



Fertoz Ltd

ASX: FTZ

Mining, manufacturing and
selling organic phosphate

Shareholder Update

July 2018



Investment highlights

- Fertoz (ASX: FTZ) is a premium organic phosphate fertiliser manufacturing company with significant expansion plans in the attractive North American market
- Organic farmers are currently underserved due to the variable product quality of Fertoz's key competitors and the lack of an integrated supply chain
- Fertoz has identified organic farming hubs across key states and provinces of North America, with suitable distribution centres close to these organic farming hubs, and is developing these to accelerate recurring sales at scale to organic farmers
- Fertoz is targeting organic phosphate sales of **100,000 tpa within 3 years**
- Fertoz exceeded its 10,000t CY18 sales target ***in the first four months of 2018***



Fertoz (ASX: FTZ)

- ASX code: FTZ
- Pat Avery – Executive Chairman
- Adrian Byass, James Chisholm, Stuart Richardson – Non-Executive Directors
- 47% held by Top 20 shareholders
- 17% held by Board and Management
- Key Management:
 - Jo Shearer – COO – 30 years' experience
 - Derek Squair – AgriTrend – agricultural product sales 25 years
 - Sean Gatin – agricultural product sales 25 years
 - Lawrence Klusa – agricultural product sales 20 years
 - Dean Tvinnereim - 30 years of experience



- A\$0.195 share price, 20 July 2018
- 178% 12mo share price return
- 106m shares on issue
- 16m options on issue
- A\$21m market capitalisation

Solid fundamentals

- FertoZ is one of the few companies certified in the USA and Canada to produce organic rock phosphate fertilizer: registered with OMRI, Procert, National Organic, USDA, California, Washington, Eco-Cert
- Strong well-placed reserves: Wapiti, Fernie, Krezco and other projects and stockpiles well-served by road and rail
- Extensive farming trials have shown and documented significant (>100%) uplifts in plant available phosphate — a compelling proposition for organic growers looking to boost productivity
- Sells on Agronomics — ag sales are based on reputation, trust of the crop advisor/agronomist, recommendations by neighbours, and actual yield results
- Started selling early — mined our deposits and started selling bulk samples to facilitate agronomic trials
- Key is education: talks, presentations, testimonials, mailouts to investors, distributors, growers etc
- We've done our market research and have set firm prices and margin targets



Key Efforts

- Next, we secured respected distribution partners:
 - Providence Grain - Prairie Provinces
 - Ag Unlimited - Tremont/Lyman Group
 - Limoges Seed - Prairie Provinces
 - 5 more in the works to provide complete coverage
- We contract all mining, processing, storage and logistics, allowing us to focus on sales and marketing, and additional trials in new geographic regions and with new crops
- Planning to take over some of the activities in the distribution chain once sales exceed 25,000tpa
- Utilise expanded distribution chain – we sell to distributors, wholesales, retailers and farmers direct, FOB or delivered
- KISS Principle – only a few products done well: grit, granular, granular with sulphur blend, custom blends, fertigation fine powder
- Mix of owned deposits (Wapiti, Fernie) and exclusive rights (Krezco, Silver Bow)





Exceeding sales targets

- Exceeded 10,000t CY18 sales target in the first four months of 2018
- Targeting the booming cannabis market in North America – two leading growers are currently trialing our products
- Steady, increasing sales to new and existing customers. Fall orders now being placed, along with indications for 2019
- Our largest customer is increasing their orders for our products; dealers and growers are recognising that the conventional market is flat to declining – unlike the large and fast-growing organic market
- Currently have a list of 400 – 500 organic growers and dealers that we communicate with regularly
- Forecast 100,000 tpa sales in CY20 in North America

