

31 July 2023 | ASX Announcement

RLF AgTech Ltd (ASX:RLF)

Q4 FY23 RESULTS UPDATE



Empowering
farmers



Nourishing
people



Restoring
the earth

RECORD CASH QUARTER & GLOBAL FOOTPRINT DEVELOPMENT

Key Highlights

- Record YTD cash receipts for financial year ending 30 June 23 of A\$12.5M, up 22% on prior corresponding year end (YoY) (FY22).
- Expanded footprint in South East Asia with the appointment of Cong Ty TNHH Kona Crop Science (“Kona”), one of Vietnam’s leading distributors of agricultural products, as a licenced distributor of RLF products.
- Production and preparation of first product to be shipped under executed distribution agreement with KONA, with a target sales value of A\$3.3M over 5 years.
- Awarded a \$40,000 Innovation Booster Grant as part of the WA Government’s New Industries Fund.
- RLF Carbon formed a Strategic Carbon Alliance with Commonwealth Bank and received agreement for prepayment of Australia Carbon Credit Units (ACCUs) (post-quarter).
- Successful registration of the Hillston Soil Carbon Project under the Clean Energy Regulator (CER) Emissions Reduction Fund (post-quarter).

RLF AgTech Ltd (ASX:RLF), a technology-driven plant nutrition company, is pleased to provide its Quarterly Activities Report for the period ended 30 June 2023.



UPDATE FROM CEO & MD

RLF AgTech CEO and MD Ken Hancock said:

“During the June Quarter, the Company is pleased to have received record cash receipts on prior corresponding periods, achieved within a challenging and ever-changing international market, as the major commodity fertiliser and agri-chemical markets came off the COVID period highs of agricultural commodity input prices, fell sharply in Q3 and Q4 compared to the prior season. Notwithstanding these market conditions the demand for our products remained strong and we increased our business in both volume and value.

“The June Quarter’s strong performance added to our full year FY23 results with cash receipts up 22% versus FY22. Our distribution and business development team continues to progress and execute on several key initiatives within our core business, as we see significant value in expanding our international footprint with a focus on the developing growth markets in Asia. We are excited to work alongside our new distribution partner in Vietnam, KONA, and our existing in-country distributor VINCO, as we look forward with confidence, delivering better nutrition and soil solutions to local farmers and landholders.

“We aim to grow our sales network within South East Asia and capitalise on the expansion of our brand awareness through the region. KONA is known as a progressive and aggressive marketer in this highly valuable market.”

“Our business operations have now returned to normal activity levels as we have transitioned to a post-COVID environment in China.

“RLF Carbon continues to advance our Strategic Carbon business framework, as discussions with both landholders and potential partners evolve and solidify. Post June quarter, the Company is extremely pleased to have registered it’s first project with the Clean Energy Regulator and we have undertaken a bold and ambitious initiative to generate Australia’s fastest soil carbon generated certificate. If successful, a rapid increase in soil carbon generation would be a game changer for many parts of the Australian and International agricultural sectors as markets transition to the carbon economy.



