

Fertoz Ltd.: Quarterly Activities Report - September 2016

28.10.2016 | [ABN Newswire](#)

Phosphate exploration and development company, Fertoz ("Fertoz" or the "Company", ASX:FTZ) is pleased to provide an update of activities during the quarter ending September 2016.

HIGHLIGHTS

- Fertoz commences development of Wapiti Project to supply organic input rock phosphate fertilizer to the growing North American organic market.
- Road construction commenced which will provide immediate access to the 17,500 tonne bulk sample area at Wapiti.
- Road will also be utilised once the Company receives its small mine permit of 75,000 tonnes per annum.
- Appointment of Mr Patrick Avery as Non-Executive Chairman.
- Successful completion of a \$4.35 million private placement to strengthen balance sheet and provide Fertoz with sufficient funds to execute on its strategy.

Commenting on the achievements, Mr Patrick Avery, non-Executive Chairman of Fertoz stated:

"We are very pleased with Fertoz's achievements during the quarter ending September 2016.

We were able to advance in three key areas of our development: 1) construction of the road that will give access to our large 17,500 tonne bulk sample area and later to the full 75,000 tpa operation; 2) establishment of a sales & marketing strategy with our experienced sales team and; 3) fully fund the company initial production at its Wapiti Project.

We will be mobilizing equipment to site to move the material to lower elevations in Western Alberta where we will use this as a base for crushing, sizing and screening of material.

With the development of the production side of our business well underway, the Company is focused on the sale and marketing of our product.

Our recently completed private placement of \$4.5 million places the Company in an ideal cash position to leverage its existing project portfolio and take advantage of the growth in the organic market."

SUMMARY

Canada

- The Company has initiated road construction at its Wapiti Project in order to access the Company's permitted 17,500 tonne bulk sample area.
- The road construction has been substantially completed subsequent to the end of the September 30 Quarterly.
- Road access and site infrastructure will also provide longer term access to the Company's proposed mine once the Company obtains approval for its 75,000 tpa small mine permit.
- The company has hired local and Treaty 8 First Nations contractors to work on the access trail, clearing of timber, construction of the trail, bridge installation and bulk sample access with the objective of starting the bulk sample extraction to produce organic rock phosphate for sale into the North American market.
- Mr Patrick Avery has been appointed Fertoz's non-Executive Chairman to complement the Company's strategy of being a leading supplier of rock phosphate and other input products to the growing organic market in North America.

- Balance sheet has been strengthened with the successful completion, on September 30, of a \$4.35 million private placement which places the Company in an ideal cash position to leverage its existing project portfolio and execute on its sales and marketing strategy.

USA

- Recent evaluations in relation to the Dry Ridge Idaho project have led Fertoz to consider that the project no longer meet our development strategy in that the ore is not ideal for organic farming and permitting has proven to be more difficult than expected. Hence, the Company is likely to exit this project and is working with the leaseholder on other partnership approaches.

- The company continues to seek out opportunities in the USA with a focus on assets that will allow it to supply the largest organic markets in North America.

Australia

- Demand for FertAg products in Australia continues to grow as more farmers try the product.

- Shipments arrive approximately every 8 weeks from Vietnam to different ports in Australia.

- Independent agronomists have started recommending the product to farmers. As a result Gibsons Ground spread in eastern Victoria has become a distributor and sales have also commenced in the Canberra region.

- Sales of a second product FertAg granular 0-7-0-2 have commenced in northern NSW and Victoria.

- The FertAg business has continued to be self-funding.

Planned Activities for December Quarter 2016

For the coming quarter, Fertoz is focused on delivering value through:

- Building out the first BC phosphate project and having 10,000 tonnes of material available for sale.

- Working, through the sales and marketing team, to sign additional agreements to supply rock phosphate to targeted farmers in western Canada.

- Continuing field trials of direct application rock phosphate in order to develop a broader market.

- Securing recommendations through a science-based approach with major users and agronomists which will help us to highlight the benefits of blending our phosphate rock with other products to improve rock phosphate performance and thus brand confidence.

- Building on our product position by becoming a leading source of information to organic and conventional growers through a number of educational and informative initiatives which will raise the awareness of Fertoz among the organic farming communities in North America. This will include an updated website with organic fertiliser and crop news feeds, education pieces on direct application rock phosphate and phosphate blends, an updated media section and more.

- Progressing the Company's 75,000 tonne per annum small mine application for the next stage of Wapiti.

- Building the order book for Fertag products and importing more product for Queensland and Northern NSW.

COMPANY OVERVIEW

Fertoz is a phosphate exploration and development company which is developing the Wapiti and Fernie phosphate deposits in Canada. The Company's main focus is on production in Canada, servicing the local organic farming market as well as conventional farmers looking for alternatives to standard, high leaching fertilisers. Although focused on the North American organic agriculture market, the Company also sells imported phosphate products to Australian organic and conventional farmers.

In the short term, Fertoz intends to focus on two critical items: proving out the quality of its product through field trials, growing its sales; and, building out the required infrastructure for its flagship project, Wapiti, to allow a steady supply of rock phosphate to a fast-growing, under-serviced organic market.

The Company has begun its transformation to a cash flow generating business with the progression of road

construction at Wapiti where it will extract material by taking advantage of its 17,500 tonne bulk sample permit. The Company's small mine application for 75,000 tonnes per annum, once approved, in conjunction with mine development currently underway will provide the Company with its first long term supply of fertiliser products.

Fertoz expects to be the only producing phosphate mine in Canada and, with the product awarded certification as an organic input fertiliser in the US and Canada, the Company can continue to expand on its strategic advantage with other expansion opportunities within its existing portfolio or through well-timed and opportunistic acquisitions which complement the Company's geographical positions or product offerings.

