ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE
2014

Fertoz

Fertoz Ltd (ACN 145 951 622)

STRATEGY

Fertoz Limited (ASX:FTZ) is an explorer and developer of phosphate resources in Canada and the United States of America, which are both net importers of phosphate rock and have two of the largest agricultural economies in the world. The Company aims to supply direct application phosphate rock with minimal processing to the lucrative organic fertilizer market in North America. The USA is the largest organic food market in the world while Canada is the fourth largest.

Fertoz is targeting small, high-grade resources in North America that can be commercialised quickly and inexpensively, with high-grade product sold to organic farmers or third-party fertilizer plants. The Company is planning first sales to customers in 2014 from its flagship Wapiti project.

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CHAIRMAN'S MESSAGE

Dear Fellow Shareholder,

It is my pleasure to present the 2014 Annual Report for Fertoz Limited (ASX: FTZ). We have had an extremely busy year since listing on the Australian Securities Exchange ("ASX") in September 2013, and it has been pleasing to see the progress made towards our goal of becoming a producer of high-grade phosphate to the world's largest agricultural markets.

The work that has been achieved on the Company's projects in British Columbia, Canada, since listing has been tremendous, putting Fertoz in a position to commence sales from bulk samples to the North American agricultural market before the end of 2014. In that time the Company has:

- Confirmed the high grade nature of its flagship Wapiti project with the announcement on 8 August 2014 of the Company's maiden JORC Inferred Resource of 1.54 Mt @ 21.6% P_2O_5 (at a 7% cut-off), calculated to a depth of 30m along a strike length of 12.5km and an Exploration Target of 2.9Mt-3.3Mt at 20.8% to 22.2% P_2O_5 estimated to a depth of 30m along a 27km strike. Mineralisation extends to more than 90m below surface, and further drilling may increase both the resource and the exploration target.[1]
- Cost effectively expanded our ground at the Fernie Project in British Columbia to include the Marten tenement and doubling the size of the Barnes Lake tenement;
- Completed bulk sample tests which demonstrated 10% phosphate availability, making the Wapiti product particularly attractive to the organic fertilizer market as a direct application product;
- Secured permits to extract bulk samples totalling 27,500 tonnes from the Company's Wapiti and Fernie Projects with the Company having commenced bulk sample collection in August 2014 from the Wapiti Project; and
- Reached agreement with two Canadian farmers to trial the Wapiti product to better understand processing techniques, application methods and to quantify the measurable benefits of our phosphate product.

The USA is the largest organic food market in the world while Canada is the fourth largest. The markets are growing rapidly and with the US market growing 10% in 2012[2]. Rock phosphate as a natural occurring mineral can be used in organic agriculture and also is sold at a significant premium to chemically processed phosphate which is not suitable for organic agriculture. In addition Canada has no significant phosphate rock production and product for organic agriculture is sourced from Florida, Idaho, Tennessee or Montana in USA.

Fertoz's Wapiti and Fernie projects are located close to the main agricultural provinces of Alberta, Saskatchewan and Manitoba which together with British Columbia comprise over 80% of Canada's agricultural farm land *(Figure 1)*. The proximity to Canadian markets provides a logistics cost advantage over alternate USA products. The Fernie project is also located close to the USA border and can target the agricultural areas of north western USA.

The increasing demand for organic products, the premiums available over chemically processed phosphate coupled with minimal processing and capital investment are exciting opportunities for Fertoz to provide a quick route to production and continued growth of the rock phosphate business.

1 The Exploration Target is conceptual in nature. There has been insufficient exploration (namely drilling) outside the area used to support the Mineral Resource to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource.

2 FIBL & IFOAM The World of Organic Agriculture 2014.

The Company also expanded its North American phosphate portfolio during the financial year, by securing the Dry Ridge Project in Idaho, USA. The project is ideally located in a known phosphate region and is within 35km of two large scale phosphate processing plants. The Company commenced its drilling approvals on the Dry Ridge Project during the year and is planning to commence drilling in the second half of 2015.

We welcomed Toronto-based Non-Executive Director Stephen Keith to the Fertoz Board in July 2014, with fellow Toronto-based Alex Penha appointed as an Alternate Non-Executive Director. In addition to being located in Canada with project finance, phosphate and organic fertilizer experience Stephen and Alex both have language skills and connections which will facilitate us in assessing new growth opportunities in the rapidly expanding fertilizer regions of South America, a natural extension of our strategy.

It has been incredibly pleasing to see the strong performance of the Fertoz share price since our listing and I thank our shareholders for their support and belief in our strategy. I also thank our directors, management and staff for their efforts over the past year. We look forward to an exciting year ahead.

Chairman

CORPORATE REVIEW

Fertoz was admitted to the official list of the Australian Securities Exchange (ASX) and commenced trading under the code FTZ on 2 September 2013. This followed the completion of an Initial Public Offering, which closed oversubscribed, raising a total of $4 million (before costs) through the issue of 20,000,000 shares at an issue price of 20 cents per share.

CASH

The Company had cash at bank of $2.24 million as at 30 June 2014.

RELEASE OF SHARES FROM ESCROW

The Company had a total of 2,489,045 shares released from escrow during the March quarter.

A further 2,339,104 Fertoz shares were released from escrow on 10 June 2014. Also on 1 September 2014 7,982,951 shares were released from voluntary escrow with a total of 2,855,367 shares remaining in mandatory escrow.

DIRECTORS INCREASING SHAREHOLDING

Non-Executive Chairman Mr James Chisholm through a related entity, purchased an additional 89,000 Fertoz shares via on-market trades during December 2013. The shares were valued at between $0.455 and $0.4348 per share with total consideration paid for the shares being $39,942.

Managing Director Dr Leslie Szonyi purchased an additional 11,759 Fertoz shares via on-market trades during the March 2014 quarter. The shares were valued at $0.4344 per share with total consideration paid for the shares being $5,108.

BOARD CHANGES

Non-Executive Director Peter Bennetto resigned from the Fertoz Board on 26 November 2013. Mr Bennetto had been a Non-Executive Director of Fertoz since December 2010.

Subsequent to the year-end, on 29 July 2014, Fertoz appointed North American-based Stephen Keith as a Non-Executive Director and Alex Penha as an Alternate Non-Executive Director. Mr Keith, based in Toronto, was previously President and CEO of Search Minerals. Prior to his work with Search, Mr Keith was a founder and the President and CEO of Rio Verde Minerals Development Corp. ("Rio Verde") (TSX: RVD), a phosphate company he took from concept to listing on the TSX. Rio Verde were progressing a production plant in Brazil for 150,000 tonnes per annum direct application phosphate for an estimated capital cost of C$10 million. Mr Keith led Rio Verde until its acquisition by B&A Fertilizers Limited on March 13, 2013.

Mr Penha, also based in Toronto, was a director and Executive Vice President at Search Minerals, and VP Corporate Development at Rio Verde.

In addition to being located in Canada with project finance, phosphate and organic fertilizer experience Stephen and Alex both have language skills and connections which will facilitate the assessment of new growth opportunities in the rapidly expanding fertilizer regions of South America.

PROJECT LOCATIONS

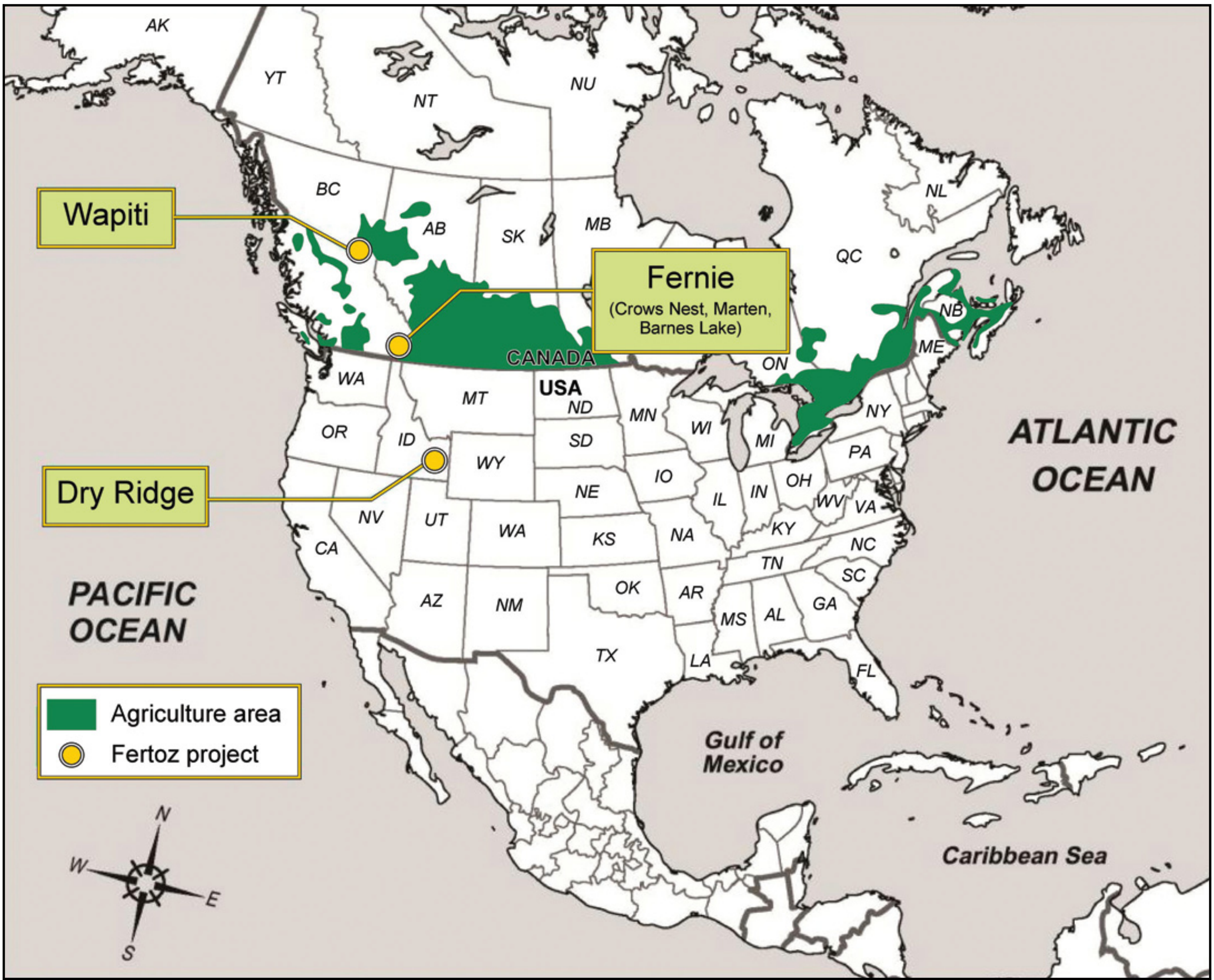

Figure 1 — Feroz's North American project locations and proximity to Canada Agricultural areas

Competent Persons Statement

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 Fertoz 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.

PROJECT REVIEW

WAPITI PROJECT (100% OWNED)
BRITISH COLUMBIA, CANADA (WAPITI EAST AND WAPITI WEST TENEMENTS)

The Wapiti Project (which includes the Wapiti East and Wapiti West tenements) totals an area of 18,070ha and is located near Tumbler Ridge, in British Columbia, Canada. The project is easily accessible by sealed roads and Forest Service roads and has rail within 80km. The Company is focused on the Wapiti East tenements and previous work indicates a consistent and continuous at-surface phosphate-bearing horizon which has a potential strike length of up to 39km. Laboratory results of the phosphate indicate up to 10% availability which makes the product at Wapiti East particular attractive to the North American organic sector which is the largest organic market in the World.

Exploration

The Company completed a drill program of 62 holes for 2,098m at Wapiti East in September 2013. Holes varied from 12.8m to 74.7m in depth and mainly at a -45° and -60° inclination. Two holes were completed on each set-up to give added confidence on the accuracy of the three dimensional orientation and thickness of the phosphorite horizon. The phosphorite horizon was intersected between approximately 9m and 35m below surface.

Other exploration work completed during the year included establishing a base of operations, geological mapping, prospecting, trenching and construction of access trails to the site.

Results of the 62-hole program were released in the December quarter, confirming a mineralised zone that was relatively uniform and regular in orientation. Drill spacing varied and was reduced in places to 20m intervals and the results demonstrated good continuity that was open at depth with the mineralised phosphorite zone typically between approximately 1.2m and 2.25m true width, outcropping at width at a moderate (~50 degrees) and consistent dip. The average grade varied between 13% and 27% P_2O_5 within the phosphate horizon.

