors and most exciting, meetings with prospective new potential distribution partners. The Company is providing the support, training and planning required to sell-in and then sell-thru, with a focus on Cambodia and Vietnam, where the Company has current distribution partners. The Company has also re-engaged with prospective distribution partners in Thailand, Philippines and Malaysia.

As part of its growth initiative, RLF is pursuing further opportunities within the South East Asian market and looks forward to providing more information to the market in accordance with ASX continuous disclosure requirements.



West Africa Trials and Market Identification

In the previous quarter, the Company partnered with a large French based conglomerate, which has an extensive distribution network across the Ivory Coast in West Africa with access to over 40,000 farms growing a variety of different crops. RLF is pleased to note the continuation and progress of the trials which are typically a precursor to generating sales revenue in a new region and market.

In addition to these trials, the Company is in advanced discussions with prospective distribution partners in the African agricultural market. Africa is home to approximately 60% of the world's arable land, and agriculture typically employs the majority of the population, contributing to 23% of sub-Saharan Africa's GDP. The Company sees significant opportunity in this market, to help increase farmer yields and produce quality which could support and secure this region's own food needs and potentially help feed the world at a global scale.

Major Global Cotton Trials Advancing

RLF aims to commence Stage 2 of the trials imminently and has been delayed because of farming conditions and soil moisture levels at multi-year lows in the trial area.

Partnering with and working alongside this type of corporate farming operations is a key pillar in the Company's growth initiative, and RLF continues to build on existing relationships and use these positive experiences to develop new future corporate farming partners in other locations and crop types.

RLF CARBON

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 and RLF had continued to advance its plans with CBA during the quarter.

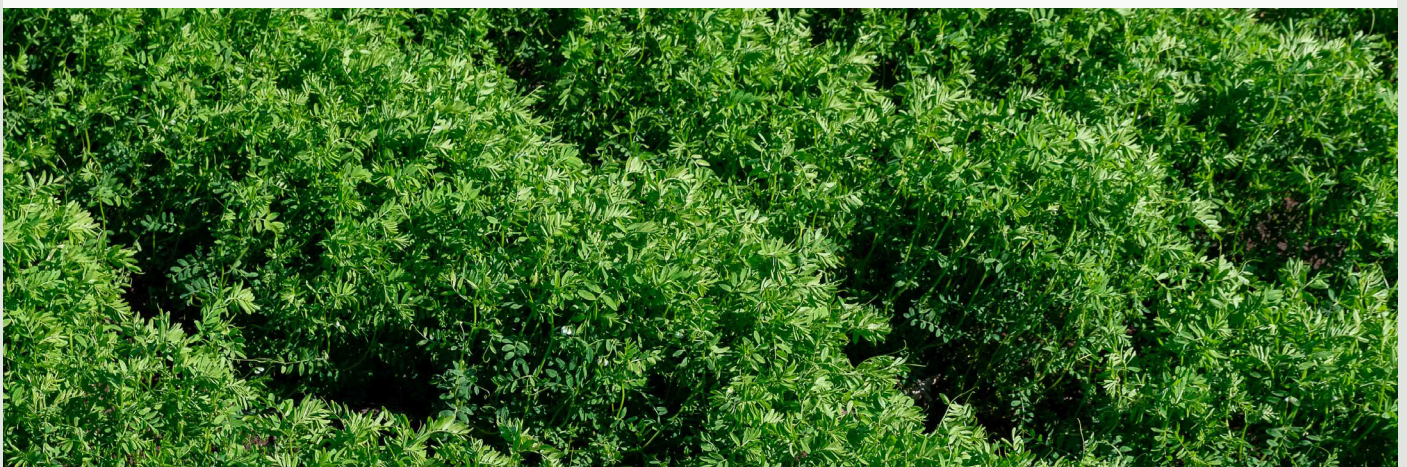
RLF Carbon continues to develop the commercial model, aiming to provide Australian farmers with the system and product to potentially sequester soil carbon, and as a result, generate Australia Carbon Credit Unit's (ACCUs) with intention of the agriculture industry to move towards net zero.

RLF Carbon products and farming systems have the potential to sequester soil carbon through the development of an enhanced root system and larger top growth, leading to a more sustainable and carbon efficient process designed to reduce the amount of traditional soil applied chemical fertilisers.