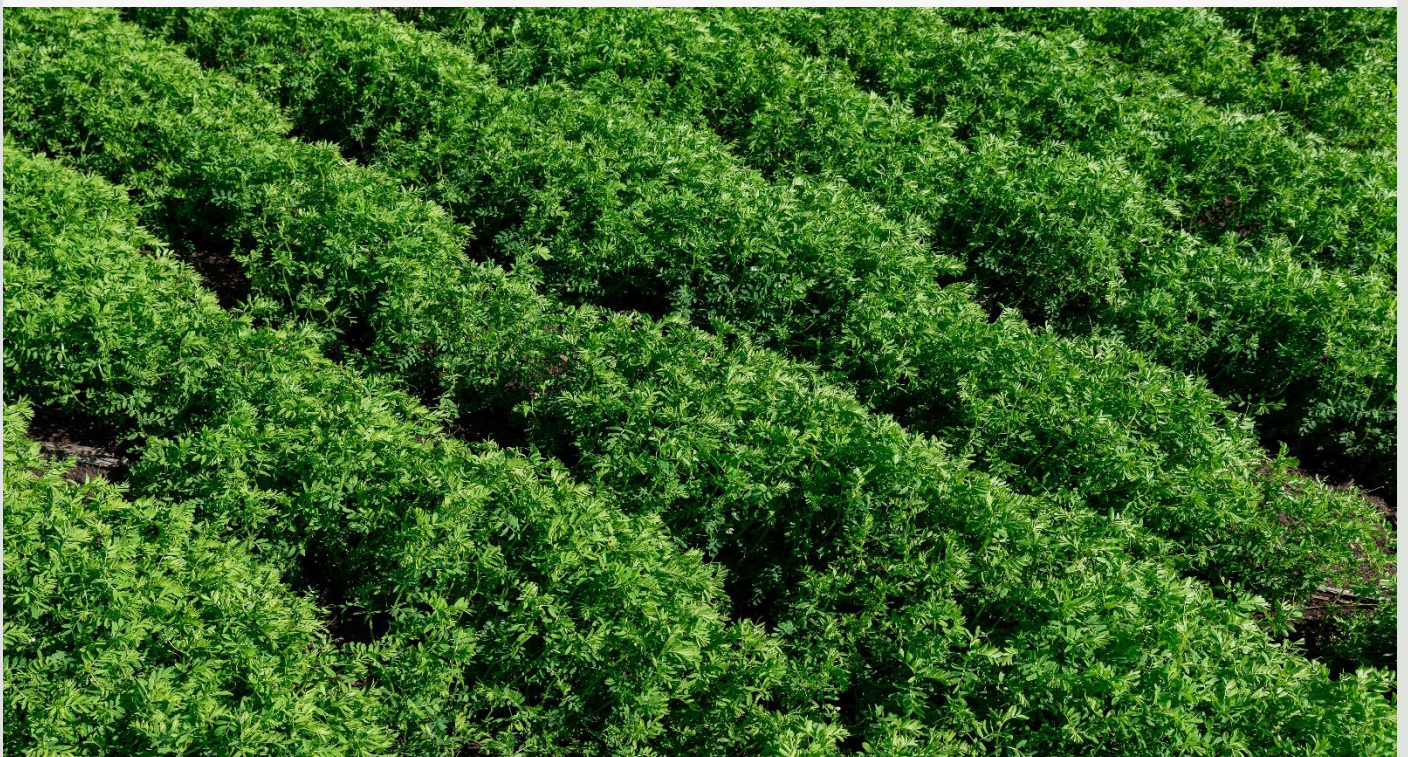
“In addition to our post quarter end, we are delighted to have made the announcement of our Strategic Carbon Alliance with Australia’s largest bank, the Commonwealth Bank of Australia (CBA) with CBA committing \$1 million to our RLF carbon pilot with a view to significantly expanding our commercial business in this area over the next 4 years.

“Our key focus, as a crop nutrition business, remains to drive and grow revenue and cash receipts, successfully doing so on prior years. With the deployment of funds received from our IPO in April of 2022, the Company has significantly invested in sales, distribution, and resources.

“We would not be able to deliver and execute on our core growth initiatives without the unwavering commitment of our investors, stakeholders and distribution partners, recognising the pressing need for a feasible and effective strategy to foster a resilient agriculture and carbon conscious supply chain. The Company is extremely excited for the future of both our core business and the expanding global footprint and distribution network. Also establishing RLF Carbon as a pioneer in soil carbon capture, alongside our first commercial Strategic Carbon Alliance partner, Commonwealth Bank of Australia.”