A two-tonne bulk sample from a small trial pit mining operation was collected in October 2013, and assays completed by AGAT Laboratories in Ontario. Sampling averaged 24.3% P_2O_5 with low levels of heavy metal impurities, which is a pre-requisite for use in the organic fertilizer market, whilst also providing sufficient levels of macro and micro nutrients. The results are summarized in Tables 1 and 2.

Exploration drilling conducted at Wapiti in September 2013

TABLE 1 - ASSAY RESULTS FOR TWO-TONNE BULK SAMPLE

Al_2O_3 (%)	BaO (%)	CaO (%)	Cr_2O_3 (%)	Fe_2O_3 (%)	K_2O (%)	MgO (%)	MnO (%)	Na_2O (%)	P_2O_5 (%)	SiO_2 (%)	TiO_2 (%)	SrO (%)	V_2O_5 (%)
0.7	0.02	49.9	<0.01	0.47	0.24	0.5	0.01	0.43	24.3	5.56	0.05	0.07	0.06

TABLE 2 - HEAV Y METAL ASSA Y RESULTS FOR TWO-TONNE BULK SAMPLE

As ppm	Cd ppm	Co ppm	Cr ppm	Cu ppm	Hg ppm	Mo ppm	Ni ppm	Pb ppm	Se ppm	Zn ppm	Zr ppm	U ppm
51	15	1	46	10	7	8	12	15	<10	307	27	97

Test work

Consultant laboratories completed metallurgical test work on the two-tonne bulk sample to determine solubility and reactivity of phosphorus in March 2014. This was undertaken to assess the commerciality of Wapiti phosphate. Results from this sample achieved a 10% phosphate availability, which makes the Wapiti product particularly attractive to the organic fertilizer market as a direct application product. The result can be compared to other known phosphate areas such as North Carolina, USA and Sechura, Peru which typically demonstrate 6% to 7% available phosphate and exhibit good agronomic effectiveness on suitable soils and crops (Sinclair, New Zealand Journal of Agricultural Research, 1998). Wapiti phosphate also contains important secondary and tertiary minerals required for good plant growth making it suitable for North American organic markets.

The metallurgical tests were coordinated by Agrologist Ruth McDougall and two laboratories were engaged to undertake the analysis for quality control purposes. Both commercial laboratories, SGS Agrifood laboratories in Guelph, Ontario and A&L Analytical Laboratories Inc. in Memphis, Tennessee, are accredited to perform this analysis and both participate in a North America-wide program of accreditation for available phosphorus determination.

Both laboratories were provided with samples that had been ground and screened at -100 mesh (- 0.15mm) with the total phosphate content of the samples being 23.0% P_2O_5. The laboratories used a Neutral Ammonium Citrate (NAC) extraction method, which is the industry standard in North America, for assessing the availability of phosphorus in phosphate fertilizer sources. The NAC extraction test was performed twice as the second extraction has historically been shown to provide a higher correlation in predicting agronomic effectiveness in high calcium carbonate material like Wapiti East (Chien and Hammond Soil Science Society of America Journal 1978, Mackay New Zealand Journal of Agricultural Research 1984). The NAC second extraction test showed good consistent results which ranged between 9.7% and 9.9% P_2O_5 availability.

PROJECT REVIEW

— continued —

JORC Inferred Resource and Exploration Target

Subsequent to the year-end, Fertoz announced a maiden Inferred Resource estimate for Wapiti of 1.54 Mt @ 21.6% P_2O_5 (at a 7% cut-off), calculated to a depth of 30m along a strike length of 12.5km.

The Inferred Resource is contained within an Exploration Target of between 2.9 Mt and 3.3 Mt at 20.8% to 22.2% P_2O_5 which has been estimated to a depth of depth of 30m along a 27km strike length. Mineralisation extends to depths in excess of 90m below surface and there is potential to increase both the resource and exploration target with additional drilling. The Exploration Target is conceptual in nature. There has been insufficient exploration (namely drilling) outside the area used to support the Mineral Resource to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource.

Exploration at Wapiti has included 81 diamond drill holes and multiple trenches and surface samples between 1978 and 2013. This information has been used by J.T. Shearer, M. Sc, P. Geo., and G.Shevchenko, B. Sc. (Eng.) of Coastal Resource Mapping Ltd to estimate a mineral resource and an exploration target in accordance with JORC 2012. Resources (including potentially deleterious elements) are calculated using the Polygonal-Weighted Average method and are summarised in Tables 3 and 4.

The Inferred Resource was calculated within four distinct areas in the project *(Figure 2 - see page 10)* and these are summarised in the Table 4. Resources were based on a 12.5km strike length of phosphate-bearing sediments. The phosphate-rich horizon has an average width of 1m and was extrapolated to a depth of 30m. The density of the phosphate has been calculated at 2.845 t/m^3 by Metsolve Laboratory using empirical test work and supported using stoichiometric calculations.

Table 5 shows the Exploration Target for Wapiti. It was based on a phosphate-bearing horizon having a mapped strike length of 27km and extrapolation to a depth of 30m below surface. The phosphate bearing layer is uniform in thickness with a density of 2.845 t/m^3.

Intersections on a sectional basis for the calculation of this Exploration Target are summarised in Table 6 below. The Exploration Target distance for each section is shown in Figure 2. The data for each section was extrapolated varying distances between data points (drilling, trenching, surface sampling). The uncertainty in determination of the target was in the width and grade of the phosphate.

TABLE 3 - WAPITI EAST INFERRED RESOURCE

Depth below surface (m)	Category	Tonnes (million)	P_2O_5 (%)	Al_2O_3 (%)	CaO (%)	MgO (%)	SiO_2 (%)	Fe_2O_3 (%)
30	Inferred	1.54	21.6	1.9	43.6	1.3	13.7	1.2

TABLE 4 - INFERRED MINERAL RESOURCE BY PHOSPHATE ZONE

Area Description	Category	Length (km)	Depth (m)	Width (m)	P_2O_5 (%)	Resource (t)
Red Deer East Limb	Inferred	5.64	30	1.0	23.0	773,490
Red Deer West Limb	Inferred	4.34	30	0.95	19.7	499,920
Red Deer West-West Limb	Inferred	1.5	30	1.13	22.5	138,020
Wapiti Syncline	Inferred	1.0	30	1.0	18.6	126,530
Total	**Inferred**	**12.48**	**30**	**1.0**	**21.6**	**1,537,960**

TABLE 5 - WAPITI EXPLORATION TARGET

Depth below surface (m)	Category	Tonnes (million)	Width (m)	P_2O_5 (%) range
30	Exploration Target	2.9 to 3.3	0.85 to 0.97	20.8 to 22.2

TABLE 6 - WAPITI EXPLORATION TARGET BY PHOSPHATE ZONE

Area Description	Category	Length (km)	Depth (m)	Width (m)	P_2O_5 (%)	Resource (t)
Red Deer East Limb	Inferred Expln Target	5.64 2.5	30	1.0 0.78 – 1.0	23.0 23.0 - 25.5	773,490 268,640 – 342,860
Red Deer West Limb	Inferred Expln Target	4.34 9.3	30	0.95 0.67 - 0.95	19.7 19.7 - 22.5	499,920 848,610 – 1,071,250
Red Deer West-West Limb	Inferred	1.5	30	1.13	22.5	138,020
Wapiti Syncline	Inferred Expln Target	1.0 2.7	30	1.0 0.73 - 0.97	18.6 18.6 - 20.7	126,530 270,080 – 341,640
Total	**Expln Target**	**27.0**	**30**	**0.85 – 0.97**	**20.8 – 22.2**	**2,925,290 – 3,293,710**

Rehabilitated drill site drilled in September 2013

PROJECT REVIEW

— continued —

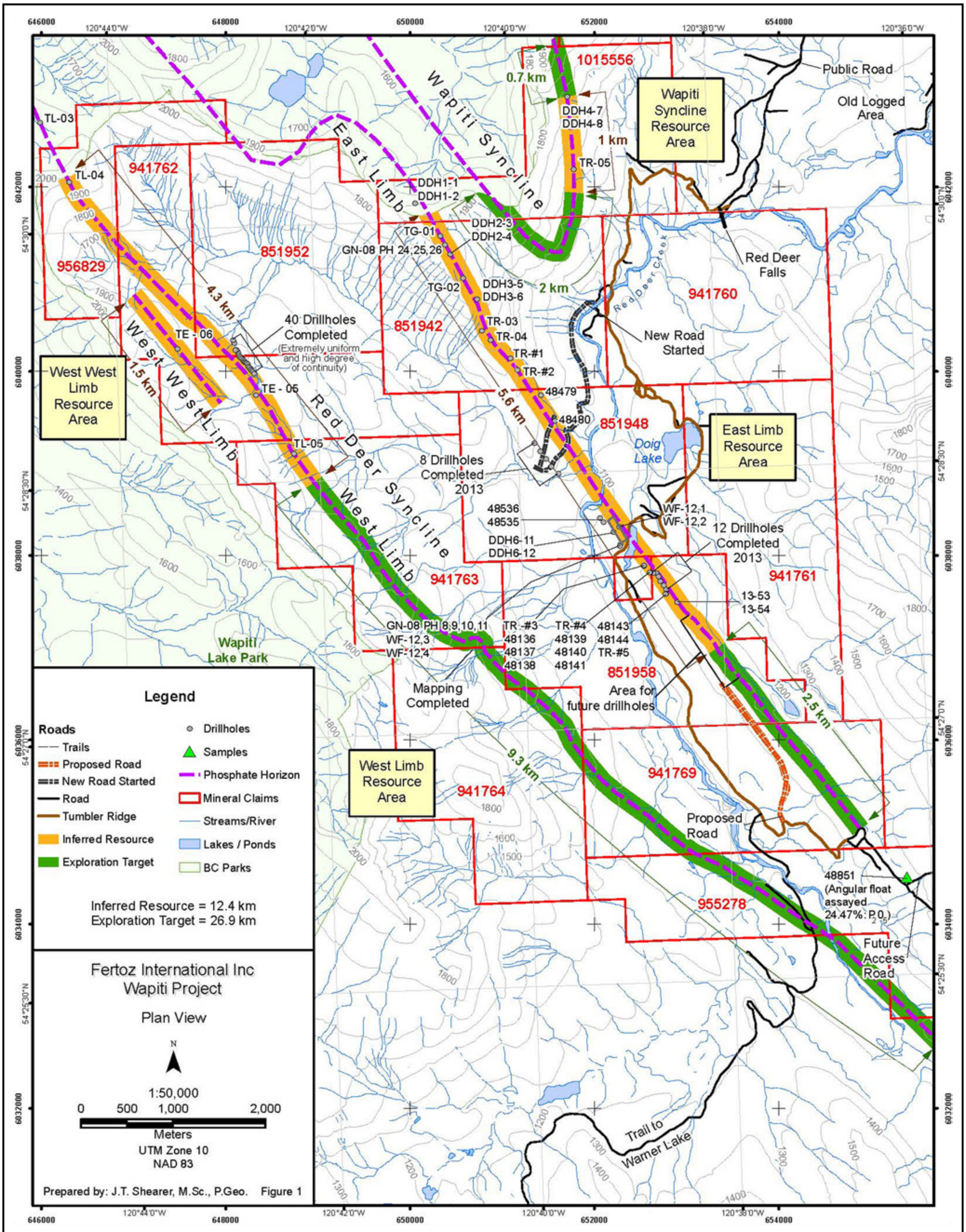

Figure 2 — Wapiti Inferred Resource and Exploration Target strike lengths and exploration locations

Second bulk sample

Fertoz began the process to apply for a permit to the British Columbia Mines Department to extract a second bulk sample of up to 7,500 tonnes in the December quarter of 2013. The process required the Company to complete tasks including:

- A metal leaching and acid rock drainage assessment
- An environmental plan, and
- An avalanche hazard assessment/safety plan.

In addition, various indigenous meetings with First Nations groups were required to be undertaken, in order to advise them of progress to date and the planned extraction of the bulk sample.

In February, Fertoz received approval to extract a winter bulk sample of 7,500 tonnes from the Wapiti project in British Columbia, Canada. Road access improvements were carried out in March but sample collection was delayed due to the fact that unseasonably warm weather prevented an ice bridge being constructed across Red Deer Creek.

