

Fertoz Ltd

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Fertoz shores up two years of phosphate supply as it awaits mining permits

Fertoz Ltd (ASX:FTZ) is helping build a supply chain for organic agriculture as it sells organic fertilisers to conventional and organic growers, wholesalers and stores.

The phosphate ore supplier and aspiring miner is meeting demand for high-quality, low-metal phosphate across the supply chain, and is expecting increasing demand from the emergent cannabis industry.

READ: Fertoz signs phosphate sales and supply agreement with Humic Growth Solutions

Fertoz executive chairman Pat Avery spoke to Proactive Investors this week and said the company was expecting dedicated organic supply stores for growers would open their doors in the coming years.

The chairman said Fertoz was focused on helping to build the currently-unstructured supply chain, as the company continued to supply its fertilisers to conventional farmers.

Avery said, "We sell to everyone, across the world."

The organiser fertiliser developer and marketer's expansion from Australian, US and Canadian markets was helped along two months ago, when the first order was received from New Zealand, to supply FertAg 0-8-0 organic fertiliser. Avery said the push for legalised use of cannabis, in places such as Canada and four or five US states, was driving change to agricultural business.

"We sell to some now, but might not take a lot of tonnes, and as we see that they get together or consolidate or grow, it's gonna be a fairly large market for us.

"A number of parties now to differentiate themselves are actually growing organic cannabis."

READ: Fertoz wins first organic fertiliser order in New Zealand

The chairman said the company had a fair pricing structure and a model to sell to wholesalers, retailers and growers.

"We don't disadvantage one. We don't advantage one. Again, we sell on quality and reputable phosphate, and have a structured pricing model."

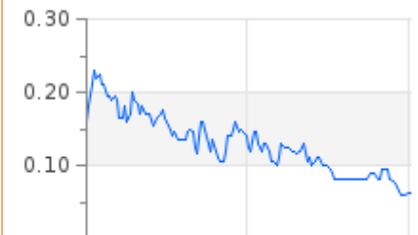
Chairman Avery spoke to the Proactive Investors Stocktube channel last month as Fertoz was planning a prototype sales offering collaboration with a North American partner in order to build the North American supply chain and set a model for future operations.

Avery had told Stocktube in July, "As people get discretionary income, raise a family, we find more and more demand for organic crops and produce and that's the market we are targeting."

Price: 0.061

Market Cap: \$9.42 m

1 Year Share Price Graph



April 2019 September 2019 March 2020

Share Information

Code: FTZ

Listing: ASX

52 week	High	Low
	0.23	0.056

Sector: Potash & fertilisers

Website: www.fertoz.com

Company Synopsis:

Fertoz (ASX:FTZ) is listed on the Australian Securities Exchange.

action@proactiveinvestors.com

Avery told Proactive this week the company had had a "busy six months," progressing supply deals, partnership agreements and other activity such as mining, permit applications, processing and logistics.

Partnerships are a way for the company to shore up demand across the supply chain, and establish order books for its lead rock phosphate projects Wapiti and Fernie ahead of permitting and mine developments at the projects in the Canadian province of British Columbia

Stockpiles pick-ups

Avery said one of the company's biggest efforts of the past six months had been to source an additional stockpile of ore from near its Montana operations in the US, which it could draw upon as it built a customer base and order book.

Avery said, "We have an ore stockpile in Butte, Montana, we've been drawing off for about a year.

"Some friends of mine who have been mining in the western US and in phosphates for quite some time, helped search where other readily available, potentially available phosphate might be.

"We struck a deal this summer, a 100,000-tonnes supply agreement from a source fairly near Butte, Montana, which makes it quite convenient."

The deal, inked in October 2018, will ensure the company can fully meet sales targets of 30,000 to 50,000 tonnes of fertiliser products in 2019 and 100,000 tonnes in 2020.

Avery said, "The ores actually have been ground down, crushed somewhat, well turn it into final products."

