

31 January 2024 | ASX Announcement

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

QUARTERLY ACTIVITIES REPORT

for December 2023 Quarter

HIGHLIGHTS

- Market Guidance of AU\$15m to AU\$16m for annual revenue released to the market.
- Strong cash receipts from customers for the half-year and positive net operating cash flow for the Quarter.
- Continued expansion in Southeast Asia market.
- Cash balance at 31 December 2023: AU\$2.85m (30 September 2023: AU\$2.24m).

Australian based global plant nutrition and carbon technology company, RLF AgTech Ltd (RLF or the Company) (ASX: RLF), is pleased to provide its Quarterly Activities Report for the quarter ended 31 December 2023 (Quarter).

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

"I am pleased to report that RLF has delivered a strong quarter as we built up the cash balance and achieved positive net operating cash flow for the Quarter. It is also pleasing to see that we continue to expand our presence in both China and Southeast Asia, which are supported by our long-term effort in investing in R&D.

For RLF's Carbon business, I am excited to announce that the Company's alliance with CBA and the ambitious Hillston Project have progressed as planned, together with the strengthened team, RLF is well positioned for future growth in the Carbon sector."

CROP NUTRITION

For the half-year ended 31 December 2023 (HY24), the Company received total payments of AU\$6.38m from its customers (HY23: AU\$6.05m), with the majority of the cash receipts being prepayments from customers in China in response to RLF's early order program. This is consistent with the Company's seasonal sales cycle and demonstrates continued strong demand for RLF's products in its key market.

China Operation

Cash Receipts

For HY24, RLF's China Operation received a total of CNY29.1m, which is 5% higher than the corresponding period last year (HY23: CNY27.7m). This is particularly encouraging especially in an economy that is facing deflationary pressure, where customers would normally hold cash and defer payment as product prices are more likely to reduce in the future.

Trial Programs

To support the sales expansion, RLF has been investing in trial programs with its existing and potential customers, such as providing on-site technical support to demonstrate strong business cases for the use of RLF's products.

During the Quarter, RLF received trial results from five of its trial programs on cotton, corn, soybean and rice. The trial results showed an increase in yield ranging between 9% to 19%, demonstrating a favourable return on investment attributable to the use of RLF's products.

Marketing

During the Quarter, RLF attended the 38th Plant Protection Fair in Heilongjiang Province, Northeast China. The Fair attracted over 300 companies and 60,000 attendees in the two-day period and it provided a great platform for RLF to showcase its business and products by connecting with existing and potential customers and distribution partners in the region.

Southeast Asia Operation

Vietnam

As announced in RLF's September 2023 Quarterly Activities Report, the Company has begun product trials on 80 durian fruit trees of different age groups on an RLF-leased farm site (**Durian Trial**). The Durian Trial is managed by RLF's technical staff from its local representative office. During the Quarter, the Durian Trial has progressed as planned and the Company expects the results of the Durian Trial to become available in the next nine months.

Durian fruits are very popular in East and Southeast Asian countries and as a result both demand and market value are high. The intention of the Durian Trial is to prove an integrated approach to improve durian growing using RLF's products. If successful, it will provide an important platform for the Company to promote its products in those regions.

In addition to the Durian Trial, RLF's team in Vietnam has been directly managing large-scale trials on chilli and other high-value crops with major distributors and growers respectively. Besides the RLF managed trials, RLF's products are currently being used in numerous trials on rice and other crop types in Vietnam.

Cambodia

RLF continued to work with its distributor in Cambodia to promote the products in the country by, among other things, hosting farmer meetings, conducting on-site technical support and field demonstrations. During the Quarter, the distributor received positive feedback on RLF's products and acquired over 10 new dealers in the country, expanding RLF's geographical presence in Cambodia.

In October 2023, the Company received registration certificates for 12 RLF products from the Cambodian authority, paving the way for future revenue generation.

CARBON

Since the Company's strategic carbon launch in March 2023, RLF has made substantial progress in expanding the Carbon business.