On 30 April, Fertoz received approval to extract a further 2,000 tonnes, taking the bulk sample to 9,500 tonnes. In May, Fertoz received approval to extract a bulk sample of 17,500 tonnes of product for sale to the North American agricultural market. The Company is now planning to increase the total bulk sample to 30,000 tonnes.

As of 26 June, Fertoz had set up camp at Wapiti East in preparation for bulk sample collection. Chilko Construction completed the installation of eight culverts across creeks from the camp. The construction of an access road of approximately 2km to the "North" bulk sample location area has been completed and bulk sample collection commenced in August 2014.

Environmental baseline data collection and analysis has been completed by Nova Pacific Environmental and an environmental report prepared to support the small mine application of up to 75,000 tonnes per annum of phosphate rock. No residual adverse effects are expected from mining after implementing the mitigation measures outlined in the report. The Company is aiming to submit its mine application to the British Columbia Mines Department by November 2014.

Second bulk sample being mined in August 2014

PROJECT REVIEW

— continued —

Farms to trial phosphate

Fertoz began discussions with local farmers interested in trialling Wapiti East phosphate on their farms in the December quarter.

In March, Fertoz signed an agreement with two organic broad acre farms in Western Canada to trial the agronomic effectiveness of phosphate from its Wapiti Project. The farms are organically certified and the operators, who are professional agronomists, have agreed to assist Fertoz in increasing sales of Wapiti phosphate in the growing organic sector in North America.

Under the terms of the Agreement, Fertoz will supply up to 1,000 tonnes of phosphate rock from Wapiti at the mine gate. The farmers will be responsible for freight, rock phosphate processing and the costs of the farm trials.

All information, testing procedures, processing techniques and application methods will be provided to Fertoz as part of the Agreement.

In August the farmers received product and have commenced processing the phosphate ready for farm trial application which is expected to start in October 2014.

New tenements extend Wapiti East phosphate zone

Fertoz increased its phosphate tenement holding at Wapiti East in April 2013, receiving eight new tenements (2,168 hectares) from the British Columbian Ministry of Energy and Mines, to extend the potential phosphate horizon by approximately 12km, or 44%, from 27km to 39km. In addition, the areas secured during the year provide bulk phosphate storage, and camp site areas readily accessible from Tumbler Ridge.

The phosphate potential of the new tenements in the Mount Muinok area was investigated by Pacific Ridge Exploration in 2008. Shallow trenching samples produced results of 15% to 21% P_2O_5 over 1m to 2m wide intervals (Ref. 30718 Pacific Ridge Exploration Tumbler Ridge Report 2008).

Homegold royalty

Fertoz renegotiated an agreement with Homegold Resources Ltd ("Homegold") regarding the royalty for Wapiti in June 2014.

Homegold was to receive a royalty of C$2.50 per tonne of phosphate rock produced from Wapiti, provided the royalty did not exceed 5% of earnings before interest and tax from the operation. The royalty has been replaced with two milestone payments totalling C$100,000 which will be paid on achievement of the following milestones:

- First Milestone - the sale of 7,500 tonnes of phosphate rock from the Wapiti Project.
- Second Milestone - the sale of 100,000 tonnes of phosphate rock from the Wapiti Project.

C$50,000 will be payable on achievement of the First Milestone with C$5,000 to be paid in cash and C$45,000 to be paid in ordinary shares in Fertoz at the 10-day weighted average share price prior to the First Milestone.

C$50,000 will be payable on achievement of the Second Milestone to be paid in Fertoz ordinary shares at the 10-day weighted average share price prior to the Second Milestone.

Under the terms of the original agreement, Fertoz would pay Homegold a CAD$50,000 cash payment payable once the Company decided to proceed with commercial operations at Wapiti. Under the new terms, payment will be paid in Fertoz ordinary shares at the 10-day weighted average share price prior to achieving the First Milestone.

Jo Shearer, Fertoz's senior geologist and Chief Operating Officer in Canada, provides his services through Homegold. In addition to changing the bulk of the royalty payment to Fertoz scrip, from 1 June 2014, Mr Shearer has also agreed to receive $12,000 of his salary in Fertoz scrip every six months in lieu of cash.

Phosphate rock being milled, ready for farm trials

PROJECT REVIEW
— continued —

FERNIE PROJECT (100% OWNED)
BRITISH COLUMBIA, CANADA (MARTEN, BARNES LAKE AND CROWS NEST TENEMENTS)

The Fernie Project (which includes the Marten, Barnes Lake and Crows tenements) includes a total of 3,904ha and is located near Sparwood in British Columbia Canada. The tenements are within 25km of each other and are in close proximity to the operating East Kootenay Coalfield which is serviced by the established mining communities in the region. At the door step of the project is the existing road and rail transport links to the west coast ports of Canada as well as the North American arterial rail and road networks. Previous exploration work has highlighted the presence of widespread, shallow phosphate-bearing sediments associated with the base of the Jurassic-aged Fernie Formation.

Exploration

Fertoz completed reconnaissance exploration at the Fernie Project in the first half of the financial year which resulted in the Company expanding its prospective phosphate tenements in the Fernie Project area. During a 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 5 February 2014, the Company secured the Marten tenements to add to its portfolio for the Fernie Project. The Marten tenements consist of 1,215ha and are located 20km south east of Sparwood between Fertoz's existing tenements at Crows Nest and Barnes Lake (Figure 3). The Consolidated Mining and Smelting Company of Canada Limited (Cominco) carried out exploration in an extensive area of phosphate-bearing rocks in 1926, covered by the Marten tenement. In 1929, Cominco established an underground phosphate exploration mine there employing 13 people. Two shallow incline shafts were sunk and two small prospect tunnels were driven on the outcrop of the phosphate bed and a 7ft by 8ft drift (2.1m by 2.4m) was advanced 200ft (61m). The underground workings exposed a 2.25ft (0.7m) wide phosphate horizon with an average grade of 55% calcium triphosphate which equates to 25% P_2O_5 (Ref. BC Minfile Report 082G10). During the June

Coal train passing through Marten tenement quarter Fertoz located historical phosphate mine shafts, associated stockpiles and a road base pit containing phosphate on the Marten tenements.

In July 2014, Fertoz announced the British Columbia Ministry of Energy and Mines had approved a permit to allow the Company to extract a surface bulk sample of 10,000 tonnes of phosphate rock from the Marten tenements of its Fernie Phosphate Project in British Columbia, Canada. Fertoz is planning a small targeted drill programme and the extraction of a 10,000 tonne bulk sample with the Company intending to progress these activities in October 2014.

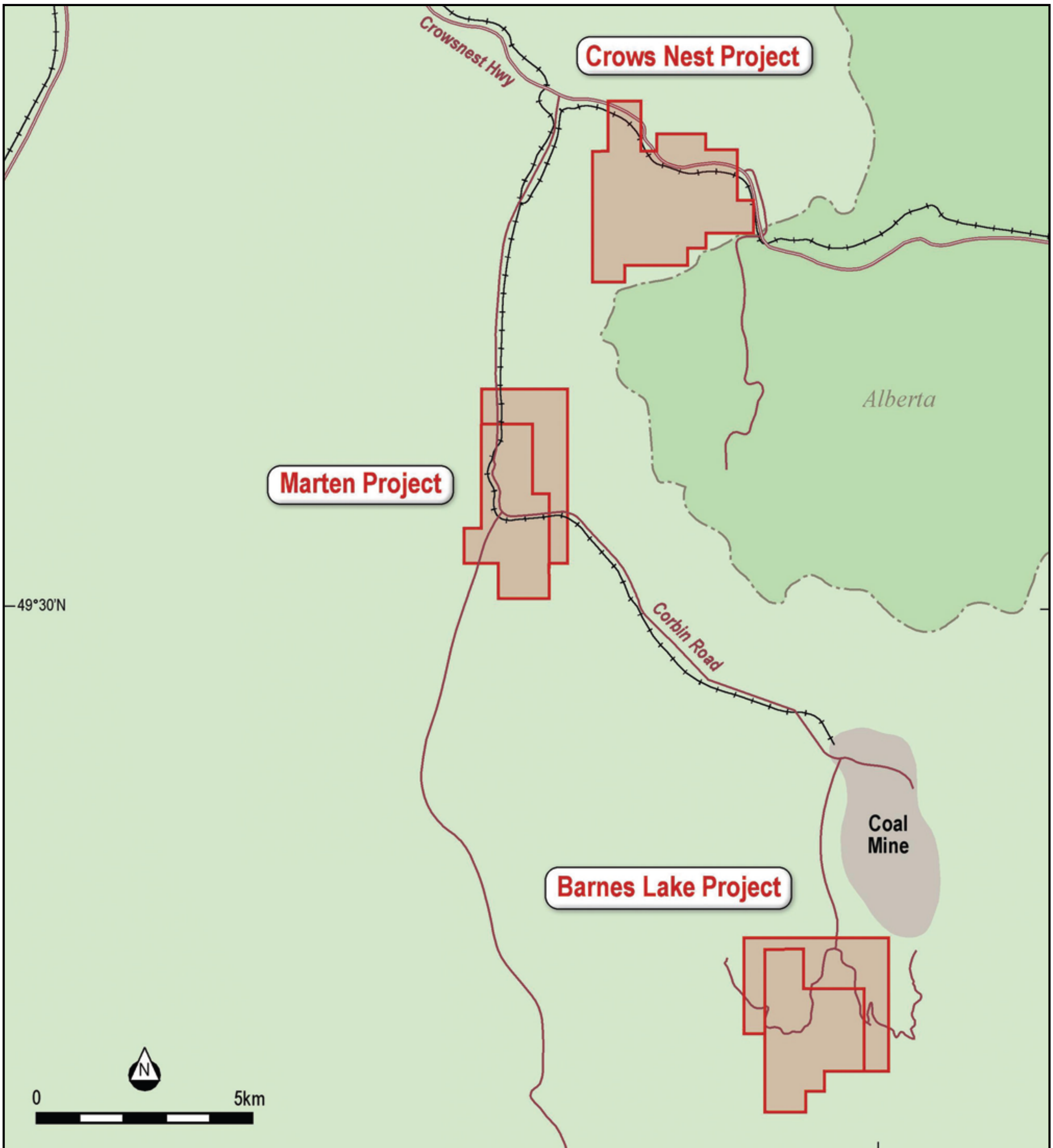

Figure 3 — Fernie Project (Marten, Crows Nest, Barnes Lake)

PROJECT REVIEW

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DRY RIDGE PROJECT (OPTION TO ACQUIRE 100% OWNERSHIP) IDAHO, USA

On 10 December 2013, Fertoz announced it had acquired an option from Sulfate Resources LLC ("Sulfate") to explore and acquire up to 100% of the Dry Ridge Phosphate Project in Idaho, USA from Solvay USA Inc. ("Solvay").

The Dry Ridge Phosphate Project is located in the established phosphate mining region of south-eastern Idaho, USA (Figure 4).

