

31 July 2024 | ASX Announcement

RLF AgTech Ltd (ASX: RLF) | ACN 622 055 216

QUARTERLY ACTIVITIES REPORT

for June 2024 Quarter

HIGHLIGHTS

- Leadership changes implemented
- Strategic Plan for FY2025 released
- LiquaForce transaction completed and integration well advanced
- South East Asia demonstrating positive sales growth
- SPP Offer announced to raise an additional \$1.1m
- Cash balance at 30 June 2024: \$4.7 million

Australian based global plant nutrition company, RLF AgTech Ltd (**RLF** or the **Company**) (ASX: RLF), presents its Quarterly Activities Report for the quarter ended 30 June 2024 (**Quarter**).

GENERAL BUSINESS

Leadership Changes

The Company announced on 4 June 2024 the appointment of Gavin Ball as Acting Managing Director. Mr Ball, together with CFO Zaiqian Zhang, has set about reframing the management approach within the business which is already starting to show positive results.

To better enable the achievement of corporate goals, the Company modified the operating business units and introduced a new management structure providing accountability at the General Manager level.

The General Managers are key to RLF's future success as they are responsible for the day-to-day operations in each business unit, and accountable for managing the performance of their teams to achieve the objectives set. Together with the CFO, they form a single leadership group, and share the responsibility of improving Company performance under the guidance and support of the Managing Director.

 CHINA	 ASIA	 LIQUAFORCE	 PRODUCTS
DR SHEN (MIKE) LU CHIEF EXECUTIVE OFFICER	NHAN (FRANK) LU GENERAL MANAGER ASIA	CAMERON LIDDLE GENERAL MANAGER LIQUAFORCE	DR CARL URBANI MANAGER PRODUCTS & CHEMISTRY

New FY2025 Plan

Subsequent to the Quarter end, the Company released on 23 July 2024 its FY2025 Plan called 'Taking Stock at RLF AgTech'. The Plan outlines the actions being implemented to improve performance in each of the business units with the setting of new operational objectives.

By integrating and optimising our new Australian subsidiary LiquaForce by adding RLF product into this direct Queensland sales channel, leveraging our strong presence in China and expanding South East Asian distribution within budgeted overheads will also improve the depth and breadth of the business and the sales volume that can be generated through the existing sales team and infrastructure.



Figure 1: Actions to Improve Performance

The Management team is committed to achieving these published objectives, including:

- Commitment to financial discipline, cost control and accountability, with a mandate to reduce costs, increase sales, and achieve profitability.
- Cost reduction strategies and deferral of non-core activities to align expenses with revenue expectations.
- Improving financial oversight, conflict management controls and compliance monitoring to maintain operational integrity.
- Prioritising customer satisfaction and ensuring the timely delivery of high-quality products to enhance long-term relationships and drive repeat business.
- Refreshing marketing and communications to clearly articulate corporate activities and results.
- Fostering a supportive and enjoyable workplace culture by:
 - empowering business unit leaders to manage and have accountability;
 - creating a collaborative environment where people feel respected; and
 - rewarding employees for delivery and outperformance.

LIQUAFORCE BUSINESS

As announced on 17 May 2024, the Company completed the acquisition of the LiquaForce business and certain related assets.

The business integration process has been mostly concluded, and Management are now focused on identifying any business improvements or streamlining that can be achieved through the amalgamation. Opportunities are likely to be found in production and supply chain optimisation, and via access to the expanded knowledge and resources of the larger group.

During the period, LiquaForce contributed six weeks of operations. As this period was pre-season, revenue contribution was modest, however the peak period is in the coming months. That said, prior to 30 June 2024, the Company received ~\$2 million in LiquaForce order pre-payments, which was well ahead of expectations.

As announced to the market on the 29 July 2024, the acquisition now provides the Company with the ability to manufacture and distribute RLF AgTech products for the Queensland and export markets. This will achieve cost savings, versus the historical supply of finished products which were contracted for manufacture by the Australian distributor. It also provides other benefits such as mitigating risk associated with third-party manufacturing and helping to ensure quality and on time delivery.

During June, the Company began RLF products training for the team at LiquaForce and developing a new product range for the Queensland broadacre and horticulture markets. The sale of RLF products to LiquaForce customers has commenced. This new range of products will be sold to both LiquaForce's existing customers and will enable us to engage with new customers and different market segments.



