

ASX Announcement

(ASX: RAN)

30th April 2021

Appendix 4C March Quarter 2021

Range International Limited ('Range' or 'Company'), manufacturer of Re>Pal™ 'zero-waste', recycled plastic pallets, presents its Appendix 4C for the quarter ended 31 March 2021.

MARCH QUARTER 2021 HIGHLIGHTS

- Sales revenue (income earned) of US\$579K for the quarter, an increase of US\$56k (11%) compared to prior quarter.
- Cash balance at the end of the March 2021 quarter was US\$1,159k.
- Successful A\$1.8 million capital raising (before costs) via a placement.
- Appointment of a new Factory Manager and Director of Operations in Pasuruan.
- Ongoing collaboration with Unilever Indonesia to reduce use of virgin plastic and recycle plastic packaging and transform into plastic pallets.

Range Managing Director Stephen Bowhill said: "The March quarter represented a number of pleasing results for the Company. We saw improvements in pallets shipped, revenue and our first EasyPay clients, which provide the Company a promising platform looking forward. However, it is important to note that it has not been an easy quarter with the effects of Covid-19 affecting waste supply and several clients. We continue to focus on profit margins, revenues and delivering quality sustainable and cost-effective products to our clients."

FINANCIAL UPDATE

Revenue

Revenue continues to improve, with sales revenue (income earned) of US\$579K for the quarter. Since the start of the Covid-19, the Company has seen incremental improvements in quarterly revenue.

Revenue per quarter (US\$'000)



Pallets Orders, Shipments and Receipts

Pallet Purchase Orders received during the quarter (excluding rental contracts) was 31,882. This was down on Q4 2020. However up significantly on the same period last year. Orders received in April are 25,183 with further pallet purchase orders expected for the balance of Q2.

Pallets ordered per quarter

	2020	2021
Q1	25,153	31,882
Q2	15,577	
Q3	20,059	
Q4	38,078	

Refers to confirmed customer pallet orders

Pallets shipped per quarter

	2020	2021
Q1	22,187	38,946
Q2	24,507	
Q3	26,648	
Q4	28,575	

Refers to pallets invoiced and shipped ex-works Indonesia.

Receipts from customer (US\$,000)

	2020	2021
Q1	344	450 *
Q2	224	
Q3	306	
Q4	474	

Refers to funds received from customers.

**A large MNC has an outstanding account of US\$ 219,000. We do not expect there to be a problem collecting this outstanding amount.*

In 2020 due to Covid-19, the Company decided to reduce pallet pricing to ensure continuation of orders and filling operations. From 1 January 2021, the pricing discounts were removed. Due to the increases in global pallet pricing, the Company anticipates that it will increase the pallet pricing by 10% from 1st June 2021. This will coincide with the end of Ramadan, which has historically seen slower production and business activity for the Company. The Company is focused on maximising Gross Margin through improvements in raw material and manufacturing processes and maintenance regimes as well as the price increase.

Cash Burn

Total cash burn for the quarter (excluding proceeds from capital raising and related costs and inclusive of forex) was US\$637k. This was an increase on the previous quarter (December 2020 quarter cash burn of US\$277k) however, this is an improvement on the cash burn of the prior corresponding period (PCP) (March 2020 quarter cash burn of US\$786k).

The material increase in cash burn on the previous quarter was due to increased product manufacturing, operating, admin and corporate costs.

Product manufacturing and operating costs have increased from US\$450k to US\$603k in the current quarter due to increased raw material purchases and associated manufacturing costs in line with production output increases.

Admin and corporate costs have increased from US\$48k to US\$226k on prior quarter mainly due to fees for the annual audit, financial statement preparation and annual insurance premiums due. These costs are comparable with the same period in the prior year.

Cash receipts from customers were down on expectation in the quarter due to arrears in accounts receivable of US\$219k as at the end of the quarter. This is predominantly from a single large multinational corporation and caused by issues in their Accounts system. The Company is of the view that this is a once-off issue and that payment will be received from this client in due course.

Cash Burn per quarter (US\$'000)



SALES UPDATE

As detailed in the previous quarterly report, in Q1 2021 the Company launched a Rental business model “EasyPay”. EasyPay provides clients with another method of sales payment and makes access to Re>Pal’s pallets easier financially, while offering Re>Pal higher margins over the contract life.