The Dry Ridge acquisition complements the Company's projects, and is close to existing and proposed phosphate mines in the Idaho area. The exploration licence covers 210 hectares and extends along the known north-south trending outcrop of phosphate bearing horizons demonstrated on the adjacent tenements. Previous trenching, mapping and analysis identified relatively narrow and high-grade phosphate zones grading up to 33% P_2O_5,

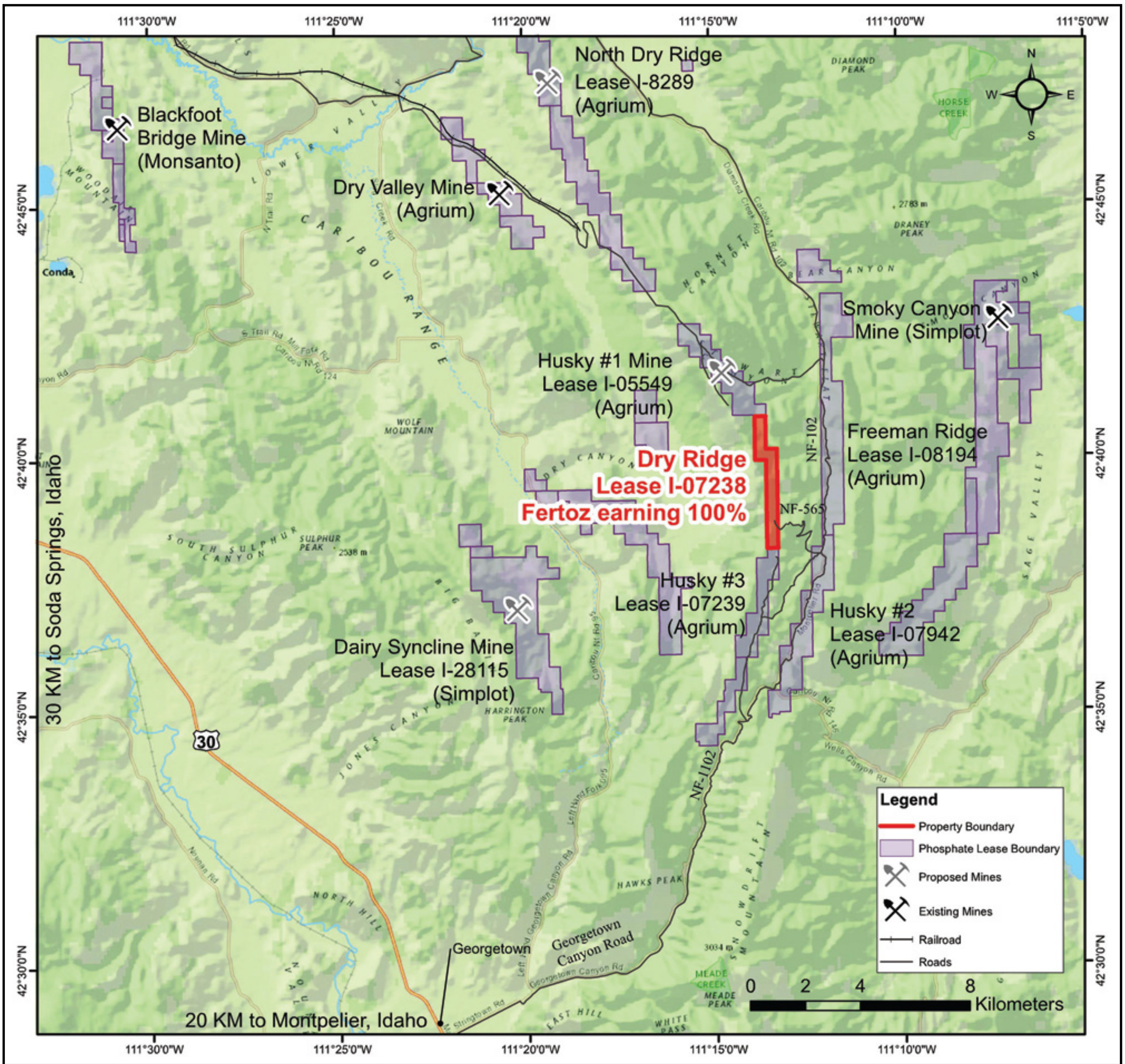

Figure 4 — Dry Ridge Project

at a width of 3m within larger, lower-grade zones. This phosphate is hosted in sedimentary horizons that extend north into the tenure owned by Agrium, which is developing the new Husky #1 phosphate mine (Federal Register Notice, 2 August 2012) and south to Husky #3 where Agrium is planning extensive exploration.

Under the Option Agreement, Fertoz has the right to explore the property until 30 August 2016 and can exercise its option to acquire the Project by paying Solvay up to a total of US$600,000 to earn an 80% interest in the project. The purchase price was agreed with Solvay on the basis that there is 12 million tons at a minimum grade of 24% P_2O_5 in the Project. Upon Fertoz exercising its right to acquire the Project, Fertoz will own 80% of the Project and Sulfate will own 20%. Fertoz can acquire the remaining 20% of the Project by paying US$200,000 to Sulfate by 9 December 2016.

On 19 February 2014, the US Federal Bureau of Land Management ("BLM") approved the transfer of the operating rights for the Company's Dry Ridge Phosphate Project to Fertoz.

In addition, the Company appointed Cascade Earth Sciences, World Industrial Minerals and other consultants to commence the expected 12-month approval process for its exploration programme which is planned to commence in the second half of 2015. The process for approving exploration programmes in Idaho requires significant third party input and reports prior to drilling commencing.

The Company started the approvals process by submitting to the BLM a comprehensive three-year exploration programme in April 2014. By submitting the exploration programme prior to 30 May 2014 the Company has met one of the conditions of the Dry Ridge Option Agreement.

Field work conducted in July has provided the geological data required to identify the locations for 48 drill sites and 24 trenches along the full 4.8km length of the Fertoz Dry Ridge lease area. Environmental studies (wildlife, vegetation and cultural) are underway.

The purpose of the Dry Ridge exploration programme is to provide an understanding of the phosphate formation rock types, orientation, geometry, quality, determine a Mineral Resource and collect environmental data in advance of mining.

AUSTRALIAN PROJECTS

During the December quarter, Fertoz completed the sale of six phosphate exploration tenements in the Northern Territory, known as the Katherine and Barkly tenements, to Mandarin Mining Pty Ltd for the consideration of $50,000. The Company had been searching for a joint venture partner for these projects but the sale of the tenements allowed management to focus on the development of North American, near-term projects, rather than expend funds on drilling lower grade targets in Australia.

The Company currently has two Australian projects. It has an Option Agreement in place at the Barrow Creek Project, NT with Rum Jungle Resources Ltd ("Rum Jungle'). Rum Jungle is responsible for all costs to explore and maintain the tenement in good standing. It has a three-year option to purchase the project for $1 million.

The Company also holds a tenement in Queensland called the Sherrin North Project, close to other phosphate projects and phosphate-bearing rocks. However, with the focus on the Americas, the Company is searching for a suitable company to either joint venture the tenement or achieve an outright sale.

LIST OF TENEMENTS

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
CANADA **Wapiti East**					
WK-1	851942	100%	450.8	21/04/2020	Fertoz International
WK-2	851948	100%	451	21/04/2020	Fertoz International
WK-3	851952	100%	450.8	21/04/2020	Fertoz International
WK-4	851958	100%	451	21/04/2020	Fertoz International
WK-5	941760	100%	450.8	21/04/2020	Fertoz International
WK-6	941761	100%	469.9	21/04/2020	Fertoz International
WK-7	941762	100%	450.9	21/04/2020	Fertoz International
WK-8	941763	100%	451.1	21/04/2020	Fertoz International
WK-9	941764	100%	451.3	21/04/2020	Fertoz International
WK-10	941769	100%	451.4	21/04/2020	Fertoz International
WK-11	955278	100%	470.3	21/04/2020	Fertoz International
WK-12	956829	100%	225.4	21/04/2020	Fertoz International
WK-One	982744	100%	18.8	21/04/2020	Fertoz International
Wapiti NE	1015556	100%	375.5	21/04/2020	Fertoz International
Wapiti Two	1015557	100%	168.9	21/04/2020	Fertoz International
Wapiti South	1015558	100%	376.4	21/04/2020	Fertoz International
WAP S2	1018104	100%	451.8	21/04/2020	Fertoz International
WAP S3	1018106	100%	451.8	21/04/2020	Fertoz International
WAP S4	1018107	100%	451.9	21/04/2020	Fertoz International
WAP S5	1018108	100%	452.1	21/04/2020	Fertoz International
WAP S6	1018109	100%	452.3	21/04/2020	Fertoz International
Red Deer 1	1023921	100%	150.2	20/11/2014	Fertoz International
Red Deer 2	1023922	100%	206.3	20/11/2014	Fertoz International
Red Deer 3	1023923	100%	150.1	20/11/2014	Fertoz International
Munok 1	1015626	100%	169.6	1/06/2017	Fertoz International
Belcourt 1	1015627	100%	113.3	1/01/2019	Fertoz International
Munok 2	1024783	100%	603.1	2/01/2015	Fertoz International
Belcourt 2	1024803	100%	301.8	3/06/2015	Fertoz International
Belcourt 3	1024806	100%	188.7	3/06/2015	Fertoz International
Belcourt 4	1024805	100%	339.8	3/06/2015	Fertoz International
Belcourt Link	1027037	100%	282.6	30/03/2015	Fertoz International
WAP 11	1027038	100%	168.9	30/03/2015	Fertoz International
SubTotal			**11098.6**		

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
CANADA *(continued)* **Wapiti West**					
Tunnel 1	942096	100%	446.1	27/03/2016	Fertoz International
Tunnel 2	942097	100%	446.0	27/03/2016	Fertoz International
Sukunka1	851714	100%	18.5	15/09/2016	Fertoz International
Sukunka2	980302	100%	444.2	15/09/2016	Fertoz International
PAL 1	1025451	100%	18.5	24/01/2015	Fertoz International
PAL 2	1018084	100%	443.9	27/03/2016	Fertoz International
PAL 3	1018085	100%	388.5	27/03/2016	Fertoz International
PAL 4	1018086	100%	444.1	27/03/2016	Fertoz International
SUK 3	1018087	100%	444.3	27/03/2016	Fertoz International
SUK 4	1018095	100%	444.5	27/03/2016	Fertoz International
SUK 5	1018096	100%	444.7	27/03/2016	Fertoz International
SUK 6	1018097	100%	444.9	27/03/2016	Fertoz International
SUK 7	1018098	100%	445.1	27/03/2016	Fertoz International
SUK 8	1018099	100%	445.3	27/03/2016	Fertoz International
SUK 9	1018101	100%	445.4	27/03/2016	Fertoz International
SUK 10	1018102	100%	445.6	27/03/2016	Fertoz International
SUK 11	1018103	100%	445.8	27/03/2016	Fertoz International
T11	1018128	100%	316.2	28/03/2016	Fertoz International
SubTotal			**6,971.6**		
Ferny					
Barnes Lake1	1011319	100%	609.0	19/07/2017	Fertoz International
Barnes Lake 2	1020873	100%	629.0	18/07/2015	Fertoz International
Crows Nest	1023062	100%	1,450.9	15/10/2014	Fertoz International
Marten 1	1024365	100%	754.3	12/12/2014	Fertoz International
Marten 2	1025533	100%	460.9	28/01/2015	Fertoz International
SubTotal			**3,904.0**		
Canada Total			**21,974.2**		

LIST OF TENEMENTS
— continued —

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
UNITED STATES					
Dry Ridge	I-07238	0%[1]	210.0	31/05/2016	Solvay USA Inc.
United States Total			**210.0**		
AUSTRALIA					
Sherrin North	EPM19448	100%	22,100.0	5/05/2018	Fertoz Limited
Barrow Creek	EL26915	100%[2]	74,387.0	7/4/2015	Fertoz Limited
Australia Total			**96,487.0**		

1 Fertoz has an option to acquire 100% of the tenement prior to 9 December 2016.
2 Joint venture agreement allows Central Australian Phosphate Ltd to earn an interest in the tenement.

DIRECTORS' REPORT

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 year ended 30 June 2014.

DIRECTORS

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

Mr James Chisholm
Mr Leslie Szonyi
Mr Adrian Byass
Mr Stephen Keith *(appointed 29 July 2014)*
Mr Alex Penha *alternate director to Mr Stephen Keith (appointed 29 July 2014)*
Mr Peter Bennetto *(resigned 26 November 2013)*

PRINCIPAL ACTIVITIES

The principal continuing activities during the period, of entities within the consolidated entity was phosphate exploration and development in British Columbia, Canada and Idaho, United States of America.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $2,133,636 (2013: $1,867,270).

A review of operations for the period, and the results of those operations is contained within the Project Review and Corporate review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

The Company raised $4,000,000 (before costs) and listed on the Australian Securities Exchange on 2 September 2013 resulting in the issue of 20,0000,000 ordinary shares taking issued capital of the Company to 45,009,595 Ordinary Shares.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

DIRECTORS' REPORT

— continued —

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects as opportunities arise.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulations under laws of Queensland, Australia, Northern Territory, Australia, British Columbia, Canada and Idaho, U.S.A where it either holds mineral exploration tenements or has a right to explore on such tenements. During the financial year the consolidated entity's activities recorded no non-compliance issues.

