ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2015

Fertoz

Fertoz Ltd (ACN 145 951 622)

CORPORATE DIRECTORY

Directors
Mr James Chisholm – *Non-Executive Chairman*
Dr Leslie (Les) Szonyi – *Executive Director*
Mr Adrian Byass – *Non-Executive Director*
Mr Stephen Keith – *Managing 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

Australian Lawyers
Delphi Partners
Level 23, 307 Queen 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

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CHAIRMAN'S MESSAGE

Dear Fellow Shareholder,

It is my pleasure to present the 2015 Annual Report for Fertoz Limited (ASX: FTZ).

Fertoz is a phosphate exploration and development company which is developing the Wapiti and Fernie phosphate deposits in Canada, trialling phosphate products developed from those deposits on Canadian farms, exploring the Dry Ridge project in Idaho USA and working with Australian business's through the FertAg joint venture.

The Company's main focus is on commencing commercial production in Canada as soon as possible, servicing the local organic farming market as well as conventional farmers looking for alternatives to standard, high leaching fertilisers. Wapiti product is well located and ideally suited to satisfying this growing demand.

The last 12 months has seen the Company confirm the mining method at Wapiti and Fernie through collection of approximately 2,200 t of bulk sample, submit a small mine application licence for Wapiti, upgraded part of the Wapiti resource to the Indicated category and completed a Wapiti Scoping Study. In the USA, the Company has been granted exploration approval for the Dry Ridge project in Idaho.

To increase shareholder value and leverage, the Company plans to keep capital requirements low by running with a contract mining model to start Wapiti, and just produce bulk rock phosphate. Later development will entail bagging operations and blending the rock phosphate with other resources to make additional fertiliser products, and also moving to an owner-operator model.

The USA and Canada are both net importers of phosphate rock and are two of the largest agricultural economies in the world. The Company aims to supply direct application phosphate rock with minimal processing to both the lucrative organic and conventional fertiliser markets in both countries. The USA is the largest organic food market in the world while Canada is the fourth largest. Organic farmers in the USA and Canada need to use natural fertilisers in order to retain their organic certification, which is critical as organic crops command significantly higher prices than crops from conventional farms. The Wapiti and Fernie rock phosphates are particularly suited to acidic soils, which cover much of Canada and the lower parts of the USA.

In Australia the Company has formed Fertoz Agriculture Pty Ltd ("FertAg") which is a joint venture ("JV") between Fertoz Limited and Vast Resources Pty Ltd. The JV was established to distribute fused calcium magnesium silicate phosphate products to potential customers in Australia and New Zealand, which counter the acidic soils found across much of Australia's key farming regions.

Given the A$/US$ exchange rate and the high cost of importing the FertAg product the venture in Australia has proven to be more challenging than envisaged. Although now restructured to be cash-neutral, the FertAg venture has shown the Company that owning and controlling the resource, as the Company has in Canada and the USA, is critical.

As advised on 31 July 2015, Stephen Keith, a successful and highly experienced Canada-based phosphate executive, assumed the role of Managing Director ("MD") and Les Szonyi has stepped down as MD. Les will focus on progressing the Australian FertAg joint venture. He will assist Stephen with the handover of our North American activities and the many phosphate trials and relationships that have been developed over the last two years.

It has been a challenging time in the junior exploration and development space over the last few months and the Board has taken the view that the Canadian operations continue to represent the best opportunity for the Company, especially now that a Scoping Study has been completed and farm trials are underway. Early results look encouraging and the demand for organic fertilisers and produce continues unabated.

Thank you for all your support over the last year. We look forward to updating shareholders in the near future about progress in Canada and Australia.

James Chisholm
Chairman

STRATEGY

The Company's key objective is to become a growth-oriented, cash flow generating agribusiness returning dividends to shareholders. In the near term, the Company plans to accomplish this through:

1. Focusing on our own assets: building sales, production and cash flow from our two projects in British Columbia, Canada;
2. Proving up potentially larger assets within our portfolio: through exploration at our Dry Ridge Project in Idaho, USA - in the heart of phosphate mining in the USA;
3. Improving the returns and growth potential of our existing FertAg business in Australia; and,
4. Considering external growth opportunities: add low capital-intensity fertiliser assets that can be realistically funded and developed.

Our number one priority is to develop our Wapiti and Fernie projects and this is where our effort will be concentrated.

Our recent management reshuffle is the first step in this strategy. Incoming Managing Director, Stephen Keith, has taken on this role with a clear view towards moving the British Columbia projects forward. Bulk samples and sales to potential consumers have already commenced and the Company hopes to receive the required permits to mine its Wapiti Project – a project that has a positive scoping study with an IRR of >80%. Stephen has spent a lot of time working with potential off-take customers and other fertiliser companies looking for a long-term, reliable source of organic rock phosphate. As well, he has re-worked the production concept outlined in the Scoping Study to allow the Company to produce organic rock phosphate with less capital expenditure in the early period, ensuring we can cash-flow fund future development.

In addition to this, with the approval of the exploration permits in Idaho, Stephen has been looking at ways in which to start exploring and proving up the potential of the Dry Ridge Project, in the heart of the Idaho phosphate region.

Fertoz's outgoing Managing Director Les Szonyi is assisting Stephen with the handover and at the same time, working on growing the FertAg business in Australia and New Zealand.

Over the next year, the Company plans to progress the Wapiti and Fernie projects to regular production and secure off-take contracts for rock phosphate in Canada and the USA, expand our resource base and develop additional fertiliser products. Ultimately, the Board is looking to pay dividends from multiple high value operating fertiliser assets, primarily in North America.

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.

CORPORATE REVIEW

SAFETY

There were no lost time injuries or environmental incidents recorded during the year ending June 2015.

CASH

The Company had $82,831 in cash as at 30 June 2015 and access to an additional $950,000 through a $1,250,000 drawdown debt facility through its Chairman, James Chisholm, and a working capital facility for its Australian business of $1,000,000.

