

ASX Announcement
(ASX:RAN)

30th April 2020

Appendix 4C March Quarter 2020

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 2020.

BOARD CHANGES, COVID-19 AND ORGANISATIONAL IMPROVEMENTS

Just after the quarter ended 31 March 2020, Stephen Bowhill joined the Board as Managing Director, while Matthew Darby, Kenn McMillan and Peter Wallace left the Board of the Company.

The global pandemic of Covid-19 has significantly affected the pipeline of many of the Company's potential projects across Indonesia and Asia. At the date of this report, the Indonesia factory is still operating without restrictions. The Company notes that there are lockdowns and travel bans now in place through Ramadan to the 31st May 2020.

Due to the effects of Covid-19 on the overall level of business activity across Indonesia and on our pipeline of business, the Company is taking immediate action to reduce the cost base. These actions include, *where possible*, reducing the shifts and working days in the factory to the minimum to produce the currently reduced pallet orders, non-renewal of casual workers, laying off or rostering off permanent workers to match reduced forecasted demand in the short-term. These savings include temporary or permanent salary reductions across Australia and Indonesia (potentially US\$30K per month, subject to negotiations in Indonesia), raw material reduction due to reductions in current production needs (approximately US\$19K per month), reduction in director fees due to directors resignations (approximately US\$12K per month) and other related reduction in costs due to current reduced production volume (approximately US\$9K per month), the Company anticipates that monthly costs will be reduced by approximately US\$70K per month, if all of these reductions are possible, which will assist with cash flow, notwithstanding the religious payments due in May 2020.

During the quarter, the Company engaged an Indonesia-based consultancy company, specialising in Waste Water Treatment Plants (WWTP) to analyse the existing Re>Pal plant and determine the changes required to make it function to the standard expected to enable it to be operational. This work is ongoing through the June 2020 quarter, though Covid-19 had delayed its commencement.

The Company has completed the recruitment of two sales executives to cover West and East Jakarta, complementing the two sales staff in Central Java and East Java

BUSINESS AND FINANCIALS SUMMARY

- Cash balance at the end of the March 2020 quarter was US\$1,340K.
- Cash burn for the quarter (inclusive of forex) was US\$786K compared to the previous quarter of US\$537K. The increased cash burn was due the weakening of IDR and AUD against USD and holdover of some items from 2019 that were in negotiation with creditors and were paid in the March quarter to several suppliers.
- Sales revenue of US\$287K for the quarter compared to prior quarter of US\$319K.
- 8 new name clients were added in the quarter.
- Veolia Services continued to place orders in the quarter.

- Efficiencies gained through modifications to wash plant, drying and dry friction processes have resulted in a further 10% decrease in raw materials pricing.
- 22,189 pallets were sold (invoiced following delivery/collection) during the quarter, up from 21,507 in the previous Quarter.
- There are forward orders for 2020 of 43,530 pallets.
- There is no back-log of old orders awaiting production
- As at 31 March 2020, inventory was 19,663 pallets.

SALES SUMMARY

The weakness in sales continues, and Covid-19 is adversely affecting the Company's sales pipeline. We have provided discounts for pallets in inventory and also a Covid-specific discount to encourage clients to bring orders forward for orders received before June 30th 2020.

SALES UPDATE

During the quarter, Re>Pal added 8 new name clients as set out below, in addition to the Company's existing client relationships:

- Harry Wibowo
- CV Bintang Timur Plastic
- PT Intan Chemical
- CV Toba
- PT Gandum Indonesia Bergizi
- Berlian Abadi
- Mason Adventure
- Pt Louisiana Far East

Veolia continues to purchase the NP1090 pallet for distribution of their PET raw material pellets from its new recycling facility in Pasuruan.

Through the past quarter to the time of writing the Company has trialled waste received from several Multi-National fast moving consumer goods (FMCG) and food companies and several large Indonesia food and beverage companies. As mentioned last quarter the producer responsibility code is driving a 'zero waste' ethos in the larger national and multi-national businesses across Indonesia. We are hopeful that we can see some of these larger companies start the trial of our pallet now containing their waste packaging and move forward to ordering.

For one of these businesses the pallet volumes are substantial, however Covid-19 has delayed the feedback on commerciality of any arrangement and has also delayed the potential to do some more pallet testing. To date, to give shareholders more insight into business development, this relationship has been in progress for at least 2 years, so unfortunately the sales cycles can be extremely long.

Some of the business units for these larger companies use different sized pallets across their units, and these are different to our current range, however their testing and advocacy of Re>Pal can encourage other units to start and is helpful, and depending on their volume needs may lead towards manufacture of a new pallet for them.

Re>Pal's pallets are able to accommodate a mixed waste plastic stream and the Company found among these trials the Company was able to use approximately 30%-50% of the client waste stream into the pallet, these streams could be sachets, multi-layer laminated plastics and the Company can even use some metalised plastics.

The use of TetraPak's PolyAl materials has been successful and the Company is using this material in our pallets. This is also good for TetraPak's business as the PolyAl is an energy intensive product and the more it can be recycled the better. It is also good for our clients and potential business particularly in the food and beverage sector as the waste is relatively clean, stronger than normal waste plastic and is cost-effective.

The Company is now using this PolyAl material in several trials with several multi-national companies including a multi-national beverage manufacturer in the Philippines. The TetraPak material adds strength to the pallet such that it can load more weight than our standard pallet mixed waste plastic material.

We are also exploring the cost of the Hazard Analysis and Critical Control Points (HACCP) certification process for the factory, which is relevant to existing clients and several prospects in the food and beverage sector who have expressed interest in Re>Pal Indonesia attaining this certification, and as a mandatory part of their supplier certification process.