The Company is delighted to confirm that it has received the first two EasyPay orders from large multinational corporations in the Philippines. One order is with Mondelez Philippines and is for 3,000 HD1210 pallets and the other is for 8,000 HD1210 pallets. The orders are subject to certain conditions being satisfied, including delivery of pallets to client satisfaction. Although these orders are not expected to materially impact the Company, these purchase orders are received from two of the world’s top food and FMCG brands and provide validation of the new EasyPay offering. There is further

interest from clients in the EasyPay product and the Company continues to progress conversations with various prospects.

During the quarter, the Company added 10 new name clients in addition to the Company's existing client relationships.

As announced on 19 January 2021, Re>Pal has concluded commercial discussions with Unilever Indonesia Tbk for recycling their waste into pallets. This collaboration is ongoing and the new RP1210L, was successfully tested internally in April 2021 at Re>Pal's factory. It has since been delivered to testing with Unilever's logistics provider in Jakarta. The pallets have been fitted with anti-slip devices and Radio Frequency Identification ('RFID') tag for tracking in its warehouses. Final feedback is expected in May 2021 following completion of testing by Unilever and their logistics provider

As of 31st March 2021, inventory level is 3,057 with most pallet models not having inventory stock.

As of the 30th of April there are 30,798 of orders awaiting production. The Company plans to re-build inventory over the next quarter as raw material supply improves again – see below update – with the priority being to complete existing orders.

OPERATIONAL UPDATE

Appointment of a New Factory Manager to Oversee Operations in Pasuruan

During the quarter, the Company appointed a new Factory Manager, Pak Idwansyah, to oversee daily operations in Pasuruan and Mr Marcus Goldstein was appointed as Director Operations in Pasuruan to further strengthen the local team and provide direct leadership and management of items of material importance such as raw material supply.

Raw Material Supply (RMS) Update.

- Mixed Plastic Bag costs have been reduced by 25% since Dec 2020 through improved supplier management. As of 31 March 2021, mixed plastic bags made up 73% of total raw materials.
- During the quarter, our PolyAl supplier temporarily stopped production. This led to cost increases of 15% as conversion rates have fallen with lower quality materials. With help from TetraPak, the supplier expects to restart processing Poly Al by the end of June 2021. Raw material costs should fall accordingly, and COGS will improve due conversion rate improvement. Poly Al made up just 27% of Raw materials usage for the quarter. In previous months this had been closer to 50%. Though Poly Al costs increased these have been offset by the savings in Mixed Bag Plastics. Overall RMS costs have fallen by 14% since Dec 2020.
- In April 2021 Re>Pal has a signed Memorandum of Understand (MOU) with PT Aalborg Industrie Indonesia a Jakarta based company to work together to sign a 5-year agreement for the supply of waste to Re>Pal. In the Agreement, Re>Pal can purchase up to 60 tons per day of clean and dry recycled plastic. Aalborg sources via an agreement with the Jakarta Provincial Government. If fully implemented the agreement delivers considerable cost savings with the benefit of raw material supply stability ensuring improved ability for production planning. We anticipate testing their supply in Q2 2021 and will sign the Agreement if successfully testing their sources.

- As mentioned in the last quarter we have a strong focus on waste-water quality. New sediment tanks are now installed and running, with wastewater costs reduced. Our solid waste has been successfully tested by a third-party lab solid waste will now be collected by third parties at no cost to the business, reducing disposal costs.

Factory utilisation in the quarter has underperformed against expectations due to numerous unforeseen breakdowns and RMS issues. Daily average output Q1 was 13.6 tonnes per day. We have rectified these issues and expect to see increased utilisation rates for the rest of the year.

At the time of writing, we have implemented an improved processing procedure by repurposing a line of extrusion equipment to dry and compact washed material. This has allowed us to experiment bypassing our pelletising and thermal drying equipment. If this proves successful, we will see a significant efficiency in electrical consumption and reduce the operational breakdowns associated with the pelletising equipment. If this revised process is successful, we anticipate this can add further operational stability to the manufacturing process and margin improvement.

At the time of writing Re>Pal is in discussions for a solar Power Purchase Agreement (PPA) with a solar PPA provider in Indonesia. This proposal is to install a 1,388 MW System behind the meter within 2021/22 depending on requisite approvals from any authorities. The proposed agreement is at a discount to our current electricity tariff. Engineering and commercial details need to be agreed before proceeding, but this is another initiative aimed at reducing operational costs.