ISSUE OF SHARES AND OPTIONS

During the reporting period the Company issued a total of 2,024,550 fully paid ordinary shares as follows:

- 615,385 options were exercised by a related party of the Non-executive Chairman (Mr James Chisholm) at an exercise price of $0.25 per ordinary share.
- 1,250,000 fully paid ordinary shares were issued at an issue price of $0.29 per share to the Managing Director (1,000,000 shares) and employees (250,000 shares) of the Company as agreed by shareholders in Resolution 7 and 8 at the 2014 annual general meeting held on 28 November 2014. Consideration for the shares has been satisfied by a non-recourse loan of $362,500 from the Company to the Managing Director and employees with the shares remaining in escrow until certain performance hurdles are met and if the performance hurdles are not met by 27 November 2017 the shares will be returned to the Company. This arrangement is an in-substance option as explained in note 14 of the financial statements.
- 159,165 shares were issued to certain employees and consultants for services performed at an average issue price of 31.6 cents per share.

During the reporting period a total of 900,000 options were issued to non-executive directors being Mr Stephen Keith and Mr Alex Penha who each received 450,000 options with each option having a right to one share at an exercise price of between $0.65 and $0.85 as explained in note 30 of the financial statements.

DIRECTORS INCREASING SHAREHOLDING

In December 2014 Fertoz Chairman Mr James Chisholm exercised 615,385 Fertoz options at an exercise price of A$0.25 generating proceeds of A$154,000 for Fertoz. Mr Chisholm and his associated entities now own 5,918,765 Fertoz shares, representing 12.6% of Fertoz's issued capital.

BOARD CHANGES

On 31 July 2015, subsequent to the financial year-end, Fertoz appointed North American-based Stephen Keith as Managing Director of the Company to focus on commercialising the North American assets. Mr Leslie Szonyi remains as an executive director reporting to Mr Stephen Keith.

Stephen Keith was appointed to the Fertoz board in July 2014 as a non-executive director before taking on the role of Managing Director. He lives in Toronto and is well known to the fertiliser and investment community in Canada, having led TSX listed Rio Verde Minerals Development Corp. to a sale in 2013. Rio Verde was progressing the development of a direct application rock phosphate project in Brazil at the time of the acquisition. Stephen holds a BSC in Applied Science, and an MBA. He is a registered professional engineer (P. Eng) in British Columbia and Ontario and has been involved in numerous feasibility studies and developed a number of resource projects in his career over the last twenty years.

PROJECT REVIEW

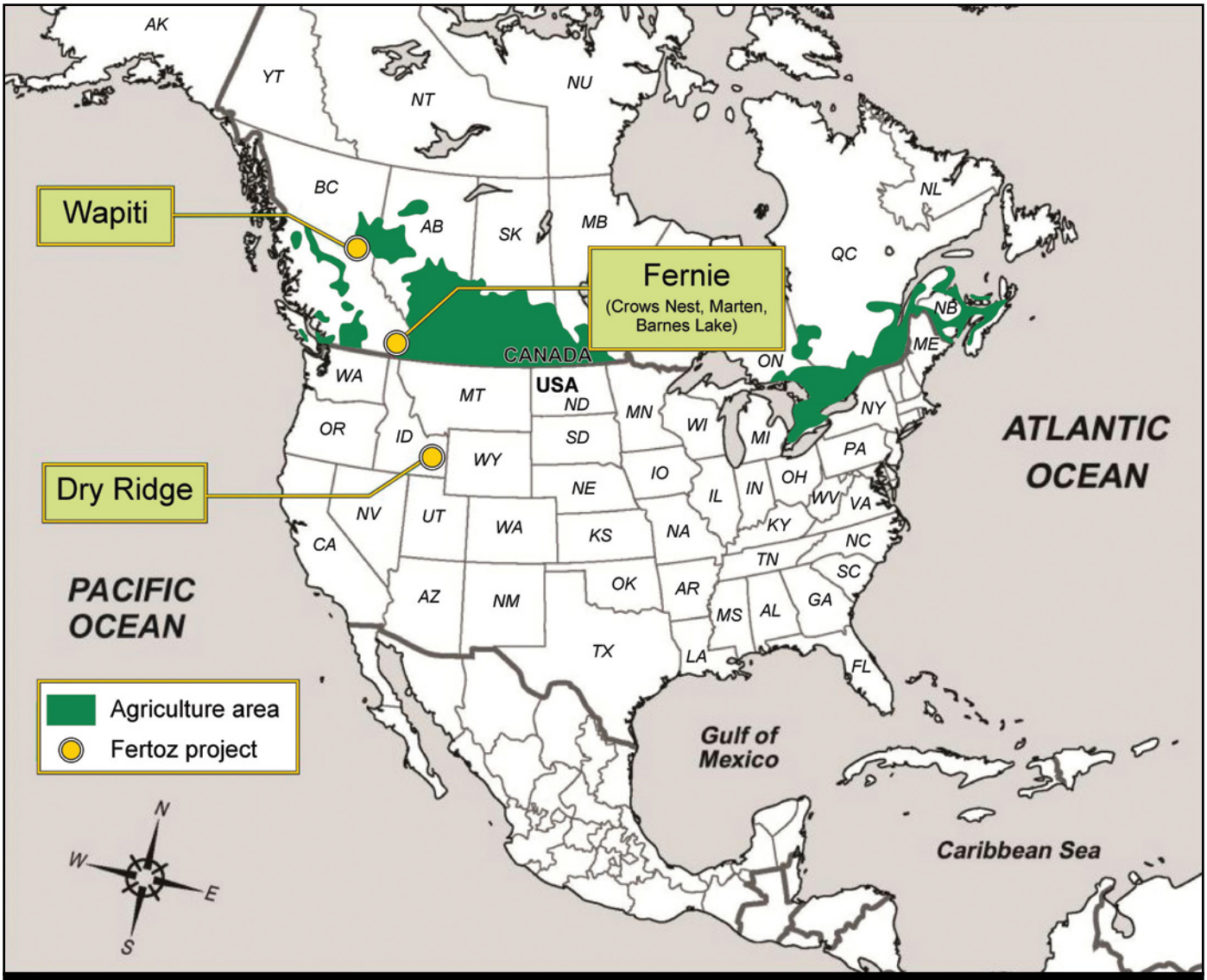

Figure 1 — Fertoz's North American project locations and proximity to Canadian agricultural areas

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 19,161 ha 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 80 km. 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 (considered very good by industry standards) which makes the product at Wapiti East particularly attractive to the North American organic sector which is the largest organic market in the World.

