

31 October 2023 | ASX Announcement

RLF AgTech Ltd (ASX:RLF)

QUARTERLY REPORT Q1 FY24

Operational Highlights

- Growth in YTD cash receipts for the quarter ended 30 September 2023 of A\$2.7M, up 22% on prior corresponding period (PoP) (Q1 FY23: A\$2.2M).
- Subsequent to quarter end, the Company released market guidance of A\$15-16 million revenue for FY24 (total revenue FY23 A\$11.5 million).
- Distributor networks strengthened in Vietnam and Cambodia to support continued expansion in South-East Asia.
- Durian Fruit trials commence utilising a comprehensive nutrition program of RLF products.
- Third provisional patent lodged for next generation of foliar PPDT formulations following promising results from soybean growth tests conducted at the University of Western Australia.

Carbon Highlights

- Strategic Carbon Alliance commenced with the Commonwealth Bank of Australia, including an agreement for the prepayment of Australia Carbon Credit Units (ACCUs).
- Advanced registration and landholder agreement discussions continue for prospective soil carbon projects to be included under the Strategic Carbon Alliance Soil Carbon Trial.
- Hillston Soil Carbon Project added to the Clean Energy Regulator's (CER) Emissions Reduction Fund register, with the aim to generate Australia's fastest ACCU.

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

Commenting on the September quarter performance, RLF AgTech's Managing Director and CEO Ken Hancock said:

"Despite challenging international market conditions and a decline in the major commodity fertiliser and agri-chemical markets during CY23, the Company achieved record cash receipts in the September Quarter compared to prior corresponding periods."

"Performance in the September Quarter, which is generally a softer quarter due to the seasonality of the demand for products, continued the positive trend of increased cash receipts reported in the June 2023 quarter. This growth in cash receipts can be attributed to the Company's ongoing investment in expanding its field sales and technical teams, and expansion of its distributor network and relationships in Asia."

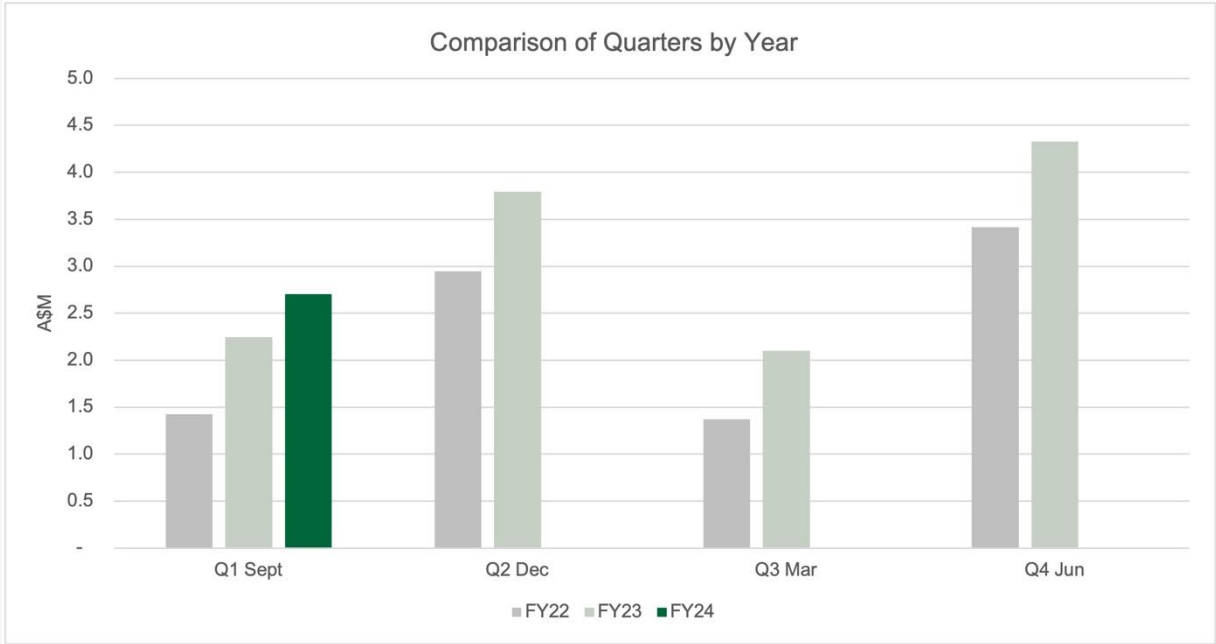
“As part of our articulated strategy, the Company is focused on advancing RLF Carbon and looking to capitalise on its first mover advantage in the growing soil carbon market through the use of RLF’s proprietary high quality plant nutrition products and soil carbon generation processes. The Company is working with Australian growers to develop large-scale carbon projects to respond to the projected ACCU demand increase and ongoing discussions with landholders and potential partners are progressing.

