



31 January 2023 | ASX Announcement

RLF AgTech Ltd (ASX:RLF)

Q2 FY23 RESULTS UPDATE



Empowering
farmers



Nourishing
people



Restoring
the earth

GLOBAL EXPANSION SUPPORTED BY ANOTHER STRONG QUARTER

Key Highlights

- Quarterly cash receipts up 30% on prior corresponding quarter 'PoP' (Q2 FY22) and 38% on prior corresponding half year FY22.
- Establishment of RLF AgTech's Vietnam Representative Office as part of our South-East Asian distribution expansion strategy.
- Sales achieved in European markets – order received and fulfilled from an existing distributor in Turkey, TIM Plant Care.
- RLF AgTech continues to have an active combination of distributor and retailer engagement in Cambodia, Vietnam, Philippines and Malaysia well positioned for outcomes next quarter. Thailand showing positive momentum.
- RLF Carbon continuing to advance discussions for the commercialisation of Australian carbon farming projects and development of Australian Carbon Credit Units (ACCUs).
- Strong cash balance for 31 December 2022 of \$5.1M.

RLF AgTech Ltd (ASX:RLF), a technology-driven plant nutrition company, is pleased to provide its Quarterly Activities Report for the period ended 31 December 2022.



UPDATE FROM CEO & MD



RLF AgTech CEO and MD Ken Hancock said:

“During the December quarter, the Company progressed several significant key growth initiatives, with the expansion of our regional distribution and operations network, and continued growth as cash receipts for the period outperformed the prior corresponding period by 30% (Q2 FY22). Strong forward orders delivered record cash receipts for the December half of \$6.0 million, up 38% from the corresponding period in FY22, as well as increasing our inventory levels with the purchase of \$2.3 million of stock in preparation of our seasonal peak period for the second half of FY23. This significant result was achieved despite a highly challenging environment, as the Company navigated major disruptions created by COVID-19 restrictions in China, compounded by rapidly increasing infection rates following the easing of a disruptive period of snap lockdowns and travel restrictions.

“In mid-January I travelled to our operations in China to meet with Asia CEO, Dr Mike Lu, and our sales, marketing, and operational teams. This was my first visit to China in the past three years due to travel restrictions, and I was very pleased to experience firsthand the re-opening of the market and to witness our customer base in China return to normal operations following the COVID-19 pandemic.

“Whilst the past three years have been challenging to manage, we continue to see excellent growth opportunities within the Asian markets, and our team is now focused on the major sales period ahead.”

“Our business operations appear to now be normalising, following the easing of restrictions on sales and marketing activities, delayed placement of sales orders, and reduced capacity for delivery of customer orders. We are encouraged to see continued product demand and strong quarter on quarter growth given these trying circumstances.

“Due to seasonality, we have historically written approximately 70% of our revenues between January and June each year. Our significant increase in forward orders combined with re-opening of the market has our team highly motivated and primed to drive revenues during the peak season, and we can now accelerate the implementation of our strategic growth initiatives within Asia.

“Since listing in April 2022, the Company appreciates support from both our shareholders and stakeholders, recognising that we are on the pathway to achieving success in transforming global agriculture to produce environmentally responsible food, and increase yields and food quality, farm profit and sustainability – all whilst reducing the use of traditional fertilisers and energy, and broadly increasing carbon in soil.

“As a priority, the Company continues to focus on the expansion of our global distribution network within new high growth, large scale markets, and positive progress with a large number of potential partners is reflected in our record cash receipts for the half \$6.0 million. During the period, we successfully opened our new Representative Office in Ho Chi Minh City, Vietnam, a core pillar of our South East Asia growth initiative.

“The necessity for increased global food production and sustainable farmer efficiency is now more prominent than ever. The hard-working RLF team and the efforts from our valued distribution network continued to drive strong product demand, placing the Company’s proprietary technology as one of the lead solutions to a more sustainable and efficient agricultural sector.”



RLF AgTech CEO and MD

Film: featuring Victorian farmer

It is encouraging to hear feedback from long-term RLF AgTech customers like Andrew Trotter from Victoria, who has reported higher yields and crop resilience.