Bulk sample and first product sales

Fertoz commenced a bulk sample collection at Wapiti in late August after completion of road works which included the installation of 10 culverts across creeks from the camp and the construction of an access road of approximately 2km to the "North" bulk sample location. Approximately 1,200 tonnes were collected and stockpiled.

In October, Fertoz appointed Eggers Soil Solutions to process rock phosphate in the Grand Prairie agricultural region, approximately 240km from Tumbler Ridge.

Fertoz commenced first product sales on 9 October, selling 25 tonnes of ground 20% P_2O_5 rock to a farmer near Stettler in west-central Alberta for use in conventional agriculture trials. The delivered price was C$200/t.

Fertoz has approval for bulk samples totalling 27,500 tonnes of rock phosphate from its Wapiti and Fernie projects, while it waits approval for a small mine application for up to 75,000 tonnes per annum at Wapiti.

Appointment of Marketing and Distribution Agent

Fertoz appointed Natures Way Farm Ltd ("Natures Way") on 14 October as a Marketing Agent to sell rock phosphate from the Company's Wapiti Project in British Columbia. Sunalta Fertilizer Ltd and EnviroPerfect solutions were also appointed as marketing agents following the signing of separate agreements in November and December 2014 respectively.

Natures Way Farms sells compost, calcium carbonate and rock phosphate, and mainly services the Peace River and Grand Prairie agricultural regions of north-western Alberta. Sunalta Fertilizer Ltd is a fertiliser company focused on providing soil solutions to farms with acidic soils in the central Alberta region. EnviroPerfect Solutions, based near Edmonton, Alberta, is a premier soils health company with a focus on sustainable soil health management. EnviroPerfect Solutions and Sunalta will distribute Fertoz's rock phosphate, in addition to investigating mixing it with other products that provide additional soil nutritional balance.

The market opportunity for Fertoz's rock phosphate products has come about because conventional phosphate fertilisers are relatively ineffective when used on the acidic soils of western Canada. Alberta has 1 million acres of farming land with strongly acidic soils and 4.5 million acres of farming land with moderately acid soils (Ref: Liming Acid Soils, Alberta Government Department of Agriculture and Rural Development).

One third of all farming land around Grande Prairie (near Wapiti) has acid soil which reduces the uptake of phosphorus by plants. The calcium carbonate in Wapiti rock phosphate effectively limes the soil, increasing the availability of phosphorus for plants. Reduced crusting of the soil along with improved crop yields and reduced power requirements for tillage are additional benefits of calcium carbonate applications on grey and dark grey wooded soils in the Peace River region near Wapiti and Grand Prairie.

The Company's Wapiti and Fernie projects (see Figure 1) are ideally located close to the major farming regions of eastern British Columbia and western Alberta. Farms in these areas are a mixture of broad-acre and intensive agricultural operations, with farmers fertilising their ground through either broad-acre spreading or directly into seed rows.

JORC Inferred Resource and Exploration Target

On 8 August, 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 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 (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 additional elements) are calculated using the Polygonal-Weighted Average method and are summarised in Tables 1 and 2.

PROJECT REVIEW

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The Inferred Resource was calculated within four distinct areas in the project (Figure 2) and these are summarised in Table 2. 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 2.845t/m³ by Metsolve Laboratory using empirical test work and supported using stoichiometric calculations.

Table 3 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 2.845t/m³.

Intersections on a sectional basis for the calculation of this Exploration Target are summarised in Table 4 (over page). The Exploration Target distance for each section is shown in Figure 2. The data for each section was extrapolated at 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.

JORC Indicated Resource

On 14 May 2015 the Company announced the upgrade of its JORC Resource at the Wapiti phosphate project in British Columbia. The 806kt at 22.3% P_2O_5 Indicated phosphate Resource represents a conversion of 52% of the previous Inferred JORC Resource. The remaining material retains its Inferred JORC classification.

TABLE 1 - 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 2 - WAPITI EAST INFERRED RESOURCE BY PHOSPHATE ZONE

Area Description	Category	Length (km)	Depth (m)	Width (m)	P_2O_5 (%)	Resource (t)
Red Deer East Limb	Inferred	5.6	30	1.0	23.0	773,490
Red Deer West Limb	Inferred	4.4	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**	**12.5**	**30**	**1.0**	**21.6**	**1,537,960**

TABLE 3 - WAPITI EXPLORATION TARGET

Depth below surface (m)	Category	Tonnes (million)	Width (m)	P_2O_5 (%) range
30	Exploration Target	2,925,290 – 3,293,710	0.85 to 0.97	20.8 to 22.2

TABLE 4 - 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 Resource	5.64	30	1.0	23.0	773,490
	Exploration Target	2.5	30	0.78 – 1.0	23.0 - 25.5	268,640 – 342,860
Red Deer West Limb	Inferred Resource	4.34	30	0.95	19.7	499,920
	Exploration Target	9.3	30	0.67 - 0.95	19.7 - 22.5	848,610 – 1,071,250
Red Deer West-West Limb	Inferred Resource	1.5	30	1.13	22.5	138,020
Wapiti Syncline	Inferred Resource	1.0	30	1.0	18.6	126,530
	Exploration Target	2.7	30	0.73 - 0.97	18.6 - 20.7	270,080 – 341,640
Total	**Expln Target**	**27.0**	**30**	**0.85 – 0.97**	**20.8 – 22.2**	**2,925,290 – 3,293,710**

The combined Inferred and Indicated Resource of 1.54Mt @ 21.6% P_2O_5 (at a 7% cut-off) has been calculated to a depth of 30m along a strike length of 12.5km at Wapiti. The resource classification is shown below in Table 5.