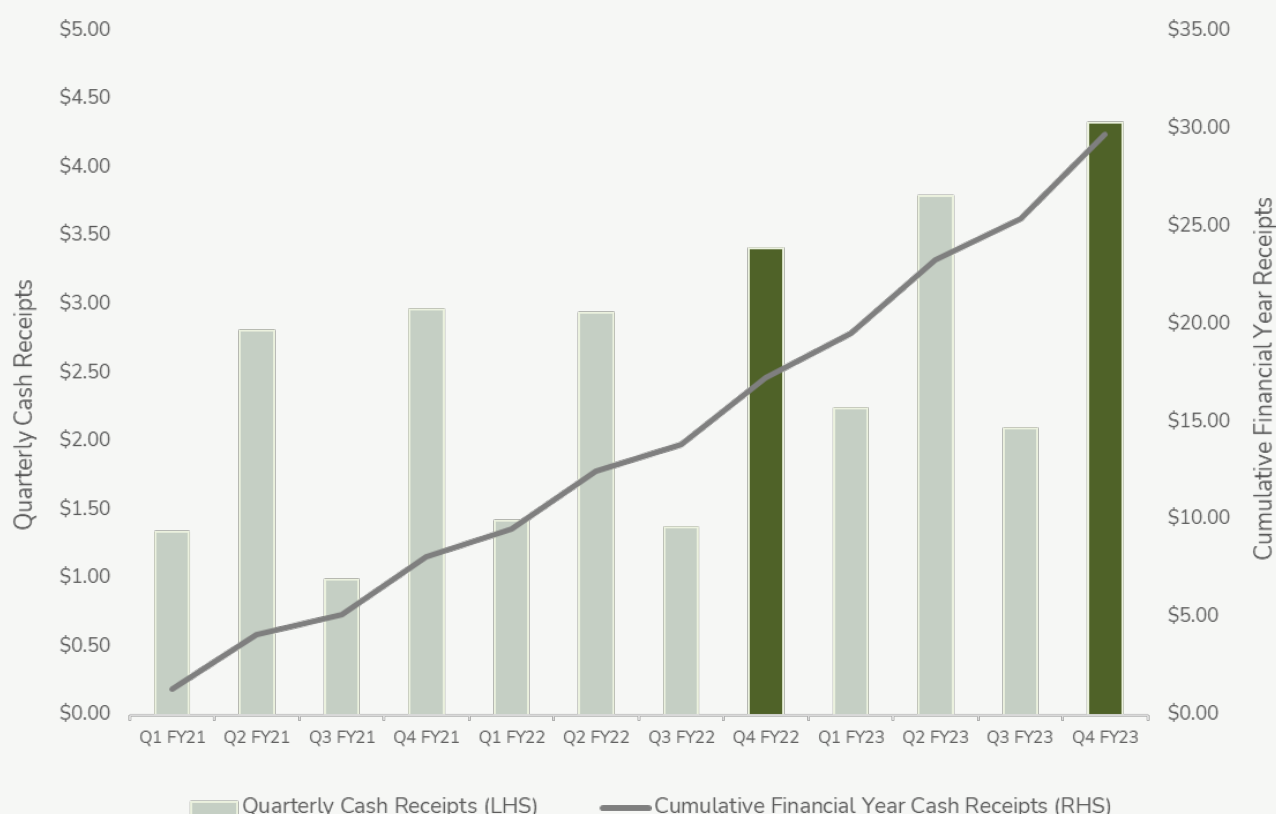
Ken Hancock

RLF AgTech CEO and MD



BUSINESS PERFORMANCE AND OPERATIONS

The record quarterly numbers achieved by the Company are a result of the combined efforts of our internal and external distribution channels. Our sales and marketing personal and distribution partners have worked relentlessly to promote our products, as we moved through the peak seasonal demand period. For the financial year ended 30 June 2023, cumulative cash receipts were highest on record for the Group at \$12.5M, up 22% from FY22 (YoY).



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

Positioned strategically to seize the increasing worldwide agriculture production, the Company emphasises expanding in high growth emerging markets. Our dedication to nurturing enduring relationships remains steadfast, as we persist in delivering only the highest quality products to our customers.

RLF AgTech secures a A\$3.3M Target Sales and Purchase Distribution Agreement with KONA.

RLF AgTech has extended its distribution reach in Vietnam, entering into a second distribution agreement within the Vietnamese market with the signing of a Distribution and Sales Target Agreement with KONA, one of Vietnam's leading distributors of agricultural products. This agreement represents RLF's commitment to expanding their global footprint within global high growth emerging markets.

The local RLF team at the newly established Vietnam office will continue to raise awareness of RLF's innovative technology, further boosting the aggressive marketing and sales of KONA's team to support their retailer network.