INFORMATION ON DIRECTORS

Mr James Chisholm

Title	Non-Executive Chairman
Qualifications	B.Eng, MBA
Experience and expertise	Mr Chisholm is a qualified engineer, having worked in the engineering, mining, oil and gas sectors for the past 28 years. James has worked on numerous resource construction and maintenance projects around Australia, primarily covering coal, iron ore, and agricultural mining and processing. James co-founded The Chairmen1 Pty Ltd which sold its assets to Guildford Coal Ltd (ASX: GUF), becoming its largest shareholder. James is experienced in start-up exploration and development companies.
Other current directorships	Non-executive Chairman of Atrum Coal NL (ASX: ATU)
Former directorships (in the last 3 years)	None
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares	5,303,380 ordinary shares
Interests in options	1,230,769

Dr Leslie Szonyi

Title	Managing Director
Qualifications	B. Eng, Ph.D. Chemical Engineering, Member of AICD
Experience and expertise	Dr Les Szonyi has over 30 years' experience in the chemicals processing industry, including 18 years at Orica (formerly ICI Australia). He spent the five and a half years prior to joining Fertoz based in Central Queensland, leading Queensland Nitrates (QNP), an integrated manufacturer of ammonia, nitric acid and ammonium nitrate. Les has a track record of increasing shareholder value through enhanced commercial performance, contract negotiation, technical excellence, project management and superior operations and safety performance.
Other current directorships	None
Former directorships (in the last 3 years)	None
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees.
Interests in shares	690,438 Ordinary Shares
Interests in options	2,461,540

DIRECTORS' REPORT
— continued —

Mr Adrian Byass

Title	Independent Non-executive Director
Qualifications	BSc (Hon), B.Econ, Member of Institute of Geoscientists, Fellow of Society of Economic Geology
Experience and expertise	Mr Byass has over 18 years' experience in the mining and minerals industry. This experience has principally been gained through mining, resource estimation, mine development and exploration roles for several gold, base metals and speciality metal mining and exploration companies worldwide. Mr Byass is a Competent Person for reporting to the ASX for certain minerals. My Byass has also gained experience in corporate finance and financial modelling during his employment with publicly listed mining companies. He is currently managing director of Plymouth Minerals Limited.
Other current directorships	Ironbark Zinc Limited (ASX: IBG), Corazon Mining Limited (ASX: CZN) and Plymouth Minerals Limited (ASX: PLH)
Former directorships (in the last 3 years)	Wolf Minerals Ltd (resigned 27th June 2013)
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares	130,000 Ordinary Shares
Interests in options	923,076

Mr Stephen Keith *(appointed 29 July 2014)*

Title	Independent Non-executive Director
Qualifications	P.Eng, B.Sc. Applied Science, MBA
Experience and expertise	Stephen is based in Toronto and was President and Chief Executive Officer (CEO) of Search Minerals Inc. (TSX-V:SMY), a company focused on the exploration and development of strategic metals. Prior to his work with Search Minerals, Mr Keith was a founder and the President of Rio Verde Minerals Development Corp, a phosphate company he took from concept to listing on the TSX-V. Mr Keith led Rio Verde Minerals until its acquisition by B&A Fertilizers Limited on March 13, 2013. In addition Stephen sits on the Board of Directors of Aura Minerals (TSX:ORA) and is a strategic advisor to Dominican Renewables Inc.
Other current directorships	Aura Minerals (TSX:ORA).
Former directorships (in the last 3 years)	Search Minerals Inc. (resigned 28 July 2014), Rio Verde Minerals Development Corp (resigned 13 March 2013)
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares	None
Interests in options	None

INFORMATION ON DIRECTORS

(continued)

Mr Alexandre Penha *(appointed 29 July 2014)*

Title	Alternate Non-executive Director to Stephen Keith
Qualifications	BA, B.Sc. Economics, post-degree in Corporate Finance
Experience and expertise	Alex is based in Toronto and has worked closely with Stephen Keith for a number of years at both Search Minerals (Director and EVP) and Rio Verde Minerals (VP of Corporate Development). Alex has over eight years of experience in mining capital markets, including corporate development, research and investment banking. Alex is a board member of the Brazil-Canada Chamber of Commerce and Chairman of its mining Committee.
Other current directorships	None
Former directorships (in the last 3 years)	Search Minerals Inc. (resigned 28 July 2014)
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares	None
Interests in options	None

Mr Peter Bennetto *(resigned 26 November 2013)*

Title	Non-executive Director
Qualifications	Member of FSIA. Member of AICD
Experience and expertise	Mr Bennetto has over 30 years' experience in banking and investment. He has had deep involvement in capital, currency and commodity markets with Societe Generale and Banque Indosuez. He has held company director positions in exploration, mining and manufacturing companies listed on the ASX since 1990 and is currently the non-executive chairman of Ironbark Zinc Ltd.
Other current directorships	Ironbark Zinc Ltd
Former directorships (in the last 3 years)	Waratah Resources Limited resigned 23 January 2013.
Special responsibilities	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares	Not applicable as no longer a director
Interests in options	Not applicable as no longer a director

DIRECTORS' REPORT

— continued —

COMPANY SECRETARY

Mr McInally was appointed as Chief Financial Officer and Company Secretary on 4 October 2012. Mr Julien McInally (B.Bus ,CPA, MBA) is a CFO/Company Secretary with over 15 years of resource industry experience with public listed companies on the TSXV, AIM and ASX stock exchanges. He has expertise in capital raisings, mergers and acquisitions, project evaluation of complex mining projects, strategy, commercial agreements, statutory and management reporting and compliance and governance obligations of publicly listed companies.

DIRECTORS MEETINGS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	FULL BOARD	
Name	**Attended**	**Held**
James Chisholm	7	7
Peter Bennetto	4	4
Adrian Byass	7	7
Leslie Szonyi	7	7

Held: represents the number of meetings held during the time the director held office.

The Board of the Company undertake the responsibilities of both the Nomination and Remuneration Committee and the Audit and Risk Committee.

Mr Stephen Keith and Mr Alex Penha were appointed after the financial year ended 30 June 2014.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional disclosures relating to key management personnel

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board undertakes the responsibilities of the Nomination and Remuneration Committee and is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

DIRECTORS' REPORT
— continued —

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors receive share options to ensure alignment with the Boards responsibility of creating shareholder wealth. The remuneration for the non-executive directors including the Chairman has been set at $36,000 per annum. Remuneration for non-executive directors commenced in September following the listing of the Company on the Australian Securities Exchange.

ASX listing rules require the aggregate non-executive director’s remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 29 May 2012, where the shareholders approved an aggregate remuneration of $250,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The Company does not have short-term incentives ('STI') at this time.

Consolidated entity performance and link to remuneration

Because the consolidated entity is in exploration and not production, there is no direct relationship between the consolidated entity’s financial performance and the level of remuneration paid to key management personnel.

The link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international phosphate prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

Executive remuneration (continued)

The company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2014.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')
The remuneration report presented to shareholders at the 2013 AGM was accepted with no comments made.

B Details of remuneration

Details of the remuneration of the key management personnel of consolidated entity are set out in the following tables. There were no other key management personnel of the consolidated entity other than the directors.

2014	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		
Name	Cash salary and fees	Annual leave accrued	Non-monetary	Superannuation	Options	Shares	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
James Chisholm (Chairman)	30,000	-	-	-	18,529	-	48,529
Peter Bennetto *	8,600	-	-	-	18,529	-	27,129
Adrian Byass	30,000	-	-	-	21,923	-	51,923
Executive Directors							
Leslie Szonyi	304,388	2,266	-	25,612	34,258	-	366,524
Total	372,988	2,266	-	25,612	93,239	-	494,105

* Mr Bennetto resigned as a director on 26 November 2013

DIRECTORS' REPORT

— continued —

2013	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		
Name	**Cash salary and fees**	**Annual leave accrued**	**Non-monetary**	**Superannuation**	**Options**	**Shares**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors							
James Chisholm (Chairman)	-	-	-	-	109,084	-	109,084
Peter Bennetto	-	-	-	-	109,084	-	109,084
Adrian Byass	-	-	-	-	106,077	-	106,077
Executive Directors							
Leslie Szonyi	302,752	29,423	-	27,248	201,677	-	561,100
Total	302,752	29,423	-	27,248	525,922	-	885,345

The proportion of remuneration linked to performance and the fixed proportion are as follows.

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
Name	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Non-Executive Directors						
James Chisholm (Chairman)	62%	-%	-%	-%	38%	100%
Peter Bennetto	32%	-%	-%	-%	68%	100%
Adrian Byass	58%	-%	-%	-%	42%	100%
Executive Directors						
Leslie Szonyi	91%	64%	-%	-%	9%	36%

There was no proportion of the cash bonuses paid/payable or forfeited in either 2014 or 2013.

C Service agreements

Remuneration and other terms of employment for key executive management personnel are formalised in service agreements. Details of these agreements are as follows:

	Leslie Szonyi
Title	Managing Director and Chief Executive Officer
Agreement commenced	4 April 2011
Term of agreement	On-going
Details	**a.** Base salary including superannuation guarantee levy is $330,000. The base salary is reviewed annually in accordance with increases the Consumer Price Index. **b.** If, with the approval of the Board, Dr Szonyi performs extra services or makes any special exertion for the benefit of the Company, then the Directors may (in accordance with the Constitution) approve the payment of special and additional remuneration in relation to such services; **c.** Dr Szonyi may terminate the Executive Agreement at any time by giving Fertoz not less than 6 months written notice; **d.** Fertoz Ltd may terminate the Executive Agreement: **i.** at any time by giving Dr Szonyi 12 months written notice, or payment in lieu of that notice; and **ii.** without prior notice in certain prescribed circumstances, including where Dr Szonyi commits a serious or persistent breach of the Executive Agreement.

DIRECTORS' REPORT

— continued —

D Share-based compensation

Issue of shares

No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options

There where no options over ordinary shares granted in this financial year as part of compensation during the year ended 30 June 2014. All Long Term Incentive options appearing as remuneration in this financial year are due to options granted in previous years and that vested during this financial year.

All Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
Name	**2014**	**2013**	**2014**	**2013**
James Chisholm (Chairman)	-	-	1,230,769	-
Peter Bennetto	-	-	1,230,769	-
Adrian Byass	-	923,076	923,076	-
Leslie Szonyi	-	-	2,461,540	-

No options over ordinary shares were granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014.

E Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary Shares	Balance at the start of year	Received as part of remuneration	Additions	Other	Balance at end of year
James Chisholm	5,214,380	-	89,000	-	5,303,380
Peter Bennetto *	819,042	-	-	(819,042)	-
Adrian Byass	-	-	130,000	-	130,000
Leslie Szonyi	678,679	-	11,759	-	690,438
Total	6,712,101	-	230,759	(819,042)	6,123,818

Option holding

The number options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary Shares	Balance at the start of year	Received as part of remuneration	Additions	Other	Balance at end of year
James Chisholm	1,230,769	-	-	-	1,230,769
Peter Bennetto *	1,230,769	-	-	(1,230,769)	-
Adrian Byass	923,076	-	-	-	923,076
Leslie Szonyi	2,461,540	-	-	-	2,461,540
Total	5,846,154	-	-	(1,230,769)	4,615,385

All options as at year end had vested and are exercisable, however, the shares underlying the options are escrowed until 2 September 2015.

This concludes the remuneration report, which has been audited.

* Other represents shares held by Mr Bennetto at resignation date

DIRECTORS' REPORT
— continued —

SHARES UNDER OPTION

Unissued ordinary shares of Fertoz Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
29 May 2012	1 September 2017	$0.25	1,846,155
29 May 2012	1 September 2017	$0.35	1,230,769
29 May 2012	1 September 2017	$0.45	1,230,769
29 May 2012	1 September 2017	$0.55	615,385
6 July 2012	1 September 2017	$0.25	307,692
3 September 2012	1 September 2017	$0.25	307,692
3 September 2012	1 September 2017	$0.35	307,692
3 September 2012	1 September 2017	$0.45	307,692
24 April 2013	1 September 2017	$0.25	4,000,000
1 May 2013	1 September 2017	$0.25	461,538
Total			10,615,384

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Fertoz Limited issued during the year ended 30 June 2014 and up to the date of this report on the exercise of options granted.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 3 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 3 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO AUDIT PTY LTD

There are no officers of the company who are former audit partners of BDO Audit Pty Ltd.

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.

AUDITOR

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

On behalf of the directors

James

James Chisholm
Chairman
26 September 2014

INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF FERTOZ LIMITED

As lead auditor of Fertoz Limited for the year ended 30 June 2014, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A J Whyte
Partner

BDO Audit Pty Ltd

Location, 26 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of Fertoz Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Principles and Recommendations with 2010 Amendments (2nd Edition) in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		Response	Compliance
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The process for the performance of senior executives is included in the Performance and Evaluation Policy.	Complies.
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	A Board Charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement. A performance evaluation process is included in the Performance and Evaluation Policy which has been disclosed on the company's website and is summarised in this Corporate Governance Statement. The company's website is www.fertoz.com.au. The Board had not conducted a performance evaluation for senior executives in the financial year due to the Company having only been listed since September 2013. Performance evaluations will be conducted in accordance with the policy in October 2013 after a full year of operations since listing has been concluded.	Complies.