Wapiti Small Mine Application

During Wapiti bulk sample collection (Figure 3), Fertoz carried out successful blasting trials and confirmed its proposed mining method, collecting key information for the upcoming small mine application.

In November 2014, the Company submitted a Small Mine Application to the B.C. Ministry of Mines to extract up to 75,000 tonnes per annum of phosphate rock from its Wapiti project.

The Company is expecting to receive approval for a small mine at Wapiti in the fourth quarter of calendar year 2015 or the first quarter of 2016. The Company already has approval to collect a total of 27,500 tonnes of rock phosphate consisting of 17,500 tonnes at Wapiti and 10,000 tonnes at Fernie, while waiting for mine approval at Wapiti.

The Company has also extended its land holding at Wapiti to allow for a new road to be built accessing the south of the property. Fertoz intends to build a 3.4 kilometre access road to the south of the property, which will connect to existing forestry roads and utilise existing bridges over creeks. It will allow 40 tonne trucks to take product directly from site to the processing plant, improving mining efficiency and allowing the Company to increase product delivery rates.

TABLE 5 - WAPITI EAST RESOURCE

Depth below surface (m)	Category	Tonnes (million)	P_2O_5 (%)	Al_2O_3 (%)	CaO (%)	MgO (%)	SiO_2 (%)	Fe_2O_3 (%)
30	Inferred	0.73	21.3	1.9	43.6	1.3	13.7	1.2
30	Indicated	0.81	22.3	1.96	43.1	1.3	14.0	1.3
30	**Total**	**1.54**	**21.6**	**1.9**	**43.4**	**1.3**	**13.8**	**1.3**

PROJECT REVIEW

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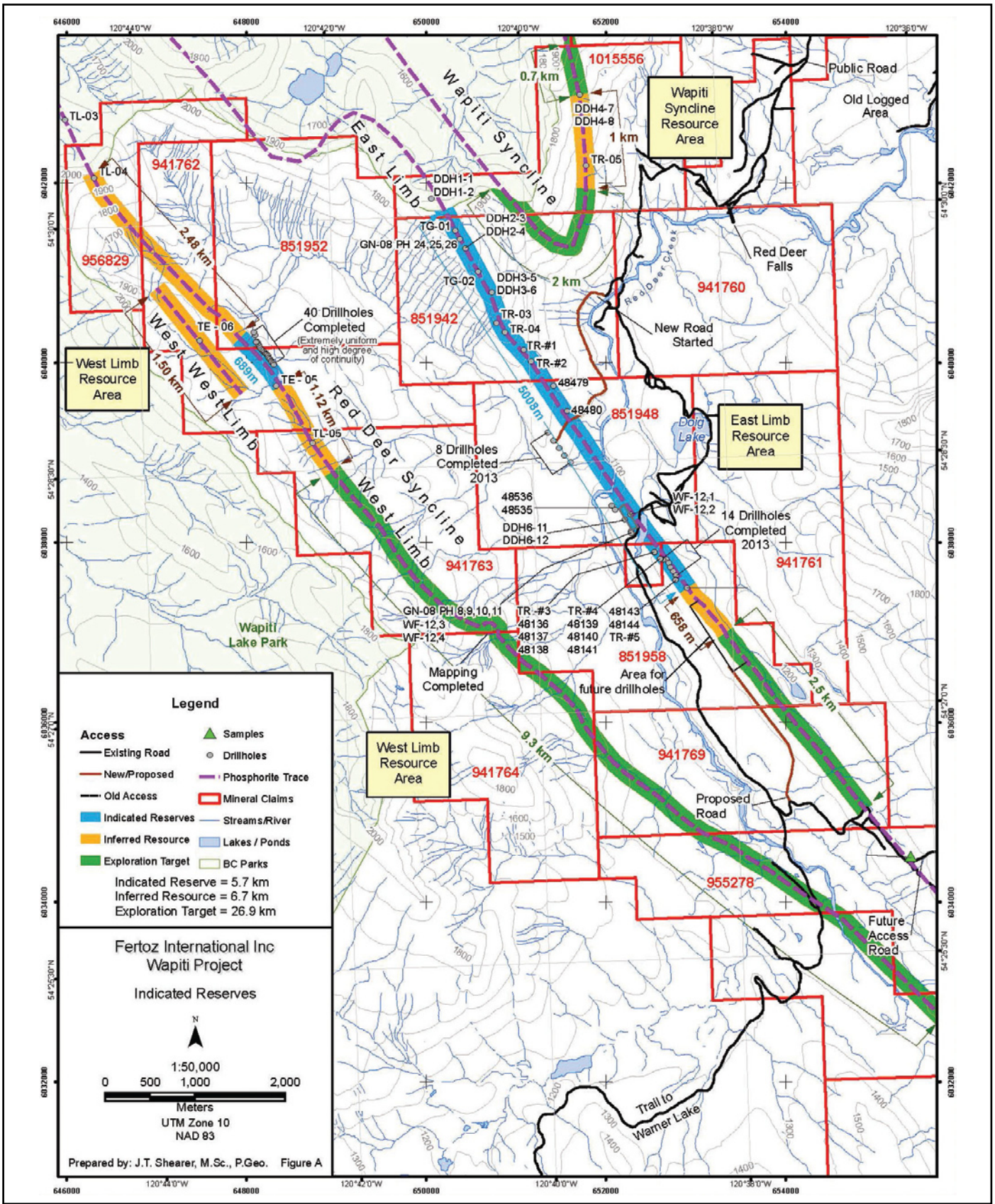

Figure 2 — Wapiti Project – Indicated and Inferred JORC Resource and Exploration Target locations

Figure 3 — Trial mining at Wapiti during 2014

Wapiti Scoping Study

Fertoz announced on 14 May 2015 a Scoping Study for a small-scale rock phosphate mine at the Company's 100%-owned Wapiti project in British Columbia. A 20 year project life was determined from an Indicated and Inferred Resource of 1.54Mt at 21.6% P_2O_5. The project mining model is based on 60% Indicated, 40% Inferred Resources. The base case study resulted in:

Post tax, unlevered NPV10 real (20 years)	C$20.1m
Post tax, unlevered IRR	82.4%
Capital cost phased over 3 years	C$2.7m
Payback (discounted, after tax)	2018
Net cash flow pre-tax first 20 years	C$69.8m

Results using a 10% post tax real discount rate, C$ 1:00: A$1.04, flat real commodity price of C$ 250/t

Cautionary Statement

In accordance with ASX listing rules, the Company advises the results of the Scoping Study referred to in this announcement are based on lower confidence technical and preliminary economic assessments that are not the level of pre-feasibility or feasibility studies. The results and outcomes of this study are not technically sufficient to support Ore Reserves (JORC 2012) or to provide assurances as to the economic viability of any mine development, or that any development will proceed. The production target referred to is partly based on Indicated and Inferred Mineralisation. There is a low level of geological confidence associated with inferred Mineral Resources and there is no certainty that additional exploration work will result in the definition of Indicated Minerals Resources, or that mine development and production will be realised. Approximately 40% of mineralisation included in the study is of the Inferred category.

The Scoping Study was based on a staged open pit development and the upgraded Wapiti resource. It includes three stages in the design, with an initial 7m open pit for the first 7 years of the project at an average strip ratio of 1.6:1, and a 75ktpa production rate to be reached in 2018 (though it is possible this

PROJECT REVIEW

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could be brought forward to 2017). The planned mine area contains a low risk resource which is outcropping, homogenous, and has been drilled and bulk sampled by Fertoz. Refer to Table 6 below for the key assumptions and financial metrics.

Only 12.5km of the estimated 39km length of the estimated strike has been included in the Wapiti Scoping Study, with the remainder representing potential additional exploration and mining opportunities.

The Company plans to mine on a seasonal basis between May and October to maximise productivity and ease of access. Mined material will be transported, stockpiled and sold after it is processed to meet various market requirements. There is the potential to expand production levels beyond 75ktpa thereby enhancing economic potential of the project. Production would commence on a reduced scale with 30kt in 2016, 50kt in 2017 and rising to full production in 2018. Margins per tonne sold are estimated at C$81/t (32% of sales price) for the first 7 years of the project.

The Wapiti project is located 850km north east of Vancouver, British Columbia (BC), 145km north east of Prince George, 70km south east of Tumbler Ridge (coal mining town) and 180km south east of the rail hub at Dawson Creek (Figure 4).

Ready access to the Wapiti site is possible via a number of public roads. These are suitable for the transport of heavy equipment and haulage of excavated material.

TABLE 6 - SCOPING STUDY ASSUMPTIONS AND FINANCIAL METRICS

Item	Units	Value
Project life	years	20
Scoping Study Mined Resource (diluted)	kt	1,336 @ 20% P_2O_5
Capital cost	C$m	2.7
Stage 1 resource mined to 7m	kt	361
Stage 2 resource mined to 19m	kt	600
Stage 3 resource mined to 31m	kt	400
Stage 1 mining cost to 7m	C$/t	24.3
Stage 2 mining cost to 19m	C$/t	40.4
Stage 3 mining cost to 31m	C$/t	56.3
Processing cost	C$/t	15.0
Freight to processing site	C$/t	20.0
Freight to distributor	C$/t	60.0
Distribution cost	% of selling price	20%
Selling price	C$/t	250.0
Discount rate (real)	%	10%
Project NPV (20 years)	**C$m**	**20.1**
Project IRR	**%**	**82.4%**

A number of existing trails and roads exist on the Wapiti property. Several of these roads require an extension to support ongoing mining operations.

After mining on site, pre-crushed material is planned to be transported as broken rock to a manufacturing facility that will be established at Dawson Creek. At this facility, the phosphate rock will be crushed to reduce its size from 40mm (crushed rock) to approximately 0.15mm (ground material).

In order to generate early cash flow while the operation at Dawson Creek is being established, rock phosphate from the Company's Fernie project will be processed at Stettler, Alberta. Here, a Raymond mill will be purchased to grind the 40mm rock down to 0.15mm. Stettler (Figure 4) is the centre of a major farming area in Alberta. There is a further 9kt of bulk sample available for collection at Fernie for processing at Stettler under the current Fernie Bulk Sample Permit. Extension of the bulk sample amount or permitting for a small-scale mine are growth options for Fernie which will be reviewed by the Company during the second half 2015 calendar year.

Once sales are established in the farming region around Stettler, the Raymond Mill will either be moved to Dawson Creek, or another mill purchased and installed at Dawson Creek. Dawson Creek has the advantage of being a proximate to a rail hub that connects to Edmonton, Calgary, Prince George and Vancouver. It also has a trained workforce, industrial facilities, spare parts and industrial land. Stettler in Alberta is similar and has some large farming concerns nearby that could provide on-going sales opportunities and/or off-take agreements.