The exclusive distribution agreement sets an initial sales and purchase target on the distributor of A\$3.3 million across the 5-year term. This is a sales target where each party can elect to review it annually depending on conditions such as market demand, and it can be changed by mutual agreement during the term. The contract contains standard conversion to non-exclusive clauses for mandated non-performance and has a 5-year option for renewal assuming certain conditions are achieved.

Continued demand for products through Distribution Channels

KONA and VINCO continue to invest substantially in the promotion and awareness of RLF products within their local markets. The Company has manufactured and prepared products for delivery to both distribution partners in anticipation of the flow through demand from the aggressive marketing, and recent participation in two large dealer conferences during May.



Picture 1: Nhan (Frank) Lu (RLF AgTech Country Manager), Gavin Ball (Executive Director of RLF AgTech), Le Thanh Tinh (CEO of KONA) and Huynh Thanh Vu (KONA) at recent dealer conference

RLF CARBON

Business Development and Post Quarter Activities

Post the completion of the June quarter, RLF AgTech's wholly owned subsidiary RLF Carbon secured a significant strategic alliance with the Commonwealth Bank of Australia (CBA) to explore the potential to generate carbon credits to assist in offsetting global emissions via execution of a forward prepayment agreement for Australian Carbon Credit Units (ACCUs).¹

In addition, post the June quarter, RLF AgTech's Hillston Soil Carbon Project has been added to the Clean Energy Regulator's (CER) Emissions Reduction Fund register of projects, with the intent to generate Australia's fastest soil carbon ACCU by using RLF AgTech's ACSS (Accumulating Carbon in Soil System) which includes the use of RLF AgTech's advanced plant nutrition products.²

Execution and deployment of the ACSS would not be possible without the significant amount of work and effort from all employees and stakeholders within our business, and the development of our Strategic Carbon business framework.

RLF Carbon continues to explore and solidify negotiations with landholders for the deployment of the ACSS, as the Company embarks on the 5,000 ha soil carbon pilot program, committing to sustainable agriculture and innovation within Australia.



Picture 2: The CBA Commodities and Carbon team led by Andrew Hinchcliff, Dr Yasmina Elshafei, Alex Toone and Bart Thomson attend a signing ceremony of the landmark transaction with Ken Hancock, RLF Managing Director accompanied by Adam Santa Maria of Affinity Capital, advisor to RLF on the transaction.

¹ Refer to ASX announcement *RLF Carbon enters into a Strategic Carbon Alliance with Commonwealth Bank and receives Agreement for Prepayment of Carbon Credits* released on 27 March 2023.

² Refer to ASX Announcement *Clean Energy Regulator approves RLF AgTech's First Project aiming to deliver Australia's fastest Soil ACCU* released on 24 July 2023.

BUSINESS DEVELOPMENT

Successful Innovation Grant

During the quarter, the Company was awarded a \$40,000 Innovation Booster Grant as part of the WA Government's New Industries Fund. The fund is committed to supporting the acceleration of new and emerging business within Western Australia, promoting jobs and economic growth.

As a WA-based business with a global footprint, RLF is dedicated to transforming the international plant nutrition technology market, broadening the reach of Australian agtech and sustainable innovation across the world stage.

Asian Market Expansion and Business Development

During the quarter, representatives from RLF AgTech travelled to the South East Asia region, attending two larger dealer conferences in Vietnam for the promotion of RLF products to the rice and fruit market, with between 200 - 500 participants attending, with the Company receiving strong positive feedback.

Representatives from RLF also visited customers and farmers in Cambodia, with overwhelming positive feedback as products performed strongly on farm, with an anticipated flow through to repeat, and growing sales as the products build trust with the local landholders, applying more of the product across a greater crop area.

The Company continues to assess potential acquisition opportunities with identified markets of high growth within the ASEAN region, and will provide updates to the market as required.