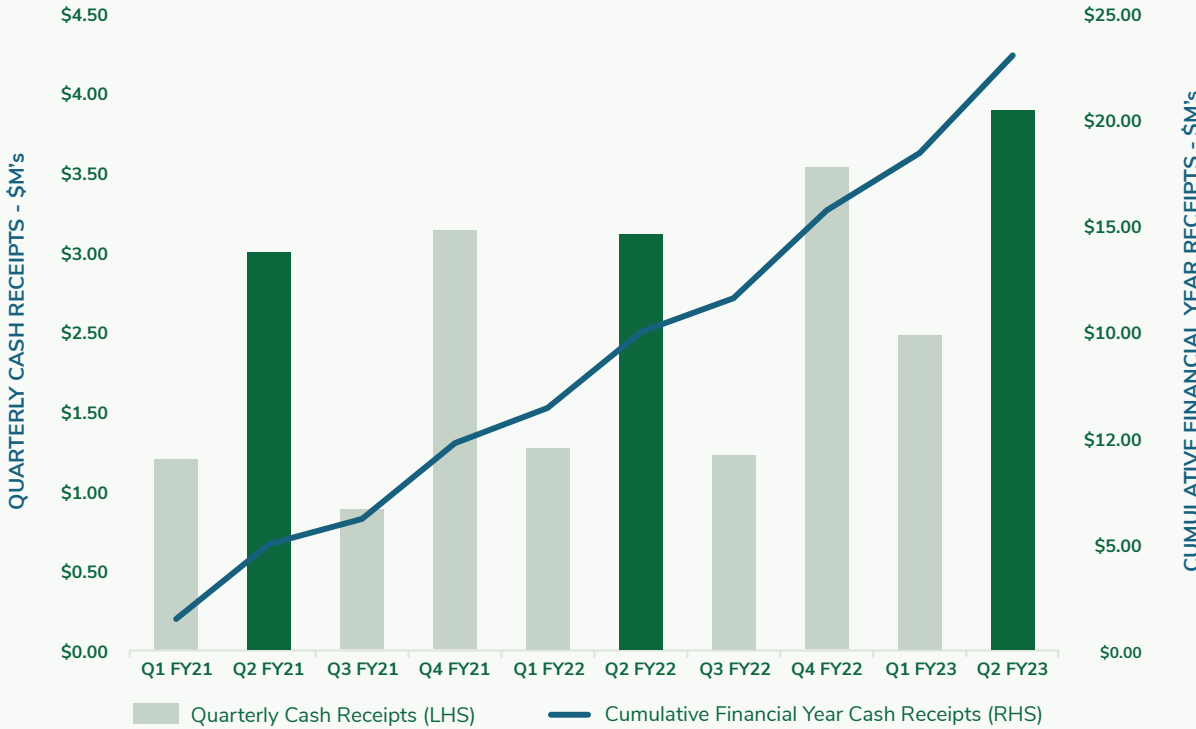
Watch this video to learn more.



BUSINESS PERFORMANCE AND OPERATIONS

The Company’s outstanding quarterly results have been driven by organic growth and continued distribution network expansion, all achieved while navigating the everchanging COVID-19 restrictions within China and the seasonal nature of agricultural input demand.

RLF AgTech received \$3.8m in cash receipts during the quarter, a 30% increase from the prior corresponding Q2 FY22. RLF AgTech remains well positioned with a prepared workforce and motivated sales team for the upcoming peak demand expected from February.



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

In anticipation of the upcoming peak demand period, the Company is confident that it is now ready and prepared to start ramping up production to back the increase in planned marketing activities. During the period, additional sales and support staff were employed in China, Vietnam and Cambodia to develop and upskill internal resources to support expected demand.

RLF expands global reach with new Representative Office in Vietnam

RLF received formal Government approval to operate in Vietnam via the establishment of a Representative Office in Country. Based in Ho Chi Minh City, this status allows the RLF AgTech team to capitalise on the growing product demand being experienced within South-East-Asia.

RLF AgTech has established legal standing in Country, allowing for functions such as trading operations, employment, and ownership of product registrations.

The Vietnam government remains committed to developing a production value chain of high-added value farming products and innovative ag-tech, in order to improve yields, efficiency, and farmer profitability, which aligns closely with the core offering of RLF AgTech.

Picture 1: Demonstration day with RLF AgTech customers in Vietnam



BUSINESS DEVELOPMENT

US Expansion and Business Development Strategy

During the Quarter, RLF AgTech CEO and MD, Ken Hancock, travelled to North America to attend the Annual Agricultural Retailers Association Conference & Expo, and to discuss opportunities in future distribution of RLF Plant Nutrition products in these markets.