As previously announced in the last quarterly, the Company commenced glass house trials with the University of Western Australia, named the world's leading University for plant science and agronomy in 2022. These trials are intended to generate the data required to support the Company's carbon patent application and as a precursor to the commencement of Australia's largest soil carbon field trials of this type.

RLF expects to receive feedback and results in respect of this trial work shortly.

More information will be announced to market in accordance with ASX continuous disclosure requirements.



MARKET COMMENTARY

RLF AgTech has the confidence that its Products, established distribution network and its team of hardworking people will continue to experience sales success, supported by the results achieved by our farmer customers. Our customers seek to increase their yields, crop quality, and reduce their costs in areas such as traditional fertiliser consumption, all with the intent to maximise their return on investment and ensure a sustainable soil future for generations to come.

Global growth expectations lowered during the period with expectations of widespread inflation, combined with a sluggish Chinese economy due to the management of China's COVID policy. RLF expects policy settings to ease, particularly into the new year as the Chinese economy is expected to begin a transition to a COVID setting more consistent with current global practice.

The agriculture market in Asia has remained positive with Chinese farmers reporting harvest is progressing smoothly and at a steady pace. Slightly head of expectations, Chinese farmers have harvested more than 40 percent of the grain crop and 70 percent of the corn crop in Hubei.

The September quarter saw agricultural commodity prices retreat from historic highs witnessed during the June quarter. This included grain, cotton and other food commodities. During the same period, input prices continued to remain elevated compared to the long-term trending average. The production of urea and NPK fertilisers was again impacted by increased global prices of energy caused by global events. RLF expects these pricing conditions to continue for the medium term.

That said, it must be noted that these ongoing global challenges being faced in the agricultural sector, represent a significant opportunity for RLF AgTech because farmers are actively seeking to reduce their consumption of costly traditional fertilisers and replace these with more efficient products and updated farm practices. RLF AgTech products, which are built around the Company's proprietary Plant Proton Delivery (PPD) technologies, have consistently shown yield increases in the range of 10%-30% and the ability to provide for a reduction of up to 20% in traditional fertilisers. In combination with this, RLF will look to aggressively deploy its products into all available markets as this trend continues to build momentum. It is also noted that the 2022-23 season is expecting crop production increases in South East Asia, South America, and the United States.

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 \$5.4 million for the quarter ended 30 September 2022.

As per section 6.1 of the Appendix 4C, the payments to Directors of the Company for the quarter ended 30 September 2022 of \$340,000 were for gross wages, fees and superannuation.

Use of Funds Statement

\$'000s	Use of Funds reported to ASX	Expenditure to quarter end 30 September 22
Sales and Marketing	4,110	31
Carbon	900	-
Manufacturing PPE	550	-
Corporate*	1,140	1,202
Working Capital	810	302
IPO expenditure	990	883
Total	8,500	2,419

*Please note that the Company recharges management overheads to its subsidiaries. For the quarter end, payment for the management overheads was not received but is expected to be received in due course that will offset the corporate expenditure incurred. The Company is also expecting to receive payment for sales made to Cambodia in Q2/Q3 of this financial year.

Cash receipts received for the quarter end 30 September 2022 was A\$2.2 million. Therefore, the total cash received during the quarter was utilised for the Use of Funds expenditure of A\$2.2 million stated above.

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 CO₂ by increasing the organic matter in the world's soils.

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www.rlfagtech.com



Empowering
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Restoring
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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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,220	2,220
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,236)	(2,236)
(c) advertising and marketing	(990)	(990)
(d) leased assets	(14)	(14)
(e) staff costs (unallocated salaries)	(479)	(479)
(f) administration and corporate costs	(356)	(356)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(7)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3	3
1.8 Other – Related party payments to Rural Liquid Fertilisers Pty Ltd an RLF Global Pty Ltd	(155)	(155)
1.9 Net cash from / (used in) operating activities	(2,010)	(2,010)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(57)	(57)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	Net cash from / (used in) investing activities	(57)	(57)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(4)	(4)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(487)	(487)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – net payments from cash backed guarantees	-	-
3.10	Net cash from / (used in) financing activities	(491)	(491)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,999	7,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,010)	(2,010)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(57)	(57)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(490)	(490)
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	Cash and cash equivalents at end of period	5,439	5,439

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	5,439	7,999
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,439	7,999

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	340
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		

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

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.

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,010)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,439
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,439
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.7

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: 31 October 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.