The Company has confirmed the mining method at Wapiti and Fernie through the collection of approximately 2,700 tonnes of bulk samples, processing approximately 1,700 tonnes of this product to make it available for trial or market, submitting a small mine application for Wapiti for a 75,000tpa mine, and completed a Scoping Study for Wapiti to confirm its viability (please refer to press release dated 14 May 2015).

Initially, a contract mining model is planned at Wapiti and Fernie to produce direct application rock phosphate for use by local agricultural industries. Wapiti is located on the edge of the north-western farming region of Alberta and Fernie is located on the western extent of the southern Alberta farming region. Given the costs of moving bulk materials, the Company's strategy is to identify and commercialise multiple small fertiliser resources proximate to users. Wapiti and Fernie are the first two such projects identified and undergoing commercialisation. The Company is evaluating other small, near production phosphate deposits suitable for supply to local farming communities in Canada and the USA, especially close to California - the largest organic food market in the world.

The Company plans to begin commercial extraction of direct application rock phosphate in 2016 from its Canadian projects. To this end, in April and May 2016, the Company completed the processing of two batches of direct application rock phosphate with bulk sample material previously extracted from the Wapiti and Fernie Projects. The company processed approximately 1,700 tonnes of rock phosphate through a hired crusher and pulveriser, producing a 90% powdered product, which is now available for sale and for additional field trials in British Columbia, Saskatchewan and Alberta.

Fertoz has then been awaiting government approval to continue exploration and development and extraction of material utilising the Company's 10,000 tonne bulk sample permit. The Company is very encouraged by the logistics advantages of the three possible mine locations at Fernie, all of which offer superb logistics access to the Prairie Provinces.

During the bulk sampling program, the Company has found that there is equipment readily available for hire which can adequately meet its needs and it is expected that with larger production runs, significant improvements could be made to throughput rates resulting in lower costs of production. Hence, Fertoz is evaluating the option of hiring crushing equipment for limited periods of time in order to crush phosphate rock in batches to match production runs with expected sales. This should significantly reduce the initial capital expenditure estimates on the Company's two direct application rock phosphate projects at Wapiti and Fernie.

Later development will entail bagging operations and blending the rock phosphate with other resources to make additional fertiliser products. To facilitate sales, the Company is in discussions with potential long-term off-take partners as well as with marketing partners. These discussions are now being coordinated by Fertoz in partnership with our independent team of highly experienced sales and marketing professionals with immediate access to existing marketing channels and networks. The team will be focused on marketing, sales and distribution of the Company's unique organic phosphate products in North America.

There are currently agricultural groups testing the benefits and applicability of our certified organic input rock phosphate fertilizer with field trials expected to commence in Saskatchewan and Alberta on wheat and hay crops. Results of these field trials are anticipated to come during the fourth quarter of 2016, weather permitting.

Rock phosphate samples have been provided to organic fertiliser manufacturers with the aim of mixing the Wapiti and Fernie phosphate with their resources to make different types of organic fertilisers. The Company aims to supply direct application phosphate rock with minimal processing to both the lucrative organic and conventional fertiliser markets in North America. The USA is the largest organic food market in the world while Canada is the fourth largest. Organic farmers in the USA and Canada need to use natural fertilisers in order to retain their organic certification, which is critical as organic crops command significantly higher prices than crops from conventional farms.

Upon completion of the field trials, Fertoz believes that it will be well positioned to be an important source of organic fertilizer to the Canadian organic food market which is represented by more than 3,500 producers over an area of almost 2.5 million acres (84% located in Western Canada), according to the Canada Organic

Trade Association (2014 data).

To that end, since end of April 2016, Fertoz's rock phosphate products have been certified for use in the production and/or processing of organic agriculture products in compliance with the requirements of the Canadian Organic Standards (COS) and the USDA National Organic Program.

Fertoz products have a much higher availability than competing products and sales prices are strong, typically more than C\$250/t for organic rock phosphate sold in bulk. This figure rises for bagged products and blended granular products (for example, natural rock phosphate mixed with other resources that allow organic farmers to fertilise using typical N-P-K formulations). 20kg bagged products for niche organic farmers are currently selling at about US\$20/bag in some US states.

The Company's Wapiti and Fernie operations present a great opportunity for the Company, with exploration upside not yet taken into account. Their proximity to local farming regions is a key factor in the overall low cost, high margin strategy being pursued by management. Subsequent to the quarter, the Company has been focussed on sales and undertaking farm trials.

The company also has option to acquire the Dry Ridge project in Idaho, USA. Recent evaluations in relation to the Dry Ridge Idaho project have led Fertoz to consider that it does not meet its selection criteria in that the ore is not ideal for organic farming and permitting has proven to be more difficult than expected. Hence, the Company is likely to exit this project and is working with the leaseholder on other partnership approaches.

To view the report, please visit:
<http://abnnewswire.net/lnk/C7CRFO97>

About Fertoz Ltd:

Fertoz (ASX:FTZ) is an Australian-based phosphate exploration and development company with a range of projects in British Columbia, Canada as well as Queensland and the Northern Territory. The Company is focused on becoming a fertiliser producer as quickly as possible, initially focusing on the Canadian/USA markets.

Fertoz plans to develop its exploration assets in Canada in order to identify any potential Direct Shipping Ore (DSO) projects. It intends to seek joint venture partners to assist in funding the exploration projects in Australia. Phosphate is a commodity necessary for feeding the world, and Fertoz is ready to capitalise on this growing demand.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/246805--Fertoz-Ltd.--Quarterly-Activities-Report---September-2016.html>

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