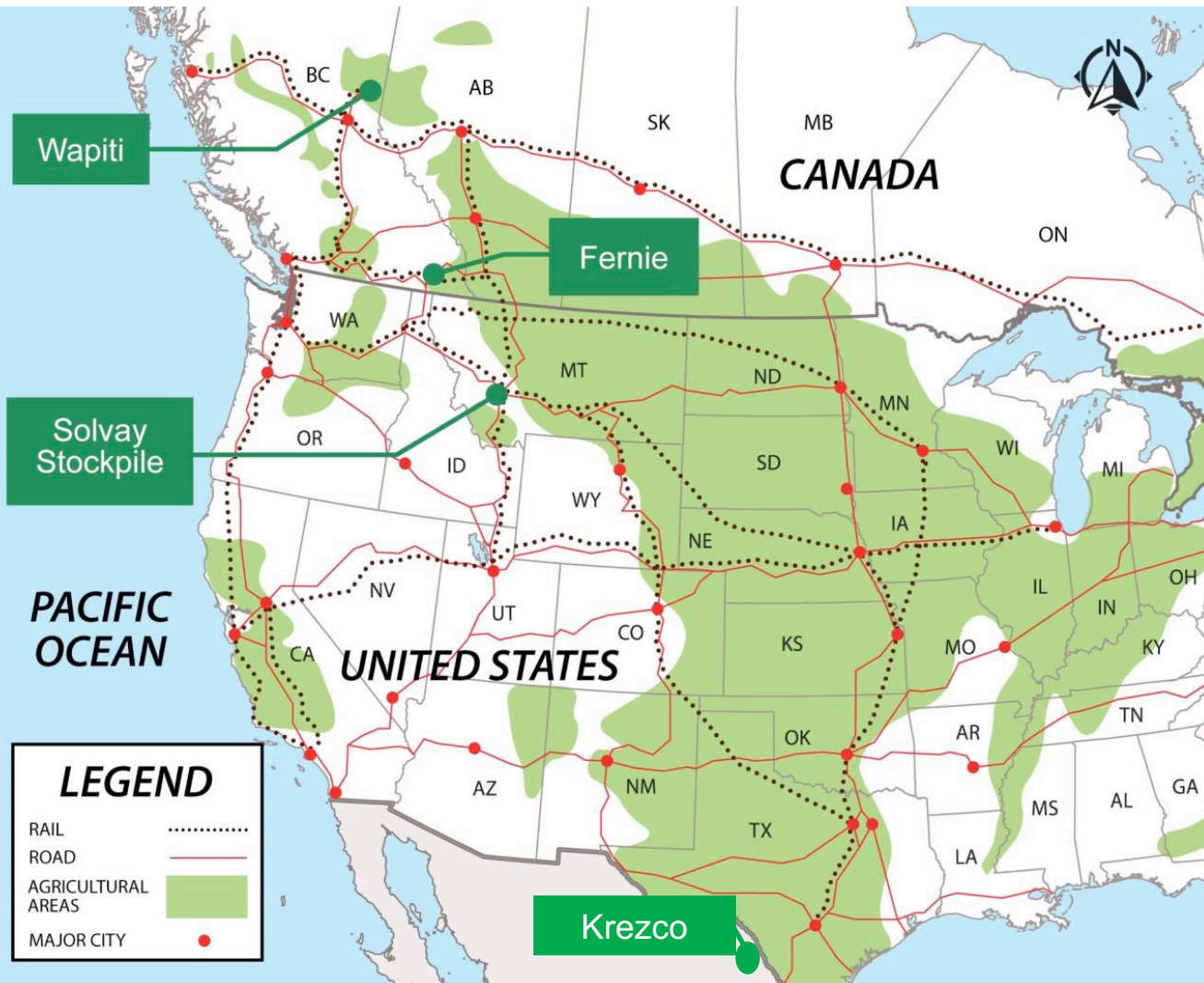


Initiatives

- Growth through partnerships with key distributors: Providence Grain, Limoges Ag, Ag Unlimited, Seven Springs etc. Adding more over coming months
- With no preexisting supply chain for organic inputs, these distributors have identified partnership with Fertoz as a great opportunity to grow sales in sought-after products
- Plan to build out the supply chain with more distributors, new products, distribution centres and selected retail
- Regularly developing new fertilizer blends for customers – controlled release, biologicals, sulphur, humates, liquid applications
- Blockchain to prove provenance is underway – consumers want assurance of organic inputs and outputs from paddock to plate
- Mackenzie Research & Farms partnership to continue with on-going trials to validate product quality; also developing market materials to educate farmers on organic markets



Strategically located sources of organic rock phosphate



Multiple sources of phosphate rock – sufficient to meet expected demand over next 15 to 20 years



Mining progress

- Still working with British Columbia Government to progress and secure mining license for a small quarry operation at Wapiti
- Bulk Sample permit at Fernie/Barnes Lake is getting closer but still answering questions, preparing reports
- Fernie ground runs across border into Alberta where progress is much faster. AB leases are close to rail, road, power and processing sites
- Mexico operation (Krezco) are making mining improvements and ready to supply additional tonnes. Recent meeting in Denver to plan market entry in SE USA
- Montana marketing agreement with Butte ore working well. Identified another approx. 30,000t but need to test ore