CORPORATE GOVERNANCE STATEMENT

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Principles and Recommendations		Response	Compliance
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	As at the date of this report, the Company does not have a majority of independent directors. The Board considers the Company is not currently of a size, or its affairs of such complexity, to justify the establishment of this requirement.	Does not comply.
2.2	The chair should be an independent director.	As at the date of this report, the Company does not have an Independent director as Chairman. The Board considers the Company is not currently of a size, or its affairs of such complexity, to justify the appointment of such.	Does not comply.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	James Chisholm is the Chairman and Leslie Szonyi is the Managing Director and Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee.	The company does not have a Nomination and Remuneration Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors and senior executives. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board. The Board considers the current mix of skills and experience of members of the Board and its senior executives is sufficient to meet the requirements of the company. The Board supports the nomination and re-election of the directors at the company's forthcoming Annual General Meeting.	Does not comply.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Performance and Evaluation Policy which is available on the company's website at www.fertoz.com.au.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	The information has been disclosed, where applicable, in the directors' report attached to the Corporate Governance Statement.	Complies.

Principles and Recommendations		Response	Compliance
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board has adopted a Code of Conduct. The Code outlines the framework for ensuring that the Company's decision making and actions are undertaken in an ethical and accountable manner and in accordance with the relevant laws and regulations of the countries in which it operates.. The Code confirms the company's commitment to operating with integrity and with a duty of care to its stakeholders (shareholders, employees, customers, suppliers etc) and the broader community in which it operates. All employees are encouraged to report any concerns or departure from the Code. The Code of Conduct is available on the company's website, www.fertoz.com.au	Complies.
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	The Board has adopted a Diversity Policy. that outlines recognises the benefits of employee and board diversity, the importance of benefiting from all available talent and promoting an environment conducive to the appointment of well qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate and business goals. The Board is responsible for implementing this policy, setting measurable objectives and strategies to achieve the purpose of this policy and monitoring the Group's progress through the monitoring, evaluation and reporting mechanisms. The Company's strategy does include the requirement to recruit from a diverse pool of candidates, use a transparent process and employee consultants to identify and assess the best candidates if appropriate. The Diversity Policy is available on the company's website.	Complies.

CORPORATE GOVERNANCE STATEMENT

— continued —

Principles and Recommendations		Response	Compliance
Principle 3 – Promote ethical and responsible decision-making *(continued)*			
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	The Board has not set the following measures for achieving gender diversity in the consolidated entity: Women on the Board Women in senior executive positions Women in the organisation The board considers the company of insufficient size to make it practical to set such targets.	Does not comply.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	The proportion of women employees in the consolidated entity as at 30 June 2014 are as follows: Women on the Board 0% Women in senior executive positions 0% Women in the organisation 0%	Complies.
3.5	Provide the information indicated in the *Guide to reporting on Principle 3*	The Code of Conduct and Diversity Policy has been disclosed on the company's website and is summarised in this Corporate Governance Statement. The measureable objectives for achieving gender diversity and progress towards achieving them is not disclosed in this Corporate Governance Statement as the board considers the company of insufficient size to make it practical to set such targets. As the operations of the Company develop the Board will reassess the setting of measurable diversity targets. The proportion of women in the company is disclosed in this Corporate Governance Statement.	Does not comply.

Principles and Recommendations		Response	Compliance
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board considers the Company is not currently of a size, or its financial affairs of such complexity, to justify the establishment of an audit committee. The Board as a whole is responsible for the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of operation of the internal control systems. Whilst the Board is not structured in the manner set out in the Principles and Recommendations, the Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further the Board does not consider that the Company is of sufficient size to justify the appointment of additional Directors for the sole purpose of satisfying the Recommendations as it would be cost prohibitive. As the operations of the Company develop the Board will reassess the formation of the Audit Committee.	Does not comply.
4.2	The audit committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	Not applicable see 4.1 above	Not applicable see 4.1 above.
4.3	The audit committee should have a formal charter.	The Board has adopted an Audit and Risk Committee Charter even though the company does not have an audit committee. This Charter is available on the company's website.	Complies.
4.4	Provide the information indicated in the *Guide to reporting on Principle 4.*	This information has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.	Complies.

CORPORATE GOVERNANCE STATEMENT

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Principles and Recommendations		Response	Compliance
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The company has adopted a Continuous Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website at www.fertoz.com.au.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The company's Continuous Disclosure Policy is available on the company's website at www.fertoz.com.au.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company has adopted a Shareholder Communications Policy. The company uses its website (www.ifrssystem.com), annual and interim reports, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website at www.fertoz.com.au.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The company's Shareholder Communications Policy is available on the company's website at www.fertoz.com.au.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the Audit and Risk Committee Charter. As there is no Audit and Risk Committee, the Board is responsible for managing risk and is ultimately responsible for such. The Audit and Risk Committee Charter is available on the company's website.	Complies.

Principles and Recommendations		Response	Compliance
Principle 7 – Recognise and manage risk *(continued)*			
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in the *Guide to reporting on Principle 7.*	The Board has adopted an Audit and Risk Committee Charter which includes a statement of the company's risk policies. This Charter is available on the company's website. The company has identified key risks within the business and has received a statement of assurance from the Chief Executive Officer and Chief Financial Officer.	Complies.

CORPORATE GOVERNANCE STATEMENT

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Principles and Recommendations		Response	Compliance
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board considers the Company is not currently of a size, or its financial affairs of such complexity, to justify the establishment of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for the Directors and executives of the company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a Remuneration Committee.	Does not comply.
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	Refer to 8.1	Does not comply.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. The remuneration structure has been disclosed in the directors' report attached to the Corporate Governance Statement. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	The Board has adopted a Nomination and Remuneration Committee Charter. This Charter is available on the company's website. The company does not have any schemes for retirement benefits other than superannuation for senior executives.	Complies.

Fertoz Limited's corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Fertoz Limited, refer to our website: www.fertoz.com.au

BOARD FUNCTIONS

The role of the Board is as follows:

- Representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the company. This includes overviewing the financial and human resources the company has in place to meet its objectives and the review of management performance;
- Protecting and optimising company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- Responsible for the overall Corporate Governance of Fertoz Limited and its controlled entities, including monitoring the strategic direction of the company and those entities, formulating goals for management and monitoring the achievement of those goals;
- Setting, reviewing and ensuring compliance with the company's values (including the establishment and observance of high ethical standards); and
- Ensuring shareholders are kept informed of the company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- the appointment of the chairperson, company secretary and the composition of the Board;
- the appointment of the chief executive officer/managing director, senior management team and key staff (if any), the determination of the terms of such appointment (including remuneration and termination) and the review of their performance;
- formulation, review and approval of the Group's direction, strategies, business objectives and targets;
- reviewing, approving and monitoring significant business transactions, including capital expenditure, acquisitions, divestments and organisational restructures;
- monitoring the Group's financial performance by reviewing and approving budgets, assessing the Group's performance against budgets and monitoring the adequacy and integrity of financial and other reporting procedures;
- approving annual, half yearly and quarterly accounts;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them;
- approving the issue of any shares, options or other securities in the Company (subject to compliance with any applicable ASX Listing Rules);
- ensuring that adequate internal control systems, procedures and standards, including risk management systems, codes of conduct and legal compliance and ethical standards, are in place and complied with; and
- ensuring corporate accountability to shareholders primarily through adopting an effective shareholder communications strategy.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act 2001.

CORPORATE GOVERNANCE STATEMENT

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Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the Managing Director/CEO;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

STRUCTURE OF THE BOARD

The company's constitution governs the regulation of meetings and proceedings of the Board. The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the company constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including compliance with the Diversity Policy. It is also intended that the chair should be an independent non-executive director. The Board regularly reviews the independence of each director in light of their interests disclosed to the Board.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations (2nd edition). The Board will review the independence of each director in light of interests disclosed to the Board from time to time. In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Fertoz Limited are considered to be independent:

Name	Position
Adrian Byass	Non-Executive Director
Stephen Keith	Non-executive Director (appointed 29 July 2014)
Alex Penha	Alternative Non-Executive Director to Stephen Keith (appointed 29 July 2014)
Peter Bennetto	Non-Executive Director (resigned 26 November 2013)

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the company's expense.

The appointment date of each director in office at the date of this report is as follows:

Name	Position	Appointment Date
James Chisholm	Non-Executive Director, Chairman	Reappointed 27 November 2013
Lesley Szonyi	Managing Director	Appointed 29 May 2012
Adrian Byass	Non-Executive Director	Appointed 20 November 2012
Peter Bennetto	Non-Executive Director	Resigned 26 November 2013
Stephen Keith	Non-Executive Director	Appointed 29 July 2014
Alex Penha	Alternative Non-Executive Director	Appointed 29 July 2014

Further details on each director can be found in the directors' report attached to this Corporate Governance Statement.

DIVERSITY POLICY

The company is committed to providing an inclusive workplace and recognises the value of individuals with diverse skills, values, backgrounds and experiences will bring to the company. At the core of the company's diversity policy is a commitment to equality and respect. Diversity is recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. People differ not just on the basis of race and gender, but also other dimensions such as lifestyle, education, physical ability, age and family responsibility.

Whilst the achievement of diversity in all areas is important to the company, as required by the ASX Listing Rules, the company has not set measureable objectives for achieving gender diversity as the board considers the company of insufficient size to make it practical to set such targets. As the operations of the Company develop the Board will reassess the setting of measurable diversity targets.

SECURITIES TRADING POLICY

Under the company's Securities Trading Policy, directors, officers and employees of the company should not trade in the company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the company by virtue of their position within the company. Therefore those persons are restricted from dealing in the company's securities in the thirty day period immediately preceding the release of price sensitive information to the ASX (non-trading period).

In addition, directors, officers and employees can only deal in the company's securities after having first obtained clearance from the company, and must notify the Company Secretary when a trade has occurred.

As required by the ASX Listing Rules, the company requires the directors to disclose to the Company any transaction conducted by directors in the securities of the company within 5 days of the transaction taking place and the Company makes an announcement to the ASX within that period.

The Securities Trading Policy has been issued to ASX and can be found on the company's website.

CORPORATE GOVERNANCE STATEMENT

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AUDIT AND RISK COMMITTEE

As at the date of this report, the company does not have an Audit & Risk Management Committee. The full Board of Directors undertake the role of this Committee. Given the composition of the Board and the size of the Company, it is felt that a separate committee is not yet warranted, however it is expected that as the Company's operations expand the needs in this regard will be monitored. However, the Company does have an Audit and Risk Committee Charter which the Board has adopted.

RISK

The responsibility of overseeing risk falls within the Charter of the Audit and Risk Committee is conducted by the Board. Management and the Board continually undertake risk assessments of the company's operations, procedures and processes. The risk assessments are aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the company, which is being done through natural or instinctive process by employees of the company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies or ensuring compliance reporting is up to date.

CEO AND CFO CERTIFICATION

The Chief Executive Officer and Chief Financial Officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the company's risk management and internal compliance and control system is operating effectively in all material respects;
- the company's financial statements and notes thereto comply with the accounting standards; and the company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

PERFORMANCE

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria:

- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.

- Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

REMUNERATION

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the company and consolidated entity's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company and consolidated entity; and
- performance incentives that allow executives to share in the success of the Fertoz Limited.

For a more comprehensive explanation of the company's and consolidated entity's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the remuneration report, which is contained within the directors' report.

There is no scheme to provide retirement benefits to executive or non-executive directors, except for Government guaranteed superannuation contributions.

The Board which undertakes the role of the Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and executive team.