Picture 3: Dealer meeting in the Tan Phu District, Lam Dong Province attended by Gavin Ball, RLF AgTech Executive Director and in-country manager

MARKET COMMENTARY

National planting of crops is expected to remain at a historical high of 23.3 million hectares, with production expected to fall from record highs of the 2022-23 period under the expectation of below average rainfall for winter and spring. Following three consecutive record production years, total Australia winter crop production is forecast to fall by 34% to 44.9 million tonnes in 2023-24³. At a global level, wheat supply increased to a new record in 2022-23 despite the mixed conditions in major exporting countries and the ongoing Russia-Ukraine conflict.

Despite increasing global agriculture production, The Food and Agriculture Organisation of the United Nations (FAO) stated between 691 and 783 million people in the world faced hunger in 2022, approximately 122 million more people than before the pandemic, adding that the strategic deployment of technology and innovation can be a critical catalyst of agrifood system transformation.

Family farms produce approximately 80 percent of the world's food in value terms, with farms under 2 hectares producing roughly 35 percent. The FAO confirmed it is critical to increase farm productivity, enhance market access, and improve connectivity for small-scale producers.⁴

The United Nations FAO Food Price Index continues its downward trend from a March 2023 end figure of 126.9, closing the June quarter at 122.3, led by drops in sugar, vegetable oil and cereal prices. Fertiliser prices have declined over 2022-23, however still remain at substantially elevated levels approximately 90% higher than their pre-pandemic average.

Soil Carbon projects continue to gain momentum within Australia, under the Emissions Reduction Fund, which had 450 soil carbon projects registered as at April 2023, with AgriProve leading the developers having registered over 350 soil carbon projects. The Clean Energy Regulator continues to see strong interest in soil carbon projects, with only one project having generated ACCUs so far, there is an expectation of a wave of ACCU issuances for soil projects in 2023⁵.



³ Department of Agriculture, Fisheries and Forestry

⁴ Food and Agriculture Organisation of the United Nations, The State of Food Security and Nutrition in the World 2023

⁵ S&P Global – Understanding the wave of carbon farming projects in Australia

CORPORATE

Cash Position

RLF AgTech had total cash of \$4.26 million at the quarter ended 30 June 2023.

As per section 6.1 of the Appendix 4C, the payments to Directors of the Company for the quarter ended 30 June 2023 of \$312,000 were for gross wages, fees, and superannuation.

Use of Funds Statement

\$'000s	Use of Funds reported to ASX	Expenditure to quarter end 30 June 2023
Sales and Marketing*	4,110	1,281
Carbon	900	441
Manufacturing PPE	550	353
Corporate**	1,140	3,245
Working Capital	810	215
IPO expenditure	990	883
Total	8,500	6,411

*Please note that the Company generates free operating cash flow which is able to cover the sales and marketing costs in China to date. The sales and marketing costs disclosed above relate to marketing activities outside of China.

**The Company recharges management overheads to its subsidiaries and any payment received from its subsidiaries will be reflected in the Use of Funds statement.

Cash receipts for the quarter end 30 June 2023 was A\$4.3 million.

The Company will continue to deploy the IPO funding to expand its sales and marketing, develop its research and carbon strategy, and grow its manufacturing during the next 12 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 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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www.rlfagtech.com



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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 2023

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	4,310	12,472
1.2 Payments for		
(a) research and development	(292)	(775)
(b) product manufacturing and operating costs	(1,911)	(7,875)
(c) advertising and marketing	(1,267)	(4,287)
(d) leased assets	(99)	(244)
(e) staff costs (unallocated salaries)	(301)	(1,359)
(f) administration and corporate costs	(175)	(1,246)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	30
1.5 Interest and other costs of finance paid	(25)	(65)
1.6 Income taxes paid	(40)	(381)
1.7 Government grants and tax incentives	58	62
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	266	(3,667)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(124)	(353)
(d) investments	-	(5)
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	(124)	(358)

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	-	(4)
3.5	Proceeds from borrowings	651	651
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	651	160

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,336	7,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	266	(3,667)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(124)	(358)

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)	651	160
4.5	Effect of movement in exchange rates on cash held	130	125
4.6	Cash and cash equivalents at end of period	4,259	4,259

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	4,209	4,209
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)	4,259	4,259

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	326
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		

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)	266
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,259
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,259
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	16

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 July 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.