PRODUCT DESIGN PALLET PROGRESS

RP 1210L mold modification has been completed and successfully tested internally. Samples have been tested by Unilever and their logistics provider and we have some amendments to make for a revised test to be undertaken. We are working closely with Unilever Indonesia and their logistics provider.

The new CP 1311 mold manufacture has now commenced in-house. With completion targeted for October 2021. This pallet is designed to meet the requirements of the chemical pallet market.

We are modifying the HD 1210L to incorporate steel inserts to increase racking load capacity to 1.5 tonnes. Large sales volumes are available for this pallet type. Modification to the mold to start in May 2021 with completion by June 2021 and with potential first deliveries July 2021. We will update the market accordingly.

The next pallet design will be based around a mold with multiple sized inserts. Allowing us to make pallets of different dimensions within the same mold casing, 20-30% lighter than our existing pallets and improving total addressable market for the one mold. The pallet will have the option of steel inserts further increasing the market potential of the design. Designs are complete in May 2021 for the sales team to commence prospecting.

CORPORATE UPDATE

SUCCESSFUL A\$1.8 MILLION CAPITAL RAISING

During the quarter, the Company completed its capital raising through a placement of 90,000,000 fully paid ordinary shares raising A\$1.8M (before costs). Placement proceeds are being used for operating cash flow, factory equipment to improve productivity, new molds to increase productive capacity and capital to support the product rental initiative.

CAPEX SPEND

The Company is in the process of ordering a pallet welder. Welded pallets are stronger than our current nailed pallet designs for two-piece pallets. This will enable us to offer a faster production process and an improved quality product. The value of this new equipment is US\$37k.

To improve the washing process, we are ordering two x 1000kg/hr capacity friction washers. This will double wash plant output capacity. Friction washers deliver a better wash quality with lower power consumption adding to cost improvements. The value of these washers is US\$7k each.

INFORMATION REQUIRED BY ASX LISTING RULES

Net cash outflows from operations were US\$598k for the quarter. The material expense items of Product Manufacturing and Operating Costs and Admin and Corporate Costs, being US\$603k and US\$226k respectively were offset by Receipts from Customers of US\$450k. As noted, Product Manufacturing and Operating Costs have increased on the prior period due to increased raw material purchases and associated manufacturing costs in line with production output increases. Admin and Corporate Costs have increased on prior quarter mainly due to fees for the Annual audit, financial statement preparation and annual insurance premiums due.

Directors, being related parties of the Company, were paid remuneration in the amount of US\$50k during the March quarter.

Sincerely,

Stephen Bowhill

Managing Director

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Executive Chairman

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



About Range International:

Range is a manufacturer of plastic pallets. Our ThermoFusion™ technology allows Range to make ‘zero waste’, 100% recycled and recyclable plastic. Range currently has production lines operating in its East Java factory in Indonesia and sells its pallets under the brand Re>Pal™, supplying pallets into Indonesia and across Asia/ globally.

Forward looking statements:

This announcement may contain forward looking statements which may be identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may”, and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Range International Limited or its Directors and management, and could cause Range International Limited’s actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Appendix 4C

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

Name of entity

Range International Limited (Company)

ABN

22611998200

Quarter ended ("current quarter")

31/03/2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	450	450
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(603)	(603)
(c) advertising and marketing	(34)	(34)
(d) leased assets	-	-
(e) staff costs	(186)	(186)
(f) administration and corporate costs	(226)	(226)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(598)	(598)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'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)	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,387	1,387
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	(81)	(81)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,306	1,306

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	490	490
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(598)	(598)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,306	1,306
4.5	Effect of movement in exchange rates on cash held	(36)	(36)
4.6	Cash and cash equivalents at end of period	1,159	1,159

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,159	490
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)	1,159	490

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	50
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note to Item 6.1: The amount of US\$50k was payment of Director remuneration for the quarter ended 31 March 2021.

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	598
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,159
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1.94
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	-
<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?	
<p>Answer: No. The Company's cash burn for the March 2021 quarter was materially higher than the previous quarter. The Company has provided further information relating to the cash burn for the quarter in the activities report above. The Company anticipates that administration costs will be lower for the upcoming quarters and the cash burn for the upcoming quarters are anticipated to be lower.</p>	
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?	
<p>Answer: No.</p>	

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: Yes. As described in the response to 8.6.1, the Company anticipates that cash burn in the upcoming quarters will be lower than the March 2021 quarter, allowing the Company to continue its operations and to meet its business objectives.

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: **30 April 2021**

Authorised by: **By the Board**
(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.