“While the Australian soil carbon industry is in its early stages, the safeguard mechanism for Australia’s 215 largest emitters is expected to drive increasing demand for ACCUs to offset emissions during the world’s transition to a low carbon economy, creating robust price scenarios and significant opportunities for RLF Carbon.”

BUSINESS PERFORMANCE AND OPERATIONS

At this time of the year, the Company enters a quieter period post the peak season experienced in the June quarter. Despite this seasonal lull, the Company has consistently grown its cash receipts, reaching A\$2.7 million, a 22% increase on the prior corresponding period (Q1 FY23: A\$2.2 million).

As the December quarter progresses and based on historical data as shown in Graph 1 the Company expects an increase in cash receipts due to its seasonal early order program offered to distribution partners ahead of the peak sales season in Asia from February to June.



Graph 1: Quarterly Cash Receipts Comparison

Asian Market Update

During the quarter, the Company initiated a Durian Fruit Trial Program in Vietnam via a lease of a pre-existing farm with 80 durian fruit trees making it an ideal location for conducting extensive product trials across various age groups of durian trees. Durian fruit holds significant value in the Southeast Asian market, and this trial showcases a comprehensive nutrition program involving seven of RLF's products. The trial results are anticipated to become available over the next 12 months, aligning with the durian fruit's harvest season. The goal of this trial is to develop a fully integrated, multi-product range for sale across both existing and new distribution channels in Asia.

The Company's distributor in Cambodia, Total Agree, has received 12 new government registrations of RLF products which are now approved for sale in the Cambodian market. These new products will gradually be introduced into existing and new distribution channels, expanding market opportunities.

In support of the Company's expansion plans, Dr Shen (Mike) Lu recently visited Vietnam and Cambodia meeting with key distributors, sales and marketing teams to promote RLF products in these regions. With both locations in their second season, this visit was both timely and valuable to fostering continued growth in these markets.

In Southeast Asian countries like Vietnam and Cambodia, frequent rainfall enables multiple harvest seasons, often occurring 2-3 times per year, and provides RLF AgTech with the opportunity to increase sales and distribution across these extended periods, while also strategically offsetting the winter seasons in countries like China.

The Company is advancing product registrations with its partner, Taipan Farms/Jardine Distribution Inc. in the Philippines, while ongoing trials and commercial discussions continue with major distributors in Thailand, Malaysia, and India.



Picture 1: Dr Shen (Mike) Lu (RLF AgTech's CEO of China) and Tuyen (Nancy) Nguyen (Sales and Marketing Representative of RLF Vietnam)

RLF CARBON

Strategic Carbon Alliance with Commonwealth Bank

During the September quarter, RLF AgTech's wholly owned subsidiary RLF Carbon secured a significant strategic alliance with the Commonwealth Bank of Australia (CBA) (refer ASX Announcement 27 July 2023), following the previously announced Letter of Intent between the parties.

This transaction represents RLF's first externally funded soil carbon project to support the generation of carbon credits in commercial farming operations within the Australian grain market via the use of RLF's innovative Accumulating Carbon in Soil System (ACSS). This is a landmark transaction and an important validation of the Company's technology and potential carbon sequestration opportunities.

RLF Carbon and Carbon West, an independent carbon services consultancy, will work together and alongside CBA to conduct four seasonal periods of testing, to further validate and refine the technology for potential large scale roll out.

Under the Strategic Carbon Alliance, RLF Carbon will deliver the first 50,000 ACCUs produced from the pilot program to CBA with a pre-payment of A\$1 million (the ACCU Agreement).

CBA are also entitled to purchase additional ACCUs generated from the pilot program at a discounted rate based on available pricing in the spot market at the time.

During the quarter, RLF Carbon and Carbon West advanced discussions with a number of large commercial farming operators with a view to entering into agreements for soil carbon projects, targeting the commencement of seeding in CY 24. These discussions are ongoing, with farmers showing high levels of interest in the potential benefits of the soil carbon program.