Growth opportunity

- Organic phosphate market in North America is huge and growing
- Fertoz has organic certification, market access, mine supply and exclusive distribution rights backed by a proven sales and management team
- Sales are increasing and business model is progressing as a 'mine gate' seller, along with sales from wholesalers, distribution centres proximate to organic farming hubs, and direct to growers
- We set volume, price and margin targets, and are exceeding them
- EXECUTION: ramping up sales in CY18 will cash flow the Company's operations. Takes c.9,000t of annual sales to break-even. Future profits to be re-invested in growth, possible distributions to shareholders



Summary

- Reiterate 30,000t – 50,000t target for CY2019 and 100,000t target for 2020
- Looking at all options to gain BC permits and putting a lot more time into AB permits as they are progressing faster and phosphate is at surface
- Executing on a once-in-a-generation growth opportunity. It is a slow process but word of mouth is picking up, along with repeat and new customers (just like our profitable Australian operations)
- There will be hurdles – rain, drought, logistics etc but we are making steady progress
- Fertoz is at least 3 years ahead of the curve in the organic input sector and is ideally placed to erect entry barriers and lead the market





Appendix

ORGANIC MARKET OVERVIEW

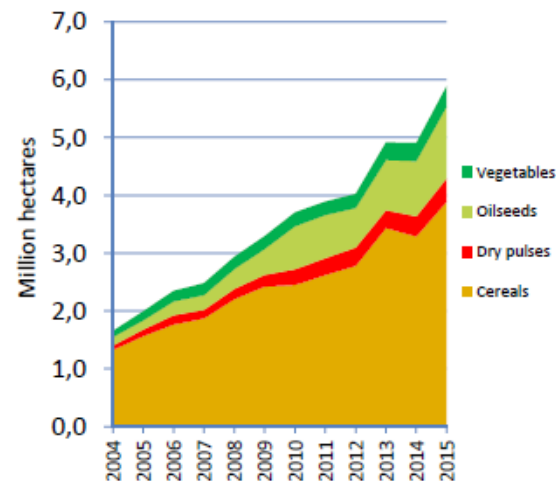


The organic market

- Global demand for organic foods is booming: growth over 13% pa
- Total market size has **surged to US\$89.7bn (2016) from US\$15bn (1999)**
- Organic food and beverage market forecast to grow to US\$320bn by 2025 (Grandview Research)
- USA is by far the largest organic foods market with c.US\$50bn market size
- Global organic fertiliser market set to grow from US\$6bn pa 2016 to US\$11bn pa by 2022
- **Organic farming has also grown significantly over the same period in response to consumer demands**
- Total global organic farmland of 58Mha (2016), up from 11Mha (1999)

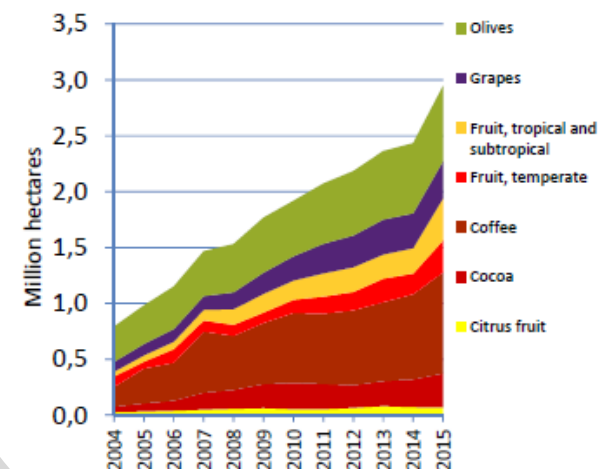
Development of organic arable crop groups
2004-2015

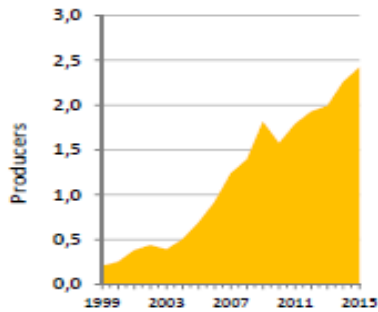
Source: FiBL-IFOAM-SOEL survey 2006-2017



Development of organic permanent
crops/crop groups 2004-2015

Source: FiBL-IFOAM-SOEL survey 2006-2017





Development of the number of organic producers 1999-2015

Source: FiBL survey 2017 www.organic-world.net

The organic market

- **North American organic farming is still in the early stages of its growth but price premiums are high**
- Canadian organic price premiums range from 143% for organic green peas to 350% for organic wheat
- Prices achieved for organic phosphate for bulk delivery C\$285/t – US\$600/t
- Margin targets typically 20 – 80%
- Organic are new acres, representing a real opportunity for manufacturers, distributors and growers. Conventional ag is basically flat, just moving dollars among competitors

