



Half Year Financial Report
for the financial period ended
31 December 2013

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General Information

The financial report covers Fertoz Limited as a consolidated entity consisting of Fertoz Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Fertoz Limited's functional and presentation currency.

Corporate Directory

Directors	James Chisholm (Non-executive Chairman) Leslie Szonyi (Managing Director) Adrian Byass (Non-executive Director)
Company Secretary	Julien McNally
Registered office and principal place of business	40 Balgowlah St Wakerley, Qld 4154 T: 07 3396 0024 F: 07 3396 0024
Share Registry	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067
Auditors	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Canada Lawyers	Ontario Lawyers Peterson Law Professional Corporation 390 Bay Street, Suite 806 Toronto, Ontario, Canada, M5H British Columbia Lawyers Anfield Sujir Kennedy & Durno LLP (ASKD Law) 1600 - 609 Granville Street Vancouver, British Columbia, Canada, V7Y 1C3
Australian Lawyers	Porter Davies Lawyers Level 5, River Quarter 46 Edward Street Brisbane, QLD, 4000
Stock exchange listing	Fertoz Limited shares are listed on the Australian Securities Exchange (ASX code: FTZ)
Website	www.fertoz.com

Directors' report 31 December 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the “**Consolidated Entity**”) consisting of Fertoz Limited (referred to hereafter as the “**Company**” or “**Parent entity**”) and the entities it controlled for the half-year ended 31 December 2013.

1. Directors

The following persons were directors of Fertoz Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

James Chisholm
Leslie Szonyi
Adrian Byass
Peter Bennetto (resigned on 26 November 2013)

2. Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of phosphate exploration in North America and Australia

The Company's aim is to become a fertilizer producer initially supplying North American markets (the USA and Canada are net importers of phosphate). The Company's strategy is:

- a) to undertake the evaluation of its exploration tenements at Wapiti, Barnes Lake and Crows Nest in Canada, and Dry Ridge in the USA in order to identify any potential Direct Shipping Ore (“**DSO**”) projects which are capable of generating early cash flow with relatively low capital cost;
- b) to pursue the joint venture or sale of its early stage exploration projects located in Australia so that the Company can focus on its North American projects;
- c) to evaluate and identify low capital cost production strategies that would differentiate it from other phosphate companies.

3. Results of operations

The Directors of the Company advise the consolidated loss of the Consolidated Entity after providing for income tax for the half year to 31 December 2013 is \$1,656,639. The loss was mainly attributable to the following:

- the loss on disposal of non-core Australian assets of \$390,738, and
- the impairment of the Company's carrying value of its capitalised exploration and evaluation expenditure in Australia – a further \$630,632 during the half year.

These losses are a result of the Company's move from exploring for large, lower grade Australian phosphate projects which would require significant capex in order to upgrade any resources for the export market, to exploring for smaller, high grade, near-production assets in the huge agricultural markets of the USA and Canada, both of which are net importers of phosphate rock.

The company had cash on hand as at 31 December 2013 of \$3,011,390.

4. Review of operations

The Company has made some significant progress in the half year towards its vision of becoming a fertilizer producer. In September 2013 the Company listed on the ASX raising \$4,000,000 (before costs) through an issue of 20,000,000 ordinary shares at 20 cents per share.

While completing the listing on the ASX the Company started an exploration program on the Company's Wapiti East Project. The Company completed 2,098 metres of diamond drilling (62 drill holes) at Wapiti East between August and October. Consistent and continuous phosphate-bearing horizon drilled and mapped along East and West Limbs identified a total of 17 kilometres of strike length. Potential strike length based on past results of phosphate-bearing horizon is now estimated at over 27km. The average grade varied between 13% and 27% P₂O₅ within the phosphate horizon.

**Directors' report
31 December 2013****Review of operations (continued)**

In addition to the drilling at Wapiti East the Company collected a two-tonne bulk sample from a small trial pit mining operation. Sampling averaged 24.3% P₂O₅ with low levels of heavy metal impurities (a pre-requisite for use in the organic fertiliser market) whilst also providing sufficient levels of macro and micro nutrients.

The Company doubled the size of the Barnes Lake Project to 1,238 hectares by applying for additional ground during the half year. The additional tenement area was secured as a result of a site visit to plan the trenching and drilling program for 2014. During the site visit, the Company located historical drill holes from previous work carried out in 1968 and 1978 that were outside the existing tenement boundary. Subsequent research showed that these holes displayed phosphate occurrences within 10m of the surface. As such, the existing claim holdings were extended to include these drill holes areas.

On 10 December 2013 the Company expanded its portfolio of projects in North America by acquiring an option to purchase 100% of the Dry Ridge Project in Idaho, USA. The project is ideally located in an established phosphate mining area. The Company has the right to explore the project until 30 August 2016 and an option to purchase 80% of the Project for \$600,000 prior to that date. In addition, the Company has a further right to acquire the remaining 20% any time up to 9 December 2016 for an additional \$200,000.