BUSINESS DEVELOPMENT

The Company remains committed to advancing its strategic objectives via the expansion of RLF product sales, powered by the growth of its global sales team and distribution network. RLF AgTech's strategic roadmap includes a plan to increase its current sales force of 59 representatives to 90 by the end of FY24, seeking to reach a total of 120 by FY25 (refer ASX Announcement 11 October 2023).

As detailed in the Carbon section above, in conjunction with ongoing product sales, RLF AgTech is actively expanding its presence in the carbon market by onboarding more farmers to participate in the use of the Company's innovative ACSS. Concurrently, strategic collaborations with prominent off-take partners will continue with a view to increasing revenue streams by securing prepayments for ACCUs. These additional revenue streams comprise project-related services, RLF product sales and ACCU sales.

Next Generation Foliar - Additional Provisional Patent Filing

Representing RLF's third patent filing since listing in 2022, the Company has filed a provisional patent for the next advancement of foliar (leaf) applied Plant Proton Delivery Technology (PPDT) formulations – adding to the Company's Seed Priming and Accumulating Soil Carbon international provisional patents.

In both laboratory and controlled environments, this latest evolution in proprietary technology has shown promising results in soybean growth tests recently conducted at the University of Western Australia. The reported increases in root, shoot and overall plant growth are impressive given the success of our existing foliar PPDT products.

These findings indicate that these new PPDT formulations have the potential to significantly enhance crop productivity. Further research and testing on different crop types will be essential to understand the broader impact and potential applications of these new PPDT formulations.

If these positive results across crops translate into higher yields, it could significantly advance agricultural technology, benefitting farmers with increased productivity and profitability while potentially reducing environmental impact through more efficient fertiliser use.

CORPORATE

Subsequent to the quarter end:

- the Company announced the appointment of Mr Zaiqian Zhang as the Chief Financial Officer and Company Secretary, effective 23 October 2023. Mr Ben Donovan will continue to serve as joint Company Secretary alongside Mr Zhang before leaving the role in early 2024; and
- the Company released market guidance, projecting revenues in the range of A\$15M-A\$16M for FY24 (Total Revenues FY23: A\$11.5M).

At 30 September 2023, RLF AgTech had total cash of A\$2.24M million.

As per section 6.1 of the Appendix 4C, payments to Directors of the Company for the quarter ended 30 September 2023 of A\$398k were for gross wages, fees, and superannuation.

Use of Funds Statement:

\$'000s	Use of Funds reported to ASX	Expenditure to quarter end 30 September 2023
Sales and Marketing*	4,110	1,048
Carbon	900	441
Manufacturing PPE	550	549
Corporate**	1,140	4,512
Working Capital	810	215
IPO expenditure	990	883
Total	8,500	7,647

* 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.

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.

For further information, please contact:

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Empowering
farmers



Nourishing
people



Restoring
the earth



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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,702	2,702
1.2 Payments for		
(a) research and development	(191)	(191)
(b) product manufacturing and operating costs	(2,239)	(2,239)
(c) advertising and marketing	(1,077)	(1,077)
(d) leased assets	-	-
(e) staff costs (unallocated salaries)	(252)	(252)
(f) administration and corporate costs	(712)	(712)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	(64)	(64)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	20	20
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,801)	(1,801)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(196)	(196)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(196)	(196)

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	-	-
3.5	Proceeds from borrowings	188	188
3.6	Repayment of borrowings	(6)	(6)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – (AASB 16 lease principal payments)	(60)	(60)
3.10	Net cash from / (used in) financing activities	122	122

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,259	4,259
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,801)	(1,801)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(196)	(196)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	122	122
4.5	Effect of movement in exchange rates on cash held	(148)	(148)
4.6	Cash and cash equivalents at end of period	2,236	2,236

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	2,186	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)	2,236	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	398
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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,037	1,037
-	-
-	-
1,037	1,037

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)

(1,801)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

2,236

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

2,236

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

1.2

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: No, due to seasonality of plant nutrition inputs. The September quarter is post the Company's high sales season in Asia which means it is typically a lower cash receipts period. However, the Company expects significantly stronger cash receipts in the December quarter. Please refer to the Company's Quarterly activities report for September for an explanation around the cyclical nature of the business.

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: No, this is not required due to the answer in question 8.6.1.

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 and as explained in 8.6.1.

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 October 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.