During the quarter the Company was awarded the Best SME, Sustainable Business Award from Global Initiatives in Jakarta. The award was presented by Minister Suharso Monoarfa and Ibu Shinta W. Kamdani.

In the quarter we executed a distribution arrangement into the chemical sector in Indonesia with a very well connected and experienced professional and who has already introduced Re>Pal to several larger prospects for the 1311 pallet. These two companies alone need to replace their existing timber pallet fleets of 15,000-20,000 pallets with plastic due to the changing food regulations in Indonesia. Again, as with all pallet sales there are many potential obstacles we need to overcome for price, pallet materials acceptable, finished design meets their specifications as well as beating existing competition from virgin pallets. Both these prospect companies value the sustainable aspect of Re>Pal's business. Unfortunately, Covid-19 has delayed the development of this distribution finder-fee arrangement with our prospects, which is also why we have re-prioritised the pallet development stage behind some tactical enhancements for the Philippine prospect.

In New Zealand we have sent the TetraPak materials, and now our pallets for trial at a large food and drinks company, to ascertain the fit with their food storage processes. This company uses a non-standard sized pallet. **The Directors are also in conversations with other potential partners in other non-Asia markets in exploring for Re>Pal's products and expanding our distribution footprint.**

As with all trials there is no guarantee that trials translate to orders. However, these large multinational customers, in addition to the large domestic market players, are looking to the Re>Pal product as they change their buying behaviour to replace unsustainable legacy hardwood pallets with a more sustainable portfolio.

OPERATIONAL UPDATE

Wash plant and operations

A rinsing process stage was added to the wash plant, at a relatively small capital investment, to improve the quality of the outbound plastic. This commenced in January 2020 and will be live in April 2020. An additional dry friction wash plant was added during December 2019, from re-purposed equipment available in the factory and has added to the Company's internal capacity to clean waste plastic internally at a lower cost than purchasing clean plastic externally, this is how the Company can also process the TetraPak materials.

An additional drying stage, pre-pelletising, is being considered to reduce pellet humidity. This will improve throughput, increase efficiency of the pelletiser and reduce rejects through extrusion into pallets. An additional pellet cooling process is also needed. These are relatively small capital items, though currently the Company is assessing all capital items given the current market conditions and need to preserve cash flow.

Raw materials

The B3 (hazardous waste) storage area was built during the quarter which entailed a small capital cost. During the quarter the Company trialled handling HDPE oil bottles which were satisfactorily converted into pallets. Importantly there are corporate sources of these oil bottles available, however, the Company will also need an accompanying B3 license from the relevant department in Indonesia to process this kind of waste.

The Company is trying to diversify waste sources in order to reduce reliance on any one individual supplier and continually search for lower pricing, and where at all possible partner with our clients for reprocessing their waste. The Company is extending the reach of where it receives waste from within Indonesia and improving our contracting processes with suppliers with the dual objectives of reducing raw material pricing and improving the quality of the waste received.

These initiatives in combination with better processing of raw materials have lowered the Company's raw material cost as noted above.

PRODUCT DESIGN PALLET PROGRESS

The new NSP1210H (was known as NSP1210R in development stage), completes on May 6 2020, and will be an interesting pallet for logistic companies and may potentially be something for closed distribution loops.

Thereafter the Company will be using its Computer Numerical Control (CNC) machine to modify the HD pallet for anti-slip devices to be added (2 months development) for the potential client in the Philippines and thereafter developing either the 1300x1100 chemical pallet, a 1100x1100 export one-way pallet or a 1200x1200 stacking warehouse pallet. These are all standard dimensions, the variations then are in the height of the pallet which can be client specific, the types of material handling equipment (MHE) the pallet works with and the top and bottom pallet decks and if the pallet needs to rack. Unfortunately, as shareholders are aware, all of these many variables can cause delays in, or potentially stop, a sales process.

We are considering the outsourcing of the development of the pallet molds in parallel to our in-house manufacture, however this is not currently possible with the cash-flow expectations of the business. Alongside the need for a more complete product portfolio including the 1311 and 1111, we also require the 1212 and 1280 pallets both including racking and non-racking versions. The capital requirements therefore to ensure the pallet portfolio is competitive in the longer-term are extensive, as are the requirements for multiple molds to scale production any of the HD or HDL pallets. It is also better for clients in the food and beverage sector for Re>Pal to weld any 2-piece pallets together rather than currently nailing them together. This is a limiting factor for *some* pallet sales in this sector and will require at least 60kUSD to purchase a welding machine. This is on-hold due to current cash outlook, but of course we advise prospective clients we can invest on the back of larger orders and the welding process has been internally tested satisfactorily.



Sincerely,

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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")

31/03/2020

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	344	344
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(346)	(346)
(c) advertising and marketing	(108)	(108)
(d) leased assets	-	-
(e) staff costs	(282)	(282)
(f) administration and corporate costs	(233)	(233)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(7)	(7)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(632)	(632)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(9)
(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	(9)	(9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,599	1,599
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	(42)	(42)
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	1,557	1,557

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	569	569
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(632)	(632)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)

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)	1,557	1,557
4.5	Effect of movement in exchange rates on cash held	(145)	(145)
4.6	Cash and cash equivalents at end of period	1,340	1,340

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	1,340	569
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)	1,340	569

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	53
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		
Note to item 6.1: The amount of US\$53K was payment of Director remuneration for the quarter ended 31 March 2020.		

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 \$US'000	Amount drawn at quarter end \$US'000
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.

N/A

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	632
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,340
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,340
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.12

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: 30 April 2020

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.