Figure 2: LiquaForce manufactured RLF products en route to Vietnam (above) and delivered to Queensland customer (below)

CHINA BUSINESS

During the Quarter, which includes the important sales months of May and June and typically accounts for 42.3% (FY 2023) of yearly revenues, sales volumes did not meet expectations. A slowing economy and the expectation of lower agricultural commodity prices impacted the whole industry this season compared with 2023 when deflationary expectations were high. On a more positive note, the China business has achieved some significant results in customer development, with a total of 39 new distributor customers engaged across different regional markets, providing a solid foundation for continued growth.

In expanding the customer base, the Company is focussing on expanding RLF's presence in the seed market for our leading seed priming products, called Veridium and BSN, and direct sales in the corporate farming market. The new customers include a large seed distributor specialising in providing high quality corn seed and a company in Inner Mongolia with land holdings of ~15,000ha.

Cash Receipts

The China Business received cash receipts of RMB 55.8 million (~AU \$11.77 million, FX: 4.7374) from its customers for FY2024, (FY2023: RMB 55.7 million).



Trial Programs

During the Quarter, the Company successfully held multiple trial demonstrations and meetings across the Regions, showcasing RLF products and their technical strengths whilst sharing the trust and satisfaction of our customers. During the financial year ending 30 June 2024, 142 product demonstration trials were conducted in many parts of China to verify performance and effectiveness, and to support the direct promotion of RLF products. In addition, over 150 meetings were held covering product promotion and technical seminars. Both initiatives are an investment in the promotion and sales of RLF products in China, strengthening the communication and personal exchange with our customers.



Figure 3: Some of the RLF product range offered in China

SOUTH EAST ASIA BUSINESS

The recent appointment of Mr Nhan Lu (Frank) to the position of General Manager, South East Asia has allowed the Company to expand its growth initiative in this important region. South East Asia is now managed out of the RLF regional office located in Ho Chi Mihn City, Vietnam and supported from Australia.

Vietnam

During the Quarter, the Team focused on the development of the Company's four distribution partners in Vietnam, by providing ongoing training and marketing support into their dealer networks to allow better support for farmers in the use of RLF products. On-farm product performance has been encouraging, following the adoption and greater repeat use of the products being demonstrated, with increasing volumes being ordered by the distributors. The Team is also working with the distributors individually, to increase the range of products being distributed through their dealer networks.

The Company's product trials on its leased plantation of 80 durian fruit trees progressed to the fruit stage, with some trial locations already having early harvest of fruits. This trial is designed to demonstrate and validate RLF's integrated crop nutrition program for this high-value crop, widely grown through parts of Asia and currently in high demand. This program includes six RLF products, applied at different times of the growing stages, all different in purpose and outcomes. Our goal is to provide incremental improvements in a farmer's income which can make substantial improvements in the standard of living in this region.





Figure 4: KONA (Vietnam) team building day (top left). Yamato's training and promotion meeting with its customer (top right). Durian fruit trial with RLF products (bottom).

In addition to the Durian Trial, RLF's team in Vietnam continues to manage large-scale trials with other crop types to further develop RLF product application programs for the local market.

Philippines and Malaysia

In the Philippines, RLF is progressing its product registrations and, subject to local regulatory approvals, is expected to be completed by the end of calendar 2024. Once registrations are received, the Company can start supplying its products into this market through its Distribution Partner, Taipan Brand Farms Inc., a subsidiary of Jardine Distribution Inc.

In Malaysia, RLF has been working with a potential distributor to conduct on-site trials of RLF products for this market. Progress has been made with positive results showing in rice and other fruits and vegetables, providing valuable feedback. Management is hopeful that the first distribution agreement can be completed in FY25.



Figure 5: Rice trial with RLF products in Malaysia

Cambodia

RLF continues to see growth in Cambodia, with the use of RLF products increasing. 12 new product registrations were completed, covering both rice and upland plantation crops. The first shipment of these newly registered products has now landed in Cambodia and is ready for sale to customers. During the period, the dealer network increased by 10 bringing our total active dealer network in Cambodia to approximately 60 distributors. The Company continues to perform a number of field trials and is maintaining marketing and branding activities to sustain and boost demand.