The Company has highlighted North America as a key market of significant opportunity, noting the potential scale of distribution and size of the market and is in the process of developing an entry plan to commence in 2023.

Large corporations, including NuFarm, Syngenta and John Deere were also in attendance and a number of keynote presentations reinforced the global theme that there is a need for yield increasing solutions whilst simultaneously reducing the reliance on traditional fertilisers.

National governments including Canada and the Netherlands, are now also beginning to mandate and implement nitrous oxide reduction levels. Nitrous oxide is largely emitted from soil applied fertilisers that contain nitrogen and is very harmful to the environment, with 1 tonne of nitrous oxide gas emissions being equivalent to 300 tonnes of carbon dioxide emissions. Fertiliser production and use accounted for 58 per cent of the Australian wheat crop's greenhouse gas footprint in the past five years, according to the Department of Agriculture¹.

Farmers are very concerned by this trend as a 30% reduction in soil applied nitrogen fertiliser would likely result in a substantial decrease of yields and grower profitability without alternative supplemental technologies. This would have profound consequences on the amount of food available in what is already an environment of global food crises and has the potential to drastically affect farmer viability. Given RLF AgTech's PPD Tech enhanced products are designed to enable farmers to reduce traditional fertiliser applications whilst increasing both yields and quality, this puts RLF AgTech at the forefront of technologies to help achieve such mandated reductions and increase the efficiency of harvest inputs whilst reducing emissions. RLF AgTech sees that its base case target will enable farmers to reduce such inputs by at least 20%, and testing and development is underway to understand how we can substantially increase this reduction.

¹ <https://www.abc.net.au/news/2022-08-11/grain-industry-push-to-reduce-greenhouse-gas-emissions/101321302>

Asian Market Environment Update

China has only recently relaxed its COVID-19 restrictions and re-opened the borders for international travel post the December quarter (8 January 2023). The recent change in restrictions is a positive move for the Company as China now transitions towards living with the virus.

The uncertainty and disruption created by the strict imposed lockdowns during the 2022 calendar year is coming to a rapid end with a positive 'business as usual' attitude returning, and some very encouraging signs of potential post COVID-expansion on the ground in key strategic industries, including agriculture.

RLF is delighted to report that its team has continued to drive product demand (+30% increase of cash receipts from Q2 FY22) and strong quarter on quarter growth notwithstanding the complicated and difficult operational environment. RLF AgTech remains fully prepared and expects to be able to capitalise significantly on the upcoming peak seasonal demand as businesses return and operations normalise.

European Market Product Demand Continues to Strengthen

As part of the Company's international growth initiatives, during the Quarter, CEO and MD Ken Hancock travelled to Turkey to meet with our local distributor TIM Plant Care. With positive and continued support, RLF and TIM Plant Care are supplying RLF AgTech's premium PPD Tech formulation BROADACRE PLUS MAX direct to Turkey farmers, helping them increase yields and production quality of the nation's important wheat crops.

RLF AgTech continues to strengthen these types of relationships in Europe by leveraging our extensive experience of increasing wheat production gained here in Australia. RLF AgTech looks forward to growing its business with TIM Plant Care and increasing our distribution in this exciting new market for the Company.



Picture 2: One of TIM Plant Care's retail customers with Ken Hancock

Trial Update

The University of Western Australia, named the world's leading university for plant science and agronomy in 2022, has completed the initial trial stage of the glass house trials and will now progress to stage 2. Data from these trials aims to underpin and support the Company's carbon patent application.

The Company has received advice from its global cotton trial partners, that due to a major pest infestation, the Ivory Coast trial results may have been compromised, and as mentioned, the COVID-19 restrictions within China have limited the harvesting capability of the second year trials.

At the time of writing, the Company is awaiting confirmation from its partners on the status of both trials and will look to complete additional trial work where and when appropriate.

The Company continues to drive, expand and strengthen relationships with key strategic partners in an effort to further the development of its proprietary technology and expand the horizon of future opportunities.



RLF CARBON

RLF Carbon 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. The Company has also been approached by other global banking parties and has met with representatives of potential offtake partners that are seeking to secure long agreements for the supply of carbon credits. The Company is making preparations to register and commence its first pilot program and is actively recruiting for the position of Head of Carbon.

