

ASX Announcement

2 May 2024

RLF Undertakes Transformational Acquisition and Equity Raising

RLF AgTech Ltd (RLF or the **Company**) (ASX: RLF) is pleased to announce that the Company has entered into a binding Business Sale Deed (**Acquisition Deed**) to acquire the business assets of LiquaForce Pty Ltd (**LiquaForce**), a long established, successful liquid fertiliser business with two major manufacturing hubs located in northern Queensland (**Acquisition**).

Key Highlights:

- RLF to acquire the assets of LiquaForce for a total of \$4.5m comprising:
 - \$3m cash and \$0.75m scrip considerations, payable on completion; and
 - \$0.75m deferred cash consideration, payable by 30 September 2024.
- Acquisition to be highly revenue and margin accretive, with material positive cash flow and EBITDA contributions to the Company. Total consideration implies:
 - a FY23 revenue multiple of 0.22x; and
 - an adjusted FY23 EBITDA multiple of 4.32x.¹
- RLF to establish a complete plant nutrition solution for Australian agriculture, by acquiring Queensland based LiquaForce with two established manufacturing facilities and significant operating revenues.
- The Acquisition provides RLF a strong foothold in Queensland, an important agricultural region in Australia and significantly diversifying RLF's sources of revenue.
- Strong strategic rationale provides RLF the ability to introduce its highly synergistic, higher margin products into LiquaForce's supply chain, providing further revenue and earnings generation.
- In relation to the funding of the Acquisition, RLF has secured a new debt facility of ~\$2.9m and an additional ~\$1.89m via placement. RLF intends to raise further funds under a share purchase plan.

¹ Excluding grant expenditure and income, research and development, consultant costs and additional operating expenses that are one off and non-recurring.



Mr Ken Hancock, Managing Director and CEO of RLF commented:

“We are delighted to announce the strategic and transformative acquisition of the LiquaForce’s business, which we believe will be highly synergistic and revenue accretive, enabling the acceleration of our growth strategy.

“The Acquisition enables growers to benefit from the comprehensive range of RLF and LiquaForce plant nutrition products that cover the entire plant growth cycle to enhance yields, improve crop health and achieve better financial returns.

“Furthermore, the Acquisition will considerably increase and diversify RLF’s revenue, which has been mainly generated from Asia. Post-completion, the Company expects approximately 60% of its revenue to be generated from Australia², greatly diversifying and reducing the risk of relying on revenue from one geographical region.

“As part of our ongoing cost review and management process, RLF will look to consolidate group functions across both businesses, providing a stronger pathway to increased earnings.

“We look forward to completing the Acquisition and delivering value from this transformative acquisition to our stakeholders.”

Acquisition Details

The Company, through its wholly owned subsidiary, RLF QLD Pty Ltd (**RLFQ**), has agreed with LiquaForce and its shareholders to acquire their core business, its related intellectual properties and assets (together, **Acquired Assets**).

RLFQ has agreed to pay LiquaForce \$3 million in cash and issue \$0.75 million worth of RLF ordinary shares on completion of the Acquisition and a further \$0.75 million in cash payable by 30 September 2024.

As part of the Acquisition, RLFQ will employ all LiquaForce’s employees to ensure business continuity and a smooth integration.

Subject to satisfying the conditions precedent, RLF expects the Acquisition to be completed in the June 2024 quarter.

² Using RLF’s audited FY23 Annual Financial Statement (refer to ASX Announcement dated: 29 September 2023) and LiquaForce’s unaudited FY23 Annual Financial Statement.



Key terms of the Acquisition Deed are outlined in Appendix 1.

Acquisition Rationale

The Acquisition could transform RLF by unlocking several synergetic opportunities, including:

Establishing a full growth cycle plant nutrition solution

Notwithstanding the opportunity to increase earnings by introducing RLF's higher margin advanced crop nutrition products into LiquaForce's customer base, RLF and LiquaForce's products are highly complementary with each other given they are used at counter-cyclical stages of plant growth and development.

Accordingly, the Acquisition allows RLF to establish a more comprehensive product catalogue that offers growers a holistic plant nutrition solution for a crop's full growth cycle.

Highly accretive and diversified revenues with additional growth opportunities

The Acquisition will also add a significant amount of revenue from LiquaForce's existing business in Queensland as well as offset seasonal fluctuations in revenue and cashflow in northern (RLF/China) and southern (LiquaForce/Australia) hemispheres.