CORPORATE SOCIAL RESPONSIBILITY

The company has embraced responsibility for the company's actions and encourages a positive impact through its activities on the environment, employees, communities and stakeholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue from continuing operations		-	-
Other income	4	74,371	14,650
		74,371	14,650
Expenses			
Depreciation		1,121	1,542
Employee benefits expense		625,532	926,543
Exploration expenditure not capitalised		38,447	-
Finance costs		-	575
Write off of exploration and evaluation assets		630,632	560,048
Loss on disposal of exploration and evaluation assets		390,738	290,515
Listing fees and share registry expenses		44,379	-
Professional services		298,098	79,247
Travel		48,774	4,637
Other expenses		130,286	18,813
Profit/(loss) before income tax expense from continuing operations		(2,133,636)	(1,867,270)
Income tax expense		-	-
Profit/(loss) after income tax expense for the year		(2,133,636)	(1,867,270)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(62,060)	-
Other comprehensive income for the year, net of tax		(62,060)	-
Total comprehensive income/(loss) for the year		(2,195,696)	(1,867,270)
Earnings per share attributable to the owners of Fertoz Limited			
Basic earnings per share	23	(0.051)	(0.058)
Diluted earnings per share	23	(0.051)	(0.058)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	2,240,672	788,308
Trade and other receivables	7	59,216	445,405
Other current assets	8	19,100	-
Total current assets		2,318,988	1,233,713
Non-current assets			
Exploration and evaluation assets	9	1,983,400	1,728,918
Property, plant and equipment	10	27,289	1,039
Total non-current assets		2,010,689	1,729,957
Total assets		4,329,677	2,963,670
Liabilities			
Current liabilities			
Trade and other payables	11	153,824	105,787
Total current liabilities		153,824	105,787
Total liabilities		153,824	105,787
Net assets		4,175,852	2,857,883
Equity			
Issued capital	12	8,320,798	4,929,395
Reserves		927,440	867,238
Retained profits	13	(5,072,386)	(2,938,750)
		4,175,852	2,857,883

The above statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(916,582)	(436,484)
Other income received		500	10,050
Interest received		69,544	4,600
Interest paid		-	(575)
Net cash inflow/(outflow) from operating activities	19	(846,538)	(422,409)
Cash flows from investing activities			
Payment for property, plant and equipment		(33,683)	-
Payment for exploration and evaluation assets		(1,364,382)	(536,209)
Receipts from sale of mining tenements		50,000	250,000
Net cash inflow/(outflow) from investing activities		(1,348,065)	(286,209)
Cash flows from financing activities			
Proceeds from issue of shares		4,000,000	1,716,629
Payments for equity raising costs		(353,033)	(328,256)
Net cash inflow/(outflow) from financing activities		3,646,967	1,388,373
Net increase/(decrease) in cash and cash equivalents		1,452,364	679,755
Cash and cash equivalents at the beginning of the financial period		788,308	108,553
Cash and cash equivalents at the end of the financial period	6	2,240,672	788,308

The above statement of cash flows should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital $	Retained Profits $	Share Based Payment Reserve $	Translation Reserve $	Total Equity $
Balance at 1 July 2012	3,265,416	(1,071,480)	170,839	-	2,364,775
Profit/(loss) after income tax expense for the year	-	(1,867,270)	-	-	(1,867,270)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit/(loss) for the year	-	(1,867,270)	-	-	(1,867,270)
Transaction with owners in their capacity as owners:					
Shares issued	1,663,979	-	-	-	1,663,979
Share-based payments	-	-	696,399	-	696,399
At 30 June 2013	4,929,395	(2,938,750)	867,238	-	2,857,883
Balance at 1 July 2013	4,929,395	(2,938,750)	867,238	-	2,857,883
Profit/(loss) after income tax expense for the year	-	(2,133,636)	-	-	(2,133,636)
Other comprehensive income for the year	-	-	-	(62,060)	(62,060)
Total comprehensive profit/(loss) for the year	-	(2,133,636)	-	(62,060)	(2,195,696)
Transaction with owners in their capacity as owners:					
Shares issued	4,000,000	-	-	-	4,000,000
Share issue costs	(608,597)	-	-	-	(608,597)
Share-based payments	-	-	122,262	-	122,262
At 30 June 2014	8,320,798	(5,072,386)	989,500	(62,060)	4,175,852

The above statement of changes in equity should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (continued)

Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Critical accounting judgements, estimates and assumptions section of this note.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Fertoz Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Fertoz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Fertoz Limited’s functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
Foreign currency translation *(continued)*

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

Income tax *(continued)*

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

Cash flow hedges *(continued)*

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Furniture, fittings and equipment	3-8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
Share-based payments (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Fertoz Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Standards and Interpretations not yet mandatory or early adopted *(continued)*

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Going concern

The directors acknowledge that to continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further funding. In the event that the Group is unable to raise future funding requirements, there exists a material uncertainty regarding the Group’s ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded assets amounts, or to the classification of liabilities which might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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.

Consolidated 30/06/2014	Australia	Canada	USA	Unallocated	Total
Revenue					
Other revenue	-	-	-	74,371	74,371
Total revenue	-	-	-	74,371	74,371
Loss before income tax expense	(1,021,370)	-	-	(1,112,266)	(2,133,636)
Income tax revenue	-	-	-	-	-
Loss after income tax expense	(1,021,370)	-	-	(1,112,266))	(2,133,636)

	Australia	Canada	USA	Unallocated	Total
Assets					
Segment assets	421,995	1,444,397	226,348	2,236,936	4,329,676
Segment liabilities	-	-	-	(153,824)	(153,824)
Segment net assets	421,995	1,444,397	226,348	2,083,112	4,175,852

Consolidated 30/06/2013	Australia	Canada	USA	Unallocated	Total
Revenue					
Other revenue	-	-	-	14,650	14,650
Total revenue	-	-	-	14,650	14,650
Loss before income tax expense	(850,863)	-	-	(1,016,707)	(1,867,270)
Income tax revenue	-	-	-	-	-
Profit after income tax expense	(850,863)	-	-	(1,016,707)	(1,867,270)

	Australia	Canada	USA	Unallocated	Total
Assets					
Segment assets	1,443,718	285,200	-	1,234,752	2,963,670
Segment liabilities	-	-	-	(105,787)	(105,787)
Segment net assets	1,443,718	285,200	-	1,128,965	2,857,883

NOTE 3 - REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	2014	2013
	$	$
Audit and review of financial statements	26,480	10,000
Other Services	5,414	32,112
	31,894	42,112

NOTE 4 - OTHER INCOME

	2014	2013
	$	$
Interest income	73,871	4,600
Other income	500	10,050
	74,371	14,650

NOTE 5 - INCOME TAX

Income tax expense

a. Income tax expense

	2014	2013
	$	$
Current tax expense	(411,535)	(280,159)
Deferred tax expense	329,000	280,159
Prior year under/over provision	82,535	-
Income tax expense	-	-

b. Numerical reconciliation of income tax expense

	2014	2013
	$	$
Accounting Profit/(Loss) Before Tax	(2,133,636)	(1,867,270)
Prima facie tax on accounting profit/(loss) at the statutory income tax rate 30.00%	(640,091)	(560,181)
Entertainment expenses	821	-
Share based payments	29,179	193,848
	(610,091)	(366,333)
Prior year under/over provision	82,535	-
Deferred tax assets derecognised / (recognised)	527,556	366,333
Total income tax expense	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5 - INCOME TAX *(continued)*

Deferred tax assets and liabilities

Recognised deferred tax assets		
Carried forward tax losses	270,845	451,063
Accruals and provisions	36,001	-
Other deductible temporary differences	69,627	37,512
Capital raising costs in equity	-	-
Deferred tax asset at 30% (2013: 30%)*	376,473	488,575
Recognised deferred tax liabilities		
Assessable temporary differences	-	(24,662)
Exploration and evaluation assets	(376,473)	(463,913)
Deferred tax liabilities at 30%: (2013: 30%)*	(376,473)	(488,575)
Net deferred tax assets / (liabilities)	-	-

Unrecognised deferred tax assets	2014 $	2013 $
Unused tax losses	3,880,683	2,199,010
Unused capital losses	-	-
Capital raising costs in equity	384,633	-
	4,265,316	2,199,010
Deferred tax asset not taken up at 30% (2013: 30%)	1,279,595	659,703

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test (SBT) must be passed. There is $1,184,048 of losses incurred pre 1 December 2010 that are carried forward under SBT. The remainder of losses are carried forward at 30 June 2014 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

i. the Company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

ii. the Company continues to comply with the conditions for deductibility imposed by the law; and

iii. no changes in tax legislation adversely affect the Company in realising the losses.

* The deferred tax asset and liabilities recognised above include deferred tax assets and liabilities of Fertoz International Inc recognised at the Canadian tax rate of 15%.

NOTE 6 - CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank	130,528	788,308
Cash on term deposit	2,100,000	-
Restricted cash	10,144	-
	2,240,672	788,308

NOTE 7 - TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Other receivables	4,327	8,873
Environmental bond	44,745	-
Prepaid capital raising costs	-	411,033
GST receivable	10,144	25,499
	59,216	445,405

NOTE 8 - OTHER ASSETS

	2014 $	2013 $
Prepayments	19,100	-

NOTE 9 - EXPLORATION AND EVALUATION ASSETS

	2014 $	2013 $
At cost	1,983,400	1,728,918

Movements in exploration and evaluation during the year were as follows:

	2014 $	2013 $
Carrying amount at beginning of period	1,728,918	2,293,272
Additions	1,331,653	536,209
Disposals	(440,738)	(540,515)
Less: write off of exploration and evaluation assets	(630,632)	(560,048)
Foreign exchange movement	(5,801)	-
Carrying amount at end of period	1,983,400	1,728,918

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of projects, or alternatively, through the sale of the areas of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	$	$
At cost	38,315	4,632
Less: Accumulated depreciation	(11,026)	(3,593)
	27,289	1,039

Movements in property, plant and equipment:

	2014	2013
	$	$
Carrying amount at beginning of financial year	1,039	2,581
Additions	33,684	-
Depreciation expensed	(1,121)	(1,542)
Depreciation capitalised (exploration and evaluation assets)	(6,313)	-
Carrying amount at end of financial year	27,289	1,039

NOTE 11 - TRADE AND OTHER PAYABLES

	2014	2013
	$	$
Trade creditors and accruals	153,824	105,787
	153,824	105,787

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

NOTE 12 - ISSUED CAPITAL

	Consolidated		Consolidated	
	2014	2013	2014	2013
	Shares	Shares	$	$
Ordinary shares - fully paid	45,009,595	25,009,595	8,320,798	4,929,395

Movement in ordinary share capital:

Details	Date	No of shares	Issue price ($)	$
Balance at 1 July 2012		34,424,332		3,265,416
Issue of shares	27 July 2012 - 24 January 2013	4,974,764	0.0925	460,166
Rights Issue	31 January 2013 - 21 April 2013	25,215,421	0.03	756,463
Share consolidation: 3.25:1	4 April 2013	(44,733,127)		
Issue of shares	11 June 2013	5,128,205	0.0975	500,000
Share issue costs				(52,650)
Balance at 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				(608,597)
Balance at 30 June 2014		45,009,595		8,320,798

NOTE 12 - ISSUED CAPITAL *(continued)*

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

NOTE 13 - RETAINED EARNINGS

	2014	2013
	$	$
Retained profit/(loss) at the beginning of the year	(2,938,750)	(1,071,480)
Profit/(loss) after income tax expense for the year	(2,133,636)	(1,867,270)
Retained profit/(loss) at the end of the year	(5,072,386)	(2,938,750)

NOTE 14 - FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's directors monitor and manage the financial risks relating to the operation of the Group. These risks include market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function.

Categories of financial instruments	2014	2013
	$	$
Financial Assets		
Cash and cash equivalents	2,240,672	788,308
Trade and other receivables	59,216	445,405
Total financial assets	2,299,888	1,233,713
Financial Liabilities		
Trade and other payables	153,824	105,787
Total financial liabilites	153,824	105,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14 - FINANCIAL INSTRUMENTS *(continued)*

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework which is summarised below:

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Group's cash at bank is deposited with the Commonwealth Bank of Australia. Other than this the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities:

Maturity analysis 2014	Carrying Value	Contractual Cash Flow	< 6 Months	6-12 Months	1-3 Years	> 3 Years
	$	$	$	$	$	$
Trade and Other Payables	153,824	153,824	153,824	-	-	-

Maturity analysis 2013	Carrying Value	Contractual Cash Flow	< 6 Months	6-12 Months	1-3 Years	> 3 Years
	$	$	$	$	$	$
Trade and Other Payables	105,787	105,787	105,787	-	-	-
	105,787	105,787	105,787	-	-	-

Fair value of financial instruments

The carrying value of financial assets and financial liabilities recorded in the financial statements approximate their respective net fair values.