Figure 6: Field demonstration trial using RLF products (above). Shipment of RLF products arriving in Cambodia (below).

CARBON

Reforming the Model

The Company has developed a new model for the RLF Carbon business to become the preferred technical methodology and products supplier in partnership with existing successful carbon development companies. The Company is in discussions with such companies.

This provides the opportunity to bring RLF expertise in soil carbon development and management and combine it with our competencies in using ACSS (Accumulating Carbon in Soil System) methodology to sequester carbon dioxide from the air and store it in the soil using conventional commercial farming operations.

If successful, ACSS would allow commercial farmers to establish carbon projects on their farms, with very little change to their existing farm practices.

Commonwealth Bank Pilot Program

The agreement with the Commonwealth Bank signed on 27 July 2023, focused on financing a pilot program that aimed to generate soil carbon credits using RLF AgTech's plant nutrition products and technology, ended on the 30 June 2024.

Not every attempt to innovate will be successful, but every initiative brings experience and expertise that help refine our trajectory. We thank the Commonwealth Bank for the opportunity to collaborate, and while our joint efforts did not lead to a pilot as intended, both parties continue talks on future potential opportunities for collaboration.

RLF's products and technology have the potential to draw down and store carbon whilst increasing crop yield – and if proven to achieve this at scale, it can offer a pivotal win-win for the agricultural community that we are committed to supporting.

Hillston Soil Carbon Project

The Company's first registered Carbon project in Hillston, NSW, is progressing with the crop growing well. Since our last update, the crop has progressed from emergence to full cover crop, with excellent growth contributing to greater soil life, and hopefully increases in soil organic carbon.

Testing is planned over the next six months to review changes in soil organic matter levels, whilst also assessing yield improvements and plant health enhancements. This initiative represents a significant step in the Company's carbon sequestration knowledge and commitment to generate Australian Carbon Credit Units (ACCUs).



Figure 7: Onsite at the Hillston Soil Carbon Project with crop progress as at 30 May 2024.

CORPORATE

M&A

During the Quarter, the Company completed the acquisition of the core business and assets of LiquaForce (**LiquaForce Acquisition**).

To fund the LiquaForce Acquisition and its working capital, the Company completed an equity raising of ~\$1.89 million and entered into an equipment finance loan agreement with the National Australia Bank for ~\$2.93 million.

In addition, the Company is in the process of negotiating debtor finance and trade finance facilities for working capital purposes.

Board and Management Changes

On 4 June 2024, the Company announced that the Board had appointed Executive Director, Mr Gavin Ball as Acting Managing Director following the termination of the services of Managing Director and CEO, Mr Kenneth Hancock¹.

Subsequent to the end of the Quarter, Mr Hancock was removed as a Director by Shareholder vote at a General Meeting held on 26 July 2024.

Cash Position and Capital Structure

As at 30 June 2024, the Group had a cash balance of \$4.7 million.

As at 30 June 2024, the Company's capital structure was as follows:

Securities on issue	Number
Ordinary Shares on Issue	229,252,955
Options on Issue	26,194,444
Performance Rights on Issue	7,217,158

Security Purchase Plan

The Company lodged a Prospectus for its Security Purchase Plan (SPP) Offer which opened on 25 June 2024, targeting to raise up to an additional \$1.1 million. Subscriptions close at 5.00pm on or around Friday, 2 August 2024. The Company has reserved its rights to place the shortfall on the same terms and conditions as the SPP Offer.

Market Guidance

On the 11 June 2024, the Company revised its Market Guidance from \$15m to \$16m² to ~\$9m for FY2024 (**Revised Market Guidance**). The Company now confirms that unaudited revenue for FY2024 is \$9.3 million (excluding revenue of LiquaForce), which is in line with the Revised Market Guidance.

For completeness, the revenue from the LiquaForce Business eligible for consolidation in FY2024 is ~\$0.6 million.

Related Party Transactions

In accordance with ASX Listing Rules 4.7C.3, during the Quarter, the Company paid a total of \$66,845 to related parties and their associates, mainly for the labour hire services.

During the Quarter, the Directors of the Company (excluding for Shen (Mike) Lu) agreed to deferred payment of their Director fees to assist the Company's cash flow. Shen (Mike) Lu deferred ~50% of his salary.