Post-Acquisition, RLF would derive ~60% of its annual revenues from Australia, whereas RLF's existing revenues are almost entirely generated from China.³

Furthermore, the Acquisition would provide RLF an immediate opportunity to promote and sell its higher margin products in Queensland by utilising LiquaForce's customer based and distribution network, potentially generating more revenue per customer.

Immediate access to significant manufacturing capabilities

RLF will gain the ownership and operational control of LiquaForce's two manufacturing plants located in Ingham and Mackay respectively. Subject to RLF's products reaching a material demand in Queensland, the Company has the ability to commence producing RLF products locally by upgrading the plant(s) with CAPEX requirements expected to be minimal.

³ Using RLF's audited FY23 Annual Financial Statement (refer to ASX Announcement dated: 29 September 2023) and LiquaForce's unaudited FY23 Annual Financial Statement.



Unlocks additional agricultural markets in Queensland

RLF products will gain access to other key crops in the region, including bananas, mangoes, macadamias and various horticultural crops.

Acquisition Funding

The Acquisition will be funded by a combination of debt and equity financing, which comprises of:

- (i) a loan facility; and
- (ii) an equity raising via placement and share purchase plan (**Equity Raising**).

Loan Facility

RLFQ has entered into a Master Asset Finance Agreement with the National Australia Bank (**NAB**) to obtain a debt facility of ~\$2.9 million (**Loan Facility**), which is secured against the tangible portion of the Acquired Assets.

In addition, NAB and RLFQ have entered into a General Security Agreement and RLF has agreed to act as the Guarantor in relation to the Loan Facility.

The Loan Facility will be made available to RLFQ upon completion of the Acquisition.

Key terms of the Loan Facility are outlined in Appendix 2.

Equity Raising

RLF has raised approximately \$1.89 million (before costs) from institutional, sophisticated and professional investors in a placement (**Placement**).

RLF will offer its eligible shareholders the opportunity to purchase up to \$30,000 of fully paid ordinary shares under a share purchase plan (**SPP**) to raise further funds.

Both the Placement and the SPP has been and will be issued at an issue price of \$0.06 per new share (**New Share**) with one unlisted option issued for every two (2) New Shares subscribed for (expiring three (3) years from issue, exercise price: \$0.12), for no additional consideration (**New Option**).

New Shares issued under the Placement and the SPP will rank equally with the Company's existing fully paid ordinary shares.



The issues of New Options under the Placement and New Options under the SPP, as well as the issue of New Shares and Options to Directors participating in the Placement are conditional on Shareholder approval at an upcoming extraordinary general meeting (EGM).

The detailed information of the SPP and the Notice of Meeting that contains the details of the time and venue for the EGM will be provided to Shareholders in due course.

The indicative timetable of the Placement is outlined in Appendix 3.

Advisors

Corporate and Debt Advisor:	Affinity Capital Group
Legal Advisor:	Steinepreis Paganin
Environmental Advisor:	MBS Environmental

About LiquaForce

LiquaForce is an Australian family-owned liquid fertiliser manufacturing, sale and application business. LiquaForce has two well established manufacturing facilities based in Queensland, allowing for the provision of services and products throughout northern Queensland, with a focus on the sugar cane market.

The Ingham operations opened in 2007, and currently produces ~15 million litres per annum, and the Mackay operations opened in 2021, currently producing ~6 million litres per annum and upgradable to 15 million litres per annum.

The two operations allow LiquaForce to provide services and products covering over 800km from Mossman to Mackay.

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



For further information, please contact:

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About RLF

RLF AgTech Ltd (ASX: RLF) is an Australian based global plant nutrition and carbon technology 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 Accumulating Carbon in Soil System (ACSS) to help capture and store CO₂ by increasing the organic matter in the world's soils.

To learn more, please visit: www.rlfagtech.com

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Disclaimer

The material contained in this document is of general information about the activities of RLF as at the date of this update. All monetary figures quoted within this document are in Australian dollars (\$AUD) unless otherwise specified and are provided on an unaudited basis.

This announcement contains “forward-looking statements.” These can be identified by words such as “may”, “should”, “anticipate”, “believe”, “intend”, “estimate”, and “expect”. Statements which are not based on historic or current facts may be forward-looking statements. Forward-looking statements are based on:

- assumptions regarding the Company’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.

Actual results, performance or achievements of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company’s financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.