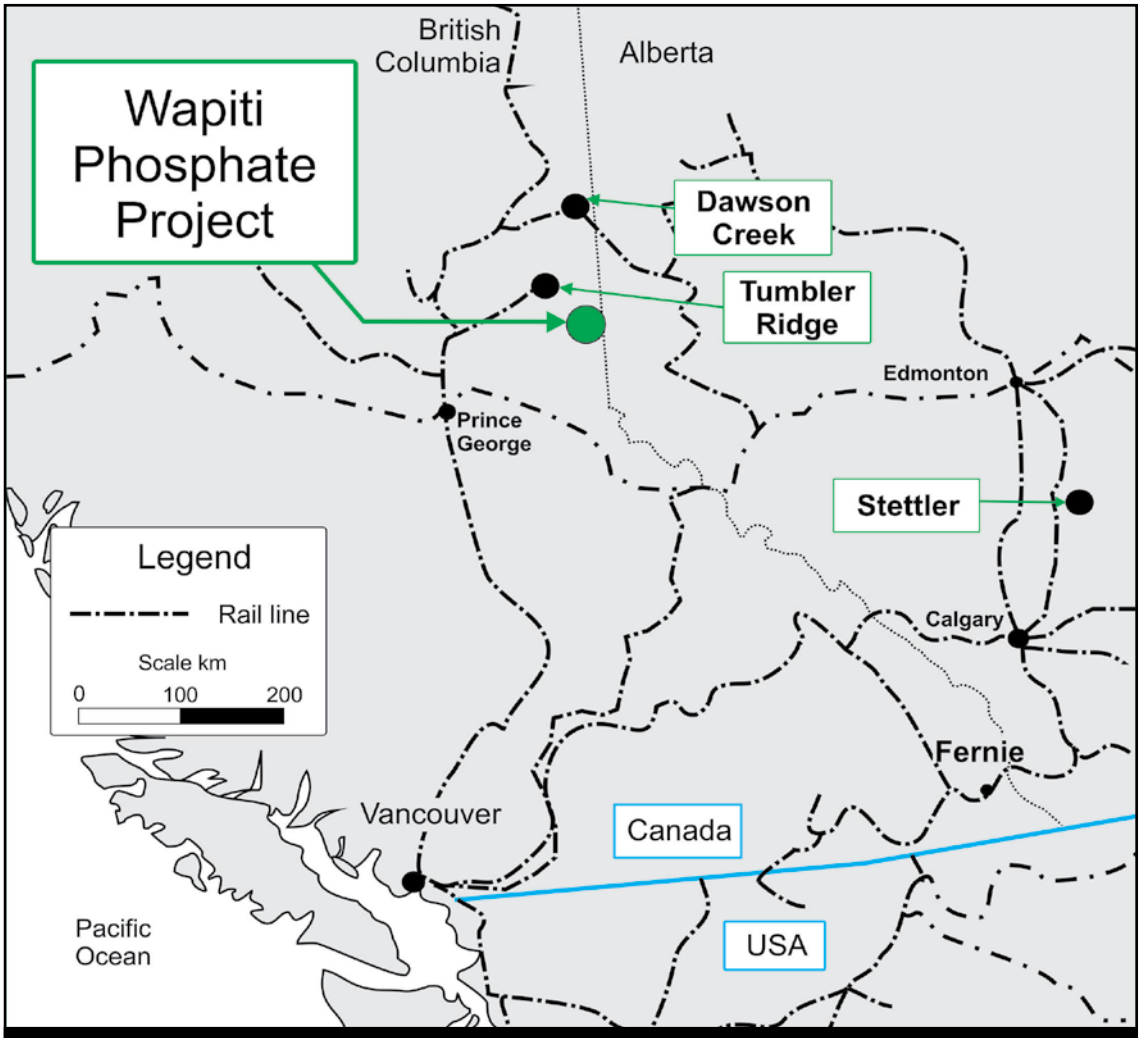

Figure 4 – Key project locations and infrastructure in Western Canada

PROJECT REVIEW

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There is also the potential to establish an expanded processing facility at Stettler and/or Dawson Creek to produce blended fertiliser products using other locally sourced resources. Fernie rock phosphate can be supplied to other organic fertiliser facilities in northern Montana and Washington State as well.

Capital costs have been estimated using a combination of firm quotes (processing equipment, jaw crusher, industrial site) and industry experience. Total capital required is estimated to be C$2.7m for the establishment of a processing facility at Dawson Creek, which will occur over the initial 3 years of development (or two years under an accelerated production regime). Table 7 provides a detailed capital cost estimate.

Total fixed costs are expected to be C$300k in 2015, C$550k in 2016, C$600k in 2017 and C$616kpa from 2018 onwards when it is expected there will be two teams operating at Wapiti to extract 75ktpa in 5 months. Annual fixed costs associated with the mining operation include camp set-up, site preparation, equipment mobilisation, insurance, environmental analysis, geotechnical assessment, quality assurance, administration and community liaison, operations, sales and marketing, and administration.

The Wapiti Scoping Study assumes an estimated realised price of C$250/t based on consultation with Sunalta Fertilizer Ltd (a Fertoz distributor). This is the expected price for bulk product in Alberta with a minimum P_2O_5 content of 19%. A distribution fee of 20% is payable on the sale price.

This compares to market prices which vary from C$285/t (20t truck loads) to C$700/t (1t bagged material) for phosphate rock ranging between 16% and 27% P_2O_5 with 2% to 3% phosphate availability in Canada and the USA. The product could also potentially be micronized to less than 10 microns, which attract prices of over C$2,500/t in North

TABLE 7 - DETAILED CAPITAL COST ESTIMATE

Item	Units	Value
Road access, setup	C$k	300
Crusher	C$k	100
Processing equipment for 2015/2016	C$k	140
Equipment overhaul and installation at Stettler	C$k	60
Industrial site at Dawson Creek (incl. stamp duty, on-costs)	C$k	300
Building with undercover storage at Dawson Creek for 2,000t	C$k	400
Power installation	C$k	50
Additional processing equipment (to increase production to 20t/hr)	C$k	420
Conveyors, load out hopper with weigh scales	C$k	100
Drying equipment for rock processing	C$k	200
Subtotal	**C$k**	**2,070**
Engineering design (+10%)	C$k	207
Contingency (+20%) and unallocated items	C$k	423
Total	**C$k**	**2,700**

America. Fertoz sold an initial 26t at a discounted price of C$200/t in late 2014 within the Stettler farm area between Edmonton and Calgary, Alberta. Fertoz has since confirmed pricing to be at least C$250/t for the Wapiti ground rock phosphate. Pelletised products attract a higher price, as does ground rock phosphate that is bagged and/or micronized. All of these options are available to the Company but have not been included in the current Wapiti Scoping Study.

Laboratory results from the 2t bulk sample collected at Wapiti East in October 2013 demonstrated low heavy metal impurities from Wapiti. The results achieved a 10% phosphate availability, which makes the Wapiti East product particularly attractive to the organic fertiliser 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% phosphate availability and exhibit good agronomic effectiveness on suitable soils and crops (Sinclair, New Zealand Journal of Agricultural Research 1998).