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

¹ Refer to ASX Announcement: 4 June 2024.

² Refer to ASX Announcement: 11 October 2023.



About RLF AgTech Ltd

RLF AgTech Ltd (ASX: RLF) is an Australian based, global plant nutrition company with a vision 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 AgTech'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.

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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 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,483	15,006
1.2 Payments for		
(a) research and development	(148)	(635)
(b) product manufacturing and operating costs	(1,584)	(6,186)
(c) advertising and marketing	(1,557)	(4,768)
(d) leased assets	-	-
(e) staff costs	(261)	(1,002)
(f) administration and corporate costs	(1,043)	(2,470)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	15
1.5 Interest and other costs of finance paid	(71)	(253)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	384
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,820	91
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(3,424)	(3,424)
(c) property, plant and equipment	-	(295)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(292)	(956)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(3,716)	(4,675)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,837	1,837
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	(133)	(133)
3.5	Proceeds from borrowings	3,389	4,146
3.6	Repayment of borrowings	(101)	(416)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Leases per AASB16)	(133)	(317)
3.10	Net cash from / (used in) financing activities	4,859	5,117

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,685	4,259
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,820	91
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,716)	(4,675)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,859	5,117
4.5	Effect of movement in exchange rates on cash held	63	(81)
4.6	Cash and cash equivalents at end of period	4,711	4,711

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	4,661	1,635
5.2	Call deposits	50	50
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)	4,711	1,685

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	67
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,682	4,682
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	50	50
7.4	Total financing facilities	4,732	4,732
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.		

Item 7.1

Lender: Private lender
Amount: CNY3,000,000
Interest Rate: 12% p.a.
Maturity Date: 12 July 2024 ¹
Secured: Yes

Lender: Private lender
Amount: CNY1,000,000
Interest Rate: 12% p.a.
Maturity Date: 30-day notice ²
Secured: Yes

Lender: Private lender
Amount: CNY1,000,000
Interest Rate: 12% p.a.
Maturity Date: 12 April 2025
Secured: Yes

Lender: NAB
Amount: AUD2,886,644
Interest Rate: 7.36% p.a.
Maturity Date: 16 May 2029
Secured: Yes

Lender: De Lage Landen Pty Ltd
Amount: AUD110,967
Interest Rate: 8.78% p.a.
Maturity Date: 27 July 2028
Secured: Yes

Lender: De Lage Landen Pty Ltd
Amount: AUD41,142
Interest Rate: 8.69% p.a.
Maturity Date: 28 July 2026
Secured: Yes

Lender: FAW Auto Finance Co., Ltd
Amount: CNY306,860
Interest Rate: 7.88% p.a.
Maturity Date: 13 December 2028
Secured: No

Lender: Focus Shopfit Pty Ltd
Amount: AUD400,000
Interest Rate: 12% p.a.
Maturity Date: 16 March 2025
Secured: Yes, guaranteed by Gavin Ball and Ken Hancock

Lender: IQumulate
Amount: AUD15,380
Interest Rate: 6.776%
Maturity Date: 30 August 2024
Secured: Yes

Lender: IQumulate
Amount: AUD 26,756
Interest Rate: 6.77%
Maturity Date: 28 November 2024
Secured: Yes

Item 7.3

Lender: NAB (corporate credit card)
Amount: AUD40,000
Interest Rate: N/A
Maturity Date: N/A
Secured: Yes, AUD40,000 term deposit

Lender: Westpac (corporate credit card)
Amount: AUD10,000
Interest Rate: N/A
Maturity Date: N/A
Secured: Yes, AUD10,000 term deposit

On 25 July 2024, the Entity also entered into a premium funding arrangements for its insurance costs and the details are as follows:

Lender: IQumulate
Amount: AUD62,322
Interest Rate: 5.7329%
Maturity Date: 09 February 2025
Secured: Yes

The Entity is currently negotiating debtor and trade finance facilities to improve its working capital.

Other than stated above, no additional financing facilities have been entered into or are proposed to be entered into between the quarter end and the date of the Cash Flow Report.

Note:

1. Matured on 12 July 2024, the Entity is negotiating with the Lender to extend the loan;
2. The Entity paid the loan in full on 24 July 2024.

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,820
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,711
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,711
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 July 2024

Authorised by: the 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.