This will allow the company to grow demand for its products and custom phosphate ore blends as its 100%-owned British Columbian projects Wapiti and Fernie come online and build their capacity to meet expanding targets.

READ: Fertoz shareholders approve board appointment of Stuart Richardson

Fertoz's chairman noted there was "considerably more ore out there" at the former mine closed about 10 years ago, highlighting estimates there was 150,000-200,000 tonnes of material in the stockpile.

Avery said, "That meets our sales goals for the next couple of years.

"We want to drive our sales but we have to order to meet those sales."

A recent 10-year sales and supply agreement with Jacksonville, Florida-based fertiliser business Humic Growth Solutions LLC (HGS) will see Fertoz and its new joint venture partner target sales of 35,000-40,000 tons of value-added fertiliser products in two years.

Humic is taking a long view by taking a 10-year option to extend the agreement and planning toward a 20-30-year operation.

READ: Fertoz signs phosphate sales and supply agreement with Humic Growth Solutions

Fertoz is keeping its eye on its end-goal of becoming a high-phosphate low-metals rock phosphate miner with its own international fertiliser supply business.

Avery said, "In addition to stockpiles, which are great readily (available) sources of ore, the long-term sustainable plan of the company, of course, is to mine our own high-quality product in central British Columbia, southern British Columbia and in Alberta."

The company has advanced permitting on all these mines, reaching the final review stage for a bulk-sampling permit in the Canadian province of Alberta.

Avery said, "We believe we have identified resources of over 10 million tonnes and we really tied up all the key high-quality phosphate), we think. We have to turn this into product.

"This is driven by agricultural sales and food going in the market essentially every day."

Miner to agricultural sales outfit

To meet this demand, Fertoz is transitioning from choosing to be a miner to becoming an agricultural company.

"We're a core miner - because we have to have core resources to make our organic product - but ... a large percentage of our time is spent on logistics and sales, agriculture.

"Beyond mining, we're (now) a full-scale, starting scale production and sales company."

Chairman Avery is hopeful for the future, given the loyalty of Fertoz's customers and despite seasonal rain that affected agribusinesses this year.

He said, "I think every customer that's ever bought from us has bought more. I'm not sure we've ever lost one."

One of Fertoz's points of difference is its high-quality phosphate, another its product traceability.

Avery said, "The phosphate is very high-quality and very low metals.

"The (Fertoz) founders did think it would be very good for organic type of plant nutrition."

Traceable and price competitive

The company's fertiliser can be used in conventional agriculture and hold its own.

Avery said, "Our phosphate can absolutely go on conventional ground, just traditional fertilised acres. It's very price competitive, on the ground."

Fertoz provides the customer with traceability, tracking where a product was mined, what truck it was hauled on to which processor before it ended up with the client, and documenting this in a specification sheet.

"We provide the spec sheets of every ingredient in our blends to our growers or our customers.

"And then (when) they sell their product to a food company or food broker, we have traceability across the whole chain.

"Phosphate is our key ingredient by far, but it helps build out our traceability chain."

Customer pipeline focus

Earlier today, Fertoz told the market it was developing what it called a "robust new customer pipeline" after achieving first sales of its organic fertiliser to large crop input provider Nutrien.

Fertoz also revealed it was going through the final stages of becoming an approved to Scotts Miracle-Gro Company (NYSE:SMG).

Scotts has a market capitalisation of about \$4 billion, marketing leading brands such as Osmocote, General

Hydroponics and Miracle-Gro to gross US\$2.8 billion in annual sales.

The supply deal is expected to lead to direct sales by Fertoz to Scotts' cannabis-focused subsidiary.

Six extra production and geographical partnerships are in the works in growing US regions, including with Fertoz's existing customer Seven Springs Farm.

Fertoz will hold its annual general meeting in Melbourne this Thursday, November 29, at NWR Communications at 350 Collins Street.

— with **Danielle Doporto, Emily Dawson**

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