RLF Carbon notes the continued momentum for the expansion of soil carbon projects in Australia and internationally, to generate carbon credits and to be utilised as a natural and cost-effective way to remove carbon dioxide from the atmosphere. In Australia, RLF Carbon is continuing to invest in research and development and further trials to support its future commercialisation in sequestering carbon from the world's agricultural soils.

The Company also reports its attendance at the Global AgInvesting Conference held in London. Key focus from investment funds was on agricultural companies that could play a role in carbon capture, storage or emission reduction to deliver a more sustainable agricultural supply chain. RLF engaged at the event with potential investors and partners to further our interests in our carbon business.

RLF Carbon continues to pursue all potential avenues for carbon farming projects and the generation of Australian Carbon Credit Units (ACCUs) alongside potential strategic partnerships.



MARKET COMMENTARY

The global confluence of market and environmental factors has seen farmers seek to increase total food and crop production through increased yields, in a more sustainable manner. RLF AgTech is strongly encouraged by the support and demand for its product offering throughout its distribution network.

According to estimates by the United Nations, the world population surpassed 8 billion in November of 2022. Food systems have long faced challenges related to environmental, social and economic dimensions of sustainability, and RLF AgTech aims, and is well positioned, to become an integral part of the global solution.

According to the World Food Programme, approximately 345 million people are facing acute food insecurity across 82 countries. Fueled by conflict, climate change, chemical damage to soil health, and COVID-19, the world is at a critical crossroad, required to meet the rising challenge of immediate food needs while building a sustainable and resilient agricultural supply chain.

During the Quarter, commodity prices continued to decline from historic highs in the June Quarter, including grains, cotton and food commodities. The FAO Food Price Index averaged alarmingly high levels during 2022, approximately 14% above the 2021 average which saw substantial price increases from previous years². Agricultural input prices sustained elevated levels, exacerbated by the continuing conflict in Russia and Ukraine, disrupting global supply chains and international energy markets. Pricing expectations remain high for the medium to long term.

The Company continues to work within these relatively advantageous macroeconomic and structural conditions, and is building and developing its supply into further international markets, aiming to provide the global agricultural supply chain and most importantly farmers across the world with access to RLF AgTech's disruptive and sustainable technologies.

² <https://www.reuters.com/markets/world-food-prices-hit-record-high-2022-despite-december-fall-2023-01-06/>

CORPORATE

Cash Position

RLF AgTech had total cash reserves of \$5.1 million at the quarter ended 31 December 2022.

As per section 6.1 of the Appendix 4C, the payments to Directors of the Company for the quarter ended 31 December 2022 of \$321,000 were for gross wages, fees and superannuation.

Use of Funds Statement

\$'000s	Use of Funds reported to ASX	Expenditure to quarter end 31 December 22
Sales and Marketing	4,110	117
Carbon	900	-
Manufacturing PPE	550	-
Corporate*	1,140	1,640
Working Capital	810	241
IPO expenditure	990	883
Total	8,500	2,881

*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.

Cash receipts received for the quarter end 31 December 2022 was A\$3.8 million.

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.

For further information, please contact:

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www.rlfagtech.com



Empowering
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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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,825	6,045
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,160)	(4,396)
(c) advertising and marketing	(749)	(1,739)
(d) leased assets	(82)	(96)
(e) staff costs (unallocated salaries)	(481)	(960)
(f) administration and corporate costs	(245)	(601)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	12
1.5 Interest and other costs of finance paid	(20)	(27)
1.6 Income taxes paid	(341)	(341)
1.7 Government grants and tax incentives	-	3
1.8 Other	-	(155)
1.9 Net cash from / (used in) operating activities	(245)	(2,255)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(117)	(174)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'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)	-	-
2.6	Net cash from / (used in) investing activities	(117)	(174)

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	-	(3)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(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	-	(490)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,439	7,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(245)	(2,255)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(117)	(174)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(490)
4.5	Effect of movement in exchange rates on cash held	69	66
4.6	Cash and cash equivalents at end of period	5,146	5,146

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	3,096	5,439
5.2	Call deposits	2,050	-
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)	5,146	5,439

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	321
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)	(245)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,146
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,901
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	20

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 January 2023

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.