World
2.4 Mio
producers

+1'000%
since 1999

North America: 4m organic acres

Focus regions for Fertoz:

- **California** (688,883 organic acres) produces all organic dates and almonds sold in the USA, 99% of all organic walnuts, lemons, figs and artichokes and 98% of all organic avocados, with 2,713 certified organic farms in the state
- **Montana** (417,412 organic acres) with an organic grains farm hub in Blaine county, most organic grain farms in the central and eastern counties of Montana and most organic vegetable farms in the west (with organic hubs in four counties), and most farms deficient in nitrogen and phosphate
- **Wisconsin** (255,971 organic acres) with organic farms hubs in Vernon and Monroe counties and 1,276 certified organic farms in the state
- **Oregon** (204,000 organic acres) with 525 certified organic farms, and organic milk production the largest contributor to overall organic sales, and organic farming hubs in six counties
- **North Dakota** (186,193 organic acres) with two major organic farming hubs
- **Texas** (160,776 organic acres) with organic farming hubs near Brownsville, Laredo and the north-east coast.

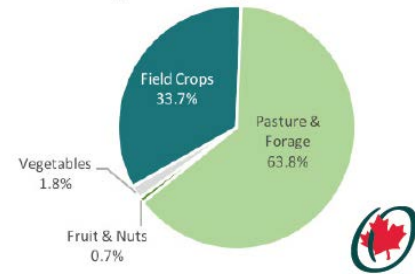


Canada: 2.2m organic acres

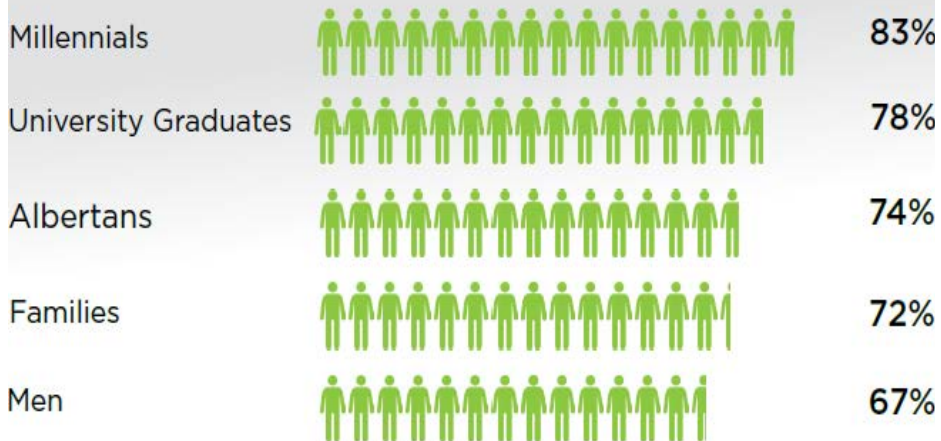
- **Saskatchewan** (873,400 acres) with multiple organic farming hubs
- **Alberta and Manitoba** (526,000 acres) with multiple organic farming hubs

66% of Canadians purchase organic goods every week

Share of organic acreage:



Canada's Top Weekly Organic Buyers of 2017



Organic farming in our market areas

- **USA: largest organic plantings**
 - Alfalfa/Hay: 800,000 acres
 - Wheat: 482,000 acres
 - Corn: 292,000 acres
 - Soybeans: 150,000 acres
 - Oats: 109,000 acres
 - **17,500 organic farms operating in USA**
- **Canada: largest organic plantings**
 - Wheat: 230,000 acres
 - Pasture: 230,000 acres
 - Oats: 150,000 acres
 - Pulses: 88,000 acres
 - **4,000 organic farms operating in Canada**



Fertoz has identified strategically located fertiliser distribution centres that can be used to supply local organic farmers – negotiations underway

Disclaimer

The technical information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Jo Shearer, a Competent Person, who is a member of the Association of Professional Engineers and Geoscientists of British Columbia, a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time. Mr Shearer is the Chief Operating Officer Canada for Ferto Limited. Mr Shearer has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Shearer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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All forward-looking statements herein are based on Ferto's or its advisors' current beliefs, as well as various assumptions and information currently available to them. These assumptions include but are not limited to: (i) continued growth in world phosphate; (ii) continued increase in personal incomes; (iii) continued increase in grain-intensive meat diets; (iv) continued decline in the agricultural land base; (v) the successful negotiation of native title access agreements for Ferto's exploration licences. There can be no assurance that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements, in particular, the estimates do not include input cost increases or phosphate price variations that could occur in the future.

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