Hillston Soil Carbon Project (Hillston Project)

On 24 July 2023, the Company announced that the Clean Energy Regulator approved RLF's Hillston Project, which involves a 45-hectare area of land located 12km southeast of Hillston, NSW. The Hillston Project is an ambitious R&D project that aims to generate the fastest Australian Carbon Credit Unit (ACCU) using the soil carbon methodology.¹

During the Quarter, RLF completed the baseline soil testing for the Hillston Project and the seeding commenced in January 2024.

Strategic Carbon Alliance with Commonwealth Bank

On 27 July 2023, RLF and Commonwealth Bank of Australia (CBA) entered into a strategic carbon alliance (Alliance).

¹ Refer ASX Announcement 24 July 2023.

As part of the Alliance, CBA and RLF entered into the ACCU Forward Payment Agreement (**ACCU FPA**), which CBA will prepay RLF AU\$1m in exchange for the first 50,000 ACCUs generated from the pilot program under the Alliance and ACCU FPA.²

During the Quarter, RLF has advanced negotiations with growers across Australia to participate the pilot program. In addition, RLF has been working closely with CBA and other relevant parties to satisfy the conditions precedent in relation to the ACCU FPA.

Intellectual Property

During the Quarter, one of the Company's patent applications progressed to the International Publication stage. The patent application titled "A Method for Accumulating Carbon in Soils" was applied for on 12 May 2022 (**Priority Date**) and was published under the number WO/2023/215949 in November 2023, which is accessible in the World Intellectual Property Organisation's (**WIPO**) PATENTSCOPE database.

Under WIPO's Patent Cooperation Treaty system, the next stage, subject to certain optional procedures, is to move into the National Phase in countries (or jurisdictions) that RLF wants the patent to be protected within, generally speaking, 30 months after the Priority Date.

Also, during the Quarter, RLF continued its collaboration with the University of Western Australia (**UWA**) to support the Company's patent application of Veridium® Seed Primer (**Collaboration**), which is an important technology for RLF's Carbon business. The Collaboration is partly funded by the Innovation Booster Grant that RLF applied for and received from the State Government of Western Australia, with RLF funding the remainder of the cost of the Collaboration.

Administration

During the Quarter, RLF strengthened its Carbon team by appointing two experienced professionals. Mr Jason Berard joined RLF as Commercial Operations Manager. Jason is a seasoned business development expert with over 20 years of experience in business startups and is a previous winner of the 40 under 40 Business Awards.

Mr Luke Donovan joined RLF as a consultant to provide advice on the carbon market and explore financing opportunities for RLF's potential carbon projects. Luke is a Partner - Carbon at Apostle Funds Management (**Apostle**) and manages its carbon credit fund. Prior to his role at Apostle, Luke was the Executive Director of Carbon and Power Markets at the Commonwealth Bank of Australia, where he was responsible for CBA's Carbon Emissions trading globally.

The expanded Carbon team will manage RLF's existing projects, as well as promote and develop the future potential of its Carbon business.

² Refer ASX Announcement 27 July 2023.

CORPORATE

Market Guidance

On 11 October 2023, the Company released its inaugural market guidance to the market since listing on the ASX, estimating an annual revenue of AU\$15m to AU\$16m for FY24. The guidance range represents an estimated growth target of ~30% to ~40% compared to the actual revenue for FY23 (AU\$11.5m).

Appointment of CFO and Company Secretary

During the Quarter, the Company announced that Mr Zaiqian Zhang was appointed as Chief Financial Officer and Company Secretary effective 23 October 2023. Mr Ben Donovan will remain as Joint Company Secretary until early 2024 to ensure a smooth handover.

Investor Relations

On 28 November 2023, RLF held its 2023 Annual General Meeting and all resolutions were passed by way of a poll.

Cash Position

During the Quarter, the Company received total payments of AU\$3.67m, which is 36% higher than the September 2023 quarter. For the first six months of FY24, the total payments received from its customers was AU\$6.38m.

During the Quarter, the Company also finalised and received an FY23 R&D refund of AU\$0.36m from the ATO.

As at 31 December 2023, RLF had a cash balance of AU\$2.85m, which was AU\$0.61m higher than the cash balance as at 30 September 2023.

Use of Funds

In accordance with ASX Listing Rules 4.7C.2, Table 1 shows the comparison between the Use of Funds disclosed to the ASX on 20 April 2022 and the actual expenditure incurred to the end of the Quarter.