Subsequent to the half-year end, the Company acquired the Marten Project proximate to the Company's Barnes Lake and Crows Nest Projects. The Marten Project exhibits some historical results that the Company considers worth pursuing in more detail, as phosphate was extracted from a small exploration mine on the Project in 1929 and 1930.

5. Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend at the date of this report.

6. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001 on 17 February 2014.

On behalf of the directors



Mr Leslie Szonyi
Managing Director

17 February 2014

**DECLARATION OF INDEPENDENCE BY NAME OF ENGAGEMENT PARTNER TO THE DIRECTORS OF
COMPANY NAME**

As lead auditor for the review of Fertoz Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fertoz Limited and the entities it controlled during the period.

A J Whyte

Director



BDO Audit Pty Ltd

Brisbane, 17 February 2014

**Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013**

	Note	Consolidated	
		31/12/2013	31/12/2012
		\$	\$
Revenue from continuing operations		-	-
Other income		25,529	1,822
Expenses			
Depreciation		(1,590)	-
Finance costs		-	(575)
Employee benefits expense		(345,441)	(352,496)
Listing fees and share registry expenses		(40,854)	-
Loss on disposal		(390,738)	-
Impairment of exploration and evaluation expense		(630,632)	-
Professional services		(244,093)	(146,819)
Tenement costs		(27,665)	-
Travel		(33,681)	(122)
Other expenses		(17,548)	(4,827)
Loss before income tax benefit from continuing operations		(1,706,713)	(503,017)
Income tax benefit		50,074	-
Loss after income tax benefit for the half-year		(1,656,639)	(503,017)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		12,368	-
Other comprehensive income for the half-year, net of tax		12,368	-
Total comprehensive loss for the half-year		(1,644,271)	(503,017)
		Cents	Cents
Loss per share from continuing operations attributable to the owners of Fertoz Limited			
Basic loss per share		0.043	0.045

Consolidated statement of financial position
As at 31 December 2013

	Note	Consolidated 31/12/2013 \$	30/06/2013 \$
Assets			
Current assets			
Cash and cash equivalents	3	3,011,390	788,308
Trade and other receivables	4	147,481	445,405
Total current assets		<u>3,158,871</u>	<u>1,233,713</u>
Non-current assets			
Exploration and evaluation expenditure	5	1,612,853	1,725,918
Property, plant and equipment		33,845	1,039
Total non-current assets		<u>1,646,698</u>	<u>1,726,957</u>
Total assets		<u>4,805,569</u>	<u>2,963,670</u>
Liabilities			
Current liabilities			
Trade and other payables	6	78,292	105,787
Total current liabilities		<u>78,292</u>	<u>105,787</u>
Total liabilities		<u>78,292</u>	<u>105,787</u>
Net assets		<u>4,727,277</u>	<u>2,857,883</u>
Equity			
Issued capital	7	8,320,798	4,929,395
Reserves		1,001,868	867,238
Retained profits		<u>(4,595,389)</u>	<u>(2,938,750)</u>
Total equity		<u>4,727,277</u>	<u>2,857,883</u>

Consolidated statement of changes in equity
For the half-year ended 31 December 2013

	Issued capital \$	Retained profits \$	Share based payment reserve \$	Translation reserve \$	Total equity \$
Consolidated					
Balance at 1 July 2013	4,929,395	(2,938,750)	867,238	-	2,857,883
Profit after income tax expense for the half-year	-	(1,656,639)	-	-	(1,656,639)
Other comprehensive income for half-year, net of tax	-	-	-	12,368	12,368
Total comprehensive income for the half-year	-	(1,656,639)	-	12,368	(1,644,271)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued	4,000,000	-	-	-	4,000,000
Share issue costs	(608,597)	-	-	-	(608,597)
Share-based payments	-	-	122,262	-	122,262
Balance at 31 December 2013	8,320,798	(4,595,389)	989,500	12,368	4,727,277

	Issued capital \$	Retained profits \$	Share based payment reserve \$	Translation reserve \$	Total equity \$
Consolidated					
Balance at 1 July 2012	3,265,416	(1,071,480)	170,839	-	2,364,775
Profit after income tax expense for the half-year	-	(503,017)	-	-	(503,017)
Other comprehensive income for half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	(503,017)	-	-	(503,017)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued	449,251	-	-	-	449,251
Share based payments	-	-	263,848	-	263,848
Balance at 31 December 2012	3,714,667	(1,574,497)	434,687	-	2,574,857