The combined US/Canada organic goods market is worth US$34.5bn, or 48% of the global organic food market. The value of the Canadian organic food market has tripled since 2006, far outpacing the growth rate of other agri-food sectors. It is estimated that 58% of all Canadians are buying organic products on a weekly basis. Currently, there are more than 3,700 certified organic farms in Canada. Organic farms are found in every province in Canada producing fruits, vegetables, hay, crops (i.e. wheat, oats, barley, flaxseed and lentils), animal and animal products, and herbs. More than half of all certified farms are found in Western Canada. Organic growers typically use organic phosphorus sources, like Wapiti rock phosphate, to provide phosphorus for crop development. (FiBL IFoam Organic World 2014). Many of the other organic rock phosphates in the USA exhibit phosphate availability of 3% or less.

Two companies are undertaking blending trials with Wapiti and Fernie phosphate rock and other additives to enhance its effectiveness when used as a conventional fertilizer.

The sensitivities of the project NPV (C$m) and IRR (%) are summarized below in Figure 5 and Figure 6 respectively, for parameter changes between +20% and -20%.

Growth options for Wapiti include, but are not limited to, the following:

1. An extended reach (10m) excavator can be used in Stage 1 mining (compared to a 6m excavator in the Wapiti Scoping Study). Mining costs for first 7 years have been based on a 6m excavator as this was proven effective during

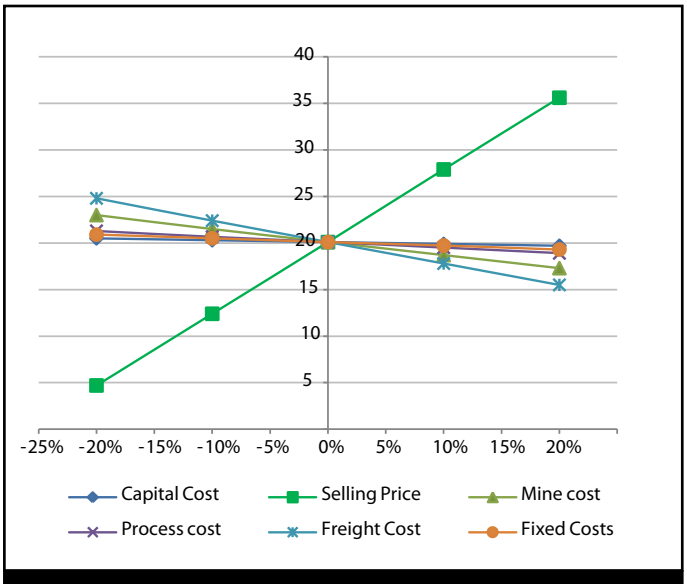

Figure 5 – NPV (C$m) sensitivity analysis

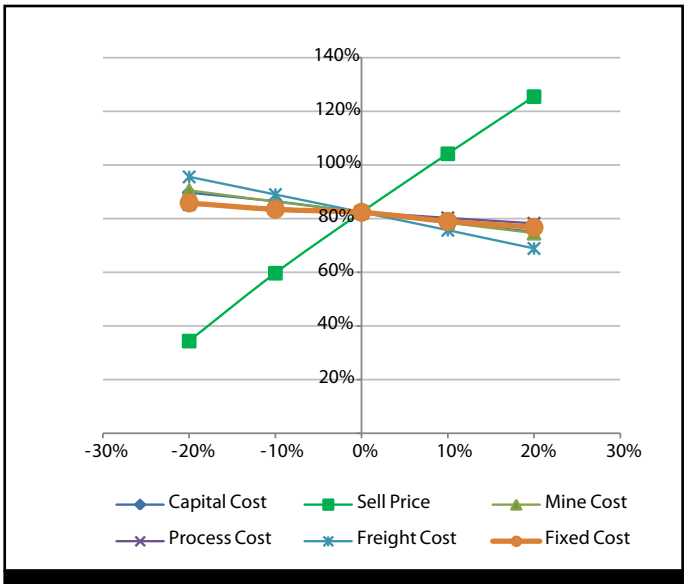

Figure 6 – IRR (%) sensitivity analysis

PROJECT REVIEW

— continued —

the bulk sample collection in 2014 (constructing a 1m bench and 6m reach for total of 7m). An extended reach excavator would extend Stage 1 mining to 9 years and reduce initial mining costs to C$21.1/t. Preliminary estimates are that an extended reach excavator would increase the Scoping Study NPV to C$22.2m with an IRR of 88.1%;

2. Further exploration is expected to extend the mineable phosphate horizon from 12.5km up to a maximum of 39km. This would increase mine life beyond the current 20 years and reduce Stage 1 costs due to the extended period of Stage 1 mining; and
3. Project economics could be improved by ramping up to full production of 75ktpa in 2017. This would require bringing forward the capital expenditure of C$2.5m so C$0.5m is spent in 2015 and $2m is spent in 2016. On this basis, the Scoping Study NPV would increase to C$21m with an IRR of 88.0%.

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) 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.

In July Fertoz received approval to extract a phosphate bulk sample of up to 10,000 tonnes from Marten. Fertoz executed a land use agreement with Tembec Industries in August to allow access to the property.

Fertoz commenced a three-week phosphate rock trenching and drill programme with bulk sample collection of approximately 1,000 tonnes from the Marten tenements at its Fernie phosphate project on 16 October 2014.

The Company has also extended the phosphate prospective area from 1,215 hectares to 1,739 hectares, or 43%, by acquiring two new tenements at very low cost. The total Fernie project area has increased from 3,904 hectares to 4,466 hectares.

The joining of Marten and Crows Nest tenements (Figure 7) also has the benefit of more efficient use of exploration funds as there is no longer a need to have a separate exploration programme for Crows Nest to keep the tenements in good standing with the BC Ministry of Mines.

DRY RIDGE PROJECT (option to acquire 100% ownership) Idaho, USA

World Industrial Minerals ("WIM") completed field work between 9 July and 15 July 2014. GIS map generation using ESRI ArcMap, and geological cross section and 3D interpretation using Geosoft Target, was completed between 16 July and 25 July. Geological data was generated to determine locations for 48 drill sites and 24 trenches along the full 4.8km length of the Fertoz Dry Ridge Lease area. The proposed road construction, trenches and drill sites are shown in Figure 8.