	Prospectus ¹ \$'000	Actual \$'000	Variance \$'000
Sales and Marketing ²	4,110	1,256	2,854
Carbon	900	862	38
Manufacturing (Plant +Equip)	550	549	1
Corporate ³	1,140	4,817	(3,677)
Working Capital	812	215	597
IPO Expenditure ⁴	990	883	107
Total	8,502	8,582	(80)

Table 1: Use of Funds Comparison

Note:

1. RLF raised a total of \$8.502m as the result of the Initial Public Offer under the Company's Replacement Prospectus dated 24 February 2022. The Company issued the Use of Funds statement with the actual raised amount as part of the Pre-Quotation Disclosure (see ASX Announcement dated 20 April 2022).
2. Only the costs incurred outside of China are shown in actual as RLF's subsidiaries in China can generate free cash flow to cover the costs incurred inside of China.
3. The Company recharges management overheads to its subsidiaries and any payment received from its subsidiaries will be reflected in the Use of Funds statement.
4. Costs incurred in this category have been finalised with a favourable variance of 12.6%.

The Company is on track with meeting its business objective as set out in the Use of Funds.

Related Party Transactions

In accordance with ASX Listing Rules 4.7C.3, during the Quarter, RLF paid a total of \$ 356,437 to related parties and their associates. Table 2 outlines the descriptions and explanations in relation to the payments.

Related Party	Description	Amount
Executive Directors	Salaries	\$206,776
Non-Executive Directors	Directors' Fees	\$57,846
Other	Product manufacturing	\$55,352
	Labour hire	\$32,313
	Marketing support services	\$4,150
Total		\$356,437

Table 2: Related party transactions

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

About RLF AgTech Ltd

RLF AgTech Ltd (ASX: RLF) is an Australian based, global plant nutrition and carbon technology 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.

For further information, please contact:

Ken Hancock

Managing Director

+61 8 6187 0753

corporate@rlfagtech.com

www.rlfagtech.com



Empowering
farmers



Nourishing
people



Restoring
the earth



For personal use only

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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,674	6,376
1.2 Payments for		
(a) research and development	(41)	(232)
(b) product manufacturing and operating costs	(1,310)	(3,549)
(c) advertising and marketing	(890)	(1,967)
(d) leased assets	-	-
(e) staff costs	(345)	(597)
(f) administration and corporate costs	(544)	(1,256)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	14
1.5 Interest and other costs of finance paid	(87)	(151)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	364	384
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	823	(978)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(99)	(295)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(421)	(421)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(520)	(716)

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	569	757
3.6	Repayment of borrowings	(295)	(301)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Leases per AASB16)	(62)	(122)
3.10	Net cash from / (used in) financing activities	212	334

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,236	4,259
4.2	Net cash from / (used in) operating activities (item 1.9 above)	823	(978)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(520)	(716)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	212	334
4.5	Effect of movement in exchange rates on cash held	94	(54)
4.6	Cash and cash equivalents at end of period	2,845	2,845

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	2,795	2,186
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)	2,845	2,236

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	356
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. 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	1,492	1,492
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	50	50
7.4 Total financing facilities	1,542	1,542
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
Secured: Yes

Lender: Private lender
Amount: CNY1,000,000
Interest Rate: 12% p.a.
Maturity Date: 23 April 2024
Secured: Yes

Lender: De Lage Landen Pty Ltd
Amount: AUD122,030
Interest Rate: 8.78% p.a.
Maturity Date: 27 July 2028
Secured: Yes

Lender: De Lage Landen Pty Ltd
Amount: AUD49,960
Interest Rate: 8.69% p.a.
Maturity Date: 28 July 2026
Secured: Yes

Lender: FAW Auto Finance Co., Ltd
Amount: CNY335,538
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

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

After the Quarter ended, the Entity entered into a premium funding arrangement for its insurance costs and the details are as follows:

Lender: IQumulate
Amount: AUD76,900.92
Interest Rate: 6.776%
Maturity Date: 31 August 2024
Secured: Yes

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.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	823
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,845
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,845
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	
<i>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.</i>		

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 January 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.