NOTE 15 - CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong base so to maintain investor, creditor and market confidence and to sustain future development of the business. As an emerging explorer, the Group does not establish a return on capital. Capital management requires the maintenance of strong cash balance to support on going exploration.

NOTE 16 - KEY MANAGEMENT PERSONNEL

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	$	$
Short-term employee benefits	375,254	332,175
Post-employment benefits	25,612	27,248
Share-based payments	94,239	525,922
	495,105	885,345

NOTE 17 - RELATED PARTIES

a. Key management personnel

Disclosures relating to key management personnel are set out on Note 16 and the remuneration report in the directors' report.

b. Transactions with related parties

There were no other related party tramsactions.

NOTE 18 - GROUP ENTITIES

Subsidiaries	Country of incorporation	Ownership 2014	Ownership 2013
Fertoz International Inc (incorporated 28 February 2012)	Canada	100%	100%
Fertoz USA LLC (Incorporated 28 October 2013)	USA	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19 - RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2014 $	2013 $
Profit/(Loss) after income tax expense for the year	(2,133,636)	(1,867,270)
Adjustments for:		
Depreciation	1,121	1,542
Share-based payment expense	97,263	560,972
Write off of exploration and evaluation assets	630,632	560,048
Loss on disposal of exploration and evaluation assets	390,738	290,515
Capital raising costs expensed	180,469	-
Movements in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(41,458)	(10,048)
Increase/(decrease) in trade and other payables	28,333	41,832
Net cash inflow/(outflow) from operating activities	(846,538)	(422,409)

NOTE 20 - SHARE-BASED PAYMENTS

	2014 $	2013 $
Share-based payment expense recognised during the year ended 30 June 2014:		
Options issued to directors	93,239	525,922
Options issued to other management	3,976	23,024
Options issued to other parties	25,047	12,026
	122,262	560,972

Details of options outstanding at year ended 30 June 2014 are as follows:

2014

Grant date	Expiry date	Exercise price ($)	Balance at beginning of year	Granted during the year	Expired/forfeited/ consolidated during the year	Exercised	Balance at end of year
29/05/2012	1/09/2017	0.25	1,846,154	-	-	-	1,846,154
29/05/2012	1/09/2017	0.35	1,230,769	-	-	-	1,230,769
29/05/2012	1/09/2017	0.45	1,230,769	-	-	-	1,230,769
29/05/2012	1/09/2017	0.55	615,385	-	-	-	615,385
6/07/2012	1/09/2017	0.25	307,692	-	-	-	307,692
3/09/2012	1/09/2017	0.25	307,692	-	-	-	307,692
3/09/2012	1/09/2017	0.35	307,692	-	-	-	307,692
3/09/2012	1/09/2017	0.45	307,692	-	-	-	307,692
24/04/2013	1/09/2017	0.25	4,000,000	-	-	-	4,000,000
1/05/2013	1/09/2017	0.25	307,692	-	-	-	307,692
1/05/2013	1/09/2017	0.25	153,846	-	-	-	153,846
Total			10,615,384	-	-	-	10,615,384

NOTE 20 - SHARE-BASED PAYMENTS *(continued)*

2013

Grant date	Expiry date	Exercise price ($)	Balance at beginning of year	Granted during the year	Expired/forfeited/ consolidated during the year	Exercised	Balance at end of year
29/05/2012	1/09/2017	0.25	6,000,000	-	(4,153,846)	-	1,846,154
29/05/2012	1/09/2017	0.35	4,000,000	-	(2,769,231)	-	1,230,769
29/05/2012	1/09/2017	0.45	4,000,000	-	(2,769,231)	-	1,230,769
29/05/2012	1/09/2017	0.55	2,000,000	-	(1,384,615)	-	615,385
6/07/2012	1/09/2017	0.25	-	1,000,000	(692,308)	-	307,692
3/09/2012	1/09/2017	0.25	-	1,000,000	(692,308)	-	307,692
3/09/2012	1/09/2017	0.35	-	1,000,000	(692,308)	-	307,692
3/09/2012	1/09/2017	0.45	-	1,000,000	(692,308)	-	307,692
24/04/2013	1/09/2017	0.25	-	4,000,000	-	-	4,000,000
1/05/2013	1/09/2017	0.25	-	307,692	-	-	307,692
1/05/2013	1/09/2017	0.25	-	153,846	-	-	153,846
Total			16,000,000	8,461,538	(13,846,154)	**-**	10,615,384

No share options were granted during the financial year with all share options outstanding at year end exercisable. The weighted average remaining contractual life of share options outstanding at 30 June 2014 was 3.2 years (2013: 4.2 years).

The weighted average fair value of options granted during year ended 30 June 2013 prior to the share consolidation on 4 April 2013 was 4.0 cents (2012: 4.1 cents). The fair value at grant date was determined by the Company using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, the risk free rate, and the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2013 prior to the share consolidation on 4 April 2013 were as follows:

Grant date	06/07/2012 - 03/09/2012
Expiry date	1/09/2017
Market price at grant date	$0.0925
Exercise price	$0.25 - $0.45
Expected volatility	93%
Dividend yield	0%
Risk-free interest rate	2.28% - 2.42%
Fair value at grant date	$0.048 - $0.027

Options granted after the share consolidation on 4 April 2013 were granted to service providers. The fair value of these options was determined with reference to the fair value of the services provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21 - COMMITMENTS

So as to maintain current rights to tenure of exploration tenements, the group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements are as follows:

	2014 $	2013 $
Due within one year	211,000	150,000
Due after one year and within five years	1,354,000	985,000
Due after five years	-	-
	1,565,000	1,135,000

In addition to the above commitments, in relation to the groups Dry Ridge project, Fertoz has the right to explore the project until 30 August 2016 and can exercise its option to acquire an 80% interest in the project by paying a further US$450,000. In addition, Fertoz can acquire the remaining 20% interest in the project for US$200,000 at any time before 9 December 2016.

NOTE 22 - PARENT ENTITY INFORMATION

The following information relates to the parent entity, Fertoz Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	2014 $	2013 $
Financial position		
Current assets	3,987,278	1,526,111
Non-current assets	384,689	1,449,246
Total assets	4,371,967	2,975,357
Current liabilities	134,120	105,787
Non-current liabilities	-	-
Total liabilities	134,120	105,787
Net assets	4,237,847	2,869,570
Shareholders' equity		
Issued capital	8,320,798	4,929,395
Share-based payment reserve	989,500	867,238
Accumulated loss	(5,072,451)	(2,927,063)
Total equity	4,237,847	2,869,570

	2014 $	2013 $
Profit/(loss) for the year	(2,133,636)	(1,867,270)
Total comprehensive income/(loss) for the year	(2,133,636)	(1,867,270)

NOTE 22 - PARENT ENTITY INFORMATION *(continued)*

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments

The parent entity had no capital commitments as at 30 June 2014 and 30 June 2013.

NOTE 23 - EARNINGS PER SHARE

Earnings per share for profit from continuing operations attributable to the owners of Fertoz Limited	2014 $	2013 $
Profit/(loss) after income tax	(2,133,636)	(1,867,270)
Weighted average number of ordinary shares used in calculated basic earnings per share	41,502,746	32,186,179
Basic and diluted earnings per share	(0.051)	(0.058)

At 30 June 2014, 10,615,384 (2013: 10,615,384) options were outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss from continuing operations, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

NOTE 24 - EVENTS SUBSEQUENT TO REPORTING DATE

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

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes:
    a. comply with Australian Accounting Standards and the Corporation Regulations 2001; and
    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
4. The remuneration disclosures set out in the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2014 comply with section 300A of the Corporation Act 2001. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

James Chisholm
Chairman
26 September 2014

INDEPENDENT AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of Fertoz Limited

Report on the Financial Report

We have audited the accompanying financial report of Fertoz Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial State*ments, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Fertoz Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon securing future funding, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 33 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Fertoz Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

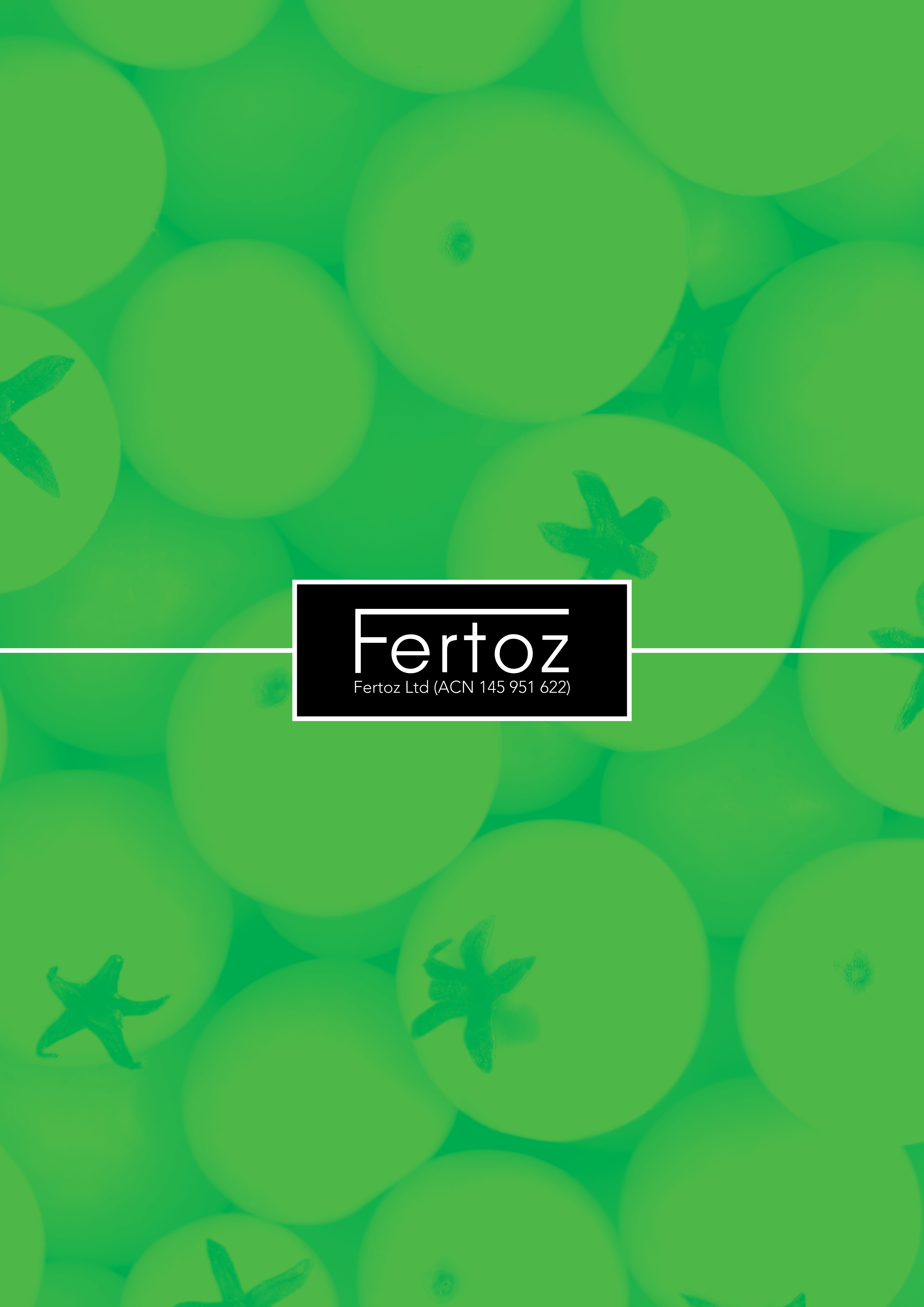
A J Whyte

Director

Brisbane, 26 September 2014

CORPORATE DIRECTORY

Directors	Mr James Chisholm – *Non-Executive Chairman* Dr Leslie (Les) Szonyi – *Managing Director* Mr Adrian Byass – *Non-Executive Director* Mr Stephen Keith – *Non-Executive Director* Mr Alex Penha – *Non-Executive Alternative Director*
Company Secretary	Mr Julien McInally
Registered office and principal place of business	40 Balgowlah St Wakerley, Qld 4154
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Canadian 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	McMahon Clark 62 Charlotte St Brisbane, QLD, 4000
Bankers	Commonwealth Bank of Australia Ltd
Stock exchange listing	Fertoz Limited shares are listed on the Australian Securities Exchange (ASX code: FTZ)
Website	www.fertoz.com



Fertoz

Fertoz Ltd (ACN 145 951 622)