Consolidated statement of cash flows
For the half-year ended 31 December 2013

	Note	Consolidated	
		31/12/2013	31/12/2012
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(414,754)	(220,849)
Interest and other finance costs paid		25,029	1,772
Income taxes paid		-	-
Net cash from operating activities		<u>(389,725)</u>	<u>(219,077)</u>
Cash flows from investing activities			
Payment for purchase of tenements		(50,638)	-
Payments for exploration and evaluation assets		(999,126)	(313,556)
Payments for property, plant and equipment		(34,396)	-
Proceeds from sale of tenements		<u>50,000</u>	<u>-</u>
Net cash used in investing activities		<u>(1,034,160)</u>	<u>(313,556)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		4,000,000	449,251
Share issue transaction costs		<u>(353,033)</u>	<u>-</u>
Net cash used in financing activities		<u>3,646,967</u>	<u>449,251</u>
Net increase/(decrease) in cash and cash equivalents		2,223,082	(83,382)
Cash and cash equivalents at the beginning of the financial half-year		788,308	108,553
Effects of exchange rate changes on cash		-	-
Cash and cash equivalents at the end of the financial half-year		<u><u>3,011,390</u></u>	<u><u>25,171</u></u>

Notes to the financial statements
31 December 2013**Note 1. Significant accounting policies**

The half-year interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting, as appropriate for for-profit orientated entities. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34: 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Fertoz Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The accounting policies and methods of computation are consistent with those applied in the 30 June 2013 financial report and with the corresponding half year, unless otherwise stated.

(a) Reporting basis and conventions

The half-year interim financial report has been prepared on an accruals basis and is based on historical costs.

(b) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 2. Segment Reporting

The consolidated entity is organised into three operating segments based on geographical location being Australian, Canadian and USA operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

Where applicable, corporate costs, finance costs, interest revenue, tax, creditors, debtors and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a group basis.

Notes to the financial statements
31 December 2013

Note 2. Operating segments (continued)

Operating segment information

	Australian operations	Canadian operations	USA operations	Unallocated	Total
Consolidated - 31/12/2013	\$	\$	\$	\$	\$
Revenue					
Other revenue	-	-	-	25,529	25,529
Total segment revenue	-	-	-	25,529	25,529
Segment loss before income tax benefit	(1,021,370)			(685,343)	(1,706,713)
Income tax benefit				50,074	50,074
Segment loss after income tax benefit	(1,021,370)			(635,269)	(1,656,639)
Segment assets	383,548	1,178,667	50,638	3,192,716	4,805,569
Segment liabilities	-	-	-	(78,292)	(78,292)
	Australian operations	Canadian operations	USA operations	Unallocated	Total
Consolidated - 31/12/2012	\$	\$	\$	\$	\$
Revenue					
Other revenue	-	-	-	1,822	1,822
Total segment revenue	-	-	-	1,822	1,822
Segment loss before income tax benefit				(503,017)	(503,017)
Income tax benefit	-	-	-	-	-
Segment loss after income tax benefit				(503,017)	(503,017)
Segment assets	2,519,792	199,704	-	27,752	2,747,248
Segment liabilities	-	-	-	(160,704)	(160,704)

Notes to the financial statements
31 December 2013

Note 3. Cash and cash equivalents

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Cash at bank	49,280	235,480
Cash on deposit	2,962,110	552,828
	<u>3,011,390</u>	<u>788,308</u>

Note 4. Trade and other receivables

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Other receivables	12,757	8,873
Environmental bond	31,609	-
Tax receivable	50,074	-
Prepaid capital raising costs	-	411,033
GST receivable	53,041	25,499
	<u>147,481</u>	<u>445,405</u>

Note 5. Exploration and evaluation expenditure

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
At cost	<u>1,612,853</u>	<u>1,728,918</u>
Carrying amount as at 30 June 2013		1,728,918
Additions		955,305
Write back on disposals		(440,738)
Impairment charge		(630,632)
Carrying amount as at 31 December 2013		<u>1,612,853</u>

Note 6. Trade and other payables

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Trade Creditors and Accruals	<u>78,292</u>	<u>105,787</u>

Trade creditors are unsecured and are normally settled within 30 to 60 days.

Notes to the financial statements
31 December 2013

Note 7. Equity - issued capital

(a) Issued Capital

	Consolidated		Consolidated	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>45,009,595</u>	<u>25,009,595</u>	<u>8,320,798</u>	<u>4,929,395</u>

(b) Movements in ordinary share capital during the half year

Details	Date	No of shares	Issue price	\$
Balance	1 July 2013	25,009,595		4,929,395
Issue of shares	2 September 2013	20,000,000	\$0.20	4,000,000
Share issue Costs	2 September 2013			<u>(608,597)</u>
Balance	31 December 2013	<u>45,009,595</u>		<u>8,320,798</u>

Note 8. Contingencies and Commitments

There are no contingent assets or liabilities in existence at the half year ended 31 December 2013.

Note 9. Events after the reporting period

No other matters or circumstances have arisen since the end of the financial year that will significantly affect, or may significantly affect the group's operations, the results of those operations or the group's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors and is signed for and on behalf of the directors by:



Leslie Szonyi
Managing Director

17 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fertoz Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fertoz Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fertoz Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Fertoz Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Fertoz Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 17 February 2014