Field work for staking and flagging the proposed Dry Ridge exploration roads, drill pads, and trenches was completed between 11 August and 24 August 2014. The US Forest Service then performed a "timber cruise" based on the staking.

Environmental studies (wildlife, vegetation and cultural) were completed and a draft Environmental Assessment was prepared. The Idaho State Journal published a notice for public comment on Fertoz's planned exploration at Dry Ridge. The 30-day public comment period concluded on 10 October 2014. Comments were received as part of the public submittals process, Fertoz's consultants (Cascade Environment Services 'CES') have addressed the comments and the draft Environmental Assessment (EA) report was submitted to the BLM (Bureau of Land Management) on 21 November 2014.

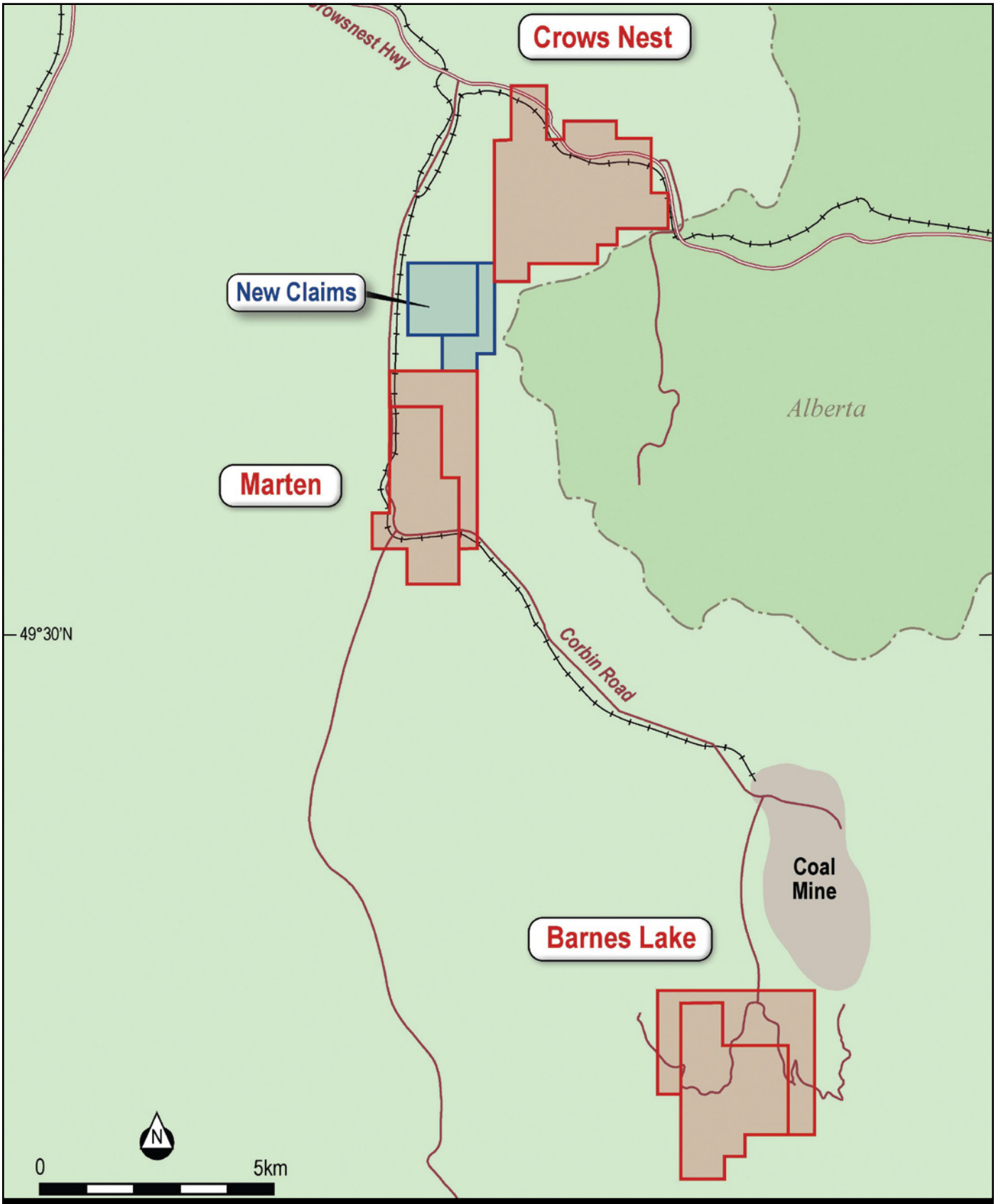

Figure 7 — Fernie Project (Marten, Crows Nest, Barnes Lake)

PROJECT REVIEW

— continued —

In July 2015 the US Bureau of Land Management and the US Forestry Service both gave approval for Fertoz to undertake exploration of the Dry Ridge project in Idaho. Fertoz intends to seek a joint venture partner to fund the proposed exploration programme.

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, 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, August 2, 2012) and south to Husky #3 also owned by Agrium.

AUSTRALIAN PROJECTS

During the March quarter Fertoz relinquished its two remaining exploration assets in Australia. They consisted of EL26915 at Barrow Creek, Northern Territory and EPM19448 at Sherrin North, Queensland.

FERTOZ AGRICULTURE JOINT VENTURE IN AUSTRALIA

In November 2014 Fertoz formed Fertoz Agriculture Pty Ltd as trustee for Fertoz Agriculture Trust ("FertAg", ABN 72 692 314 002), a joint venture ("JV") between Fertoz Limited (50%) and Vast Resources Pty Ltd (50%) to import and market a proven specialty phosphate fertiliser in Australia and New Zealand.

FertAg has obtained exclusive Australian/New Zealand distribution rights from an Asian supplier to supply up to 50,000 tpa of a specialty high grade phosphate product that can be used by both organic and conventional farmers. The brand name chosen by the JV follows the typical N-P-