Appendix 1: Key Terms of the Acquisition Deed

Assets Acquired	The business assets of LiquaForce
Purchase Price	<p>\$4.5m consideration comprised of the following:</p> <ul style="list-style-type: none">• \$3.0m cash payable• Issuance of \$750,000 in fully paid ordinary shares of RLF Agtech Ltd (ASX:RLF) escrowed for 12 months calculated with an issue price equal to the same price as any capital raising undertaken in connection with the transaction; and• A deferred payment of \$750,000 in cash payable no later than September 2024,
Conditions Precedent	<p>Settlement under the Acquisition Agreement is conditional on the satisfaction or waiver of the following conditions:</p> <ul style="list-style-type: none">• RLF completing its due diligence investigations and being satisfied (in its absolute discretion) with the results of such investigations;• RLF completing a financing exercise in amount and on terms to its satisfaction to enable funding for the consideration;• RLF and Managing Director of LiquaForce Cameron Liddle entering into an employment contract on mutually agreeable terms, that is conditional upon and will take effect on and from completion;• RLF obtaining all necessary regulatory, board and shareholder approvals;• All property leases associated with the operations of the business are assigned to RLF on the same terms held currently;• Certain suppliers of LiquaForce agreeing to grant credit terms to RLF on terms that are reasonably satisfactory to RLF, with specified credit limits; and• RLF, at its cost, having conducted environmental due diligence investigations on the LiquaForce premises, including but not limited to a desktop review and environmental contamination testing, and RLF being satisfied in its absolute discretion with the results and findings of that due diligence.



Employees	RLF will offer to employee all LiquaForce employees on no worse terms than they are currently employed on by Liquaforce and will assume all existing employee benefit liabilities.
Wage Payments	RLF will pay the wages of the Liquaforce staff from 5 April 2024 until completion under the Acquisition Agreement occurs.
Consideration Adjustment	At completion under the Acquisition Agreement, the net value of the capital taken over by RLF (being creditors and employee entitlements as opposed to the value of stock and debtors) will be determined and if positive, half that benefit will be added to the Purchase Price by RLF. This is to include RLF reimbursing Liquaforce for all Liquaforce creditors paid after 5 April 2024 and interest paid by Liquaforce on its loan and overdraft facilities since 5 April 2024.
Loan	<p>If prior to completion LiquaForce requires additional funds to meet its actual expenses (Shortfall) RLF must upon receipt of a loan request from LiquaForce, loan to LiquaForce the Shortfall, up to total of \$500,000. LiquaForce must provide to RLF such supporting documentation concerning the expenditure that will cause the Shortfall as RLF may reasonably request.</p> <p>RLF shall have no recourse to require repayment by Liquaforce of any loan provided, if completion occurs and any funds received by Liquaforce pursuant to this clause will not result in an adjustment to the Purchase Price.</p>
Expected Completion	June 2024 quarter

The Acquisition Deed otherwise contains terms and conditions customary for such an agreement.



Appendix 2: Key Terms of NAB Debt Facility

Facility	Equipment Finance Loan
Loan Amount	\$2,927,150
Term	60 Months.
Conditions	It is RLFQ's obligation to ensure all payments are made in full and on time in accordance with the financing agreement.
Interests	The interest rate payable for the loan is 7.3600% and is payable at each monthly payment.
Purpose	To assist with funding the acquisition of the assets of LiquaForce Pty Ltd.
Repayment and prepayment	RLFQ must pay monthly instalments in full for 60 months.
Security	The Facility is secured by the assets held under LiquaForce Pty Ltd.
Other	The Equipment Loan Facility contains additional provisions which are standard for financing agreements of this nature.

Appendix 3: Indicative Timetable for the Equity Raising

Event	Time / Date
SPP Record Date	Wednesday, 1 May 2024
Announcement of Acquisition and Equity Raising	Thursday, 2 May 2024
Settlement of Placement	Tuesday 7 May 2024
Allotment of Placement Shares	Wednesday 8 May 2024
SPP Prospectus Lodged and SPP Offer Opens	on or around 10 May 2024
General Meeting to approve Placement Options, Director Options and Shares and SPP Options	on or around 12 June 2024
Closing Date of SPP Offer	on or around 14 June 2024
Settlement of Placement Options, Director Options and Shares and SPP Shares and Options	on or around 19 June 2024
Allotment of Placement Options, Director Options and Shares and SPP Shares and Options	on or around 20 June 2024

That above dates are indicative only and are subject to change. The Company reserves the right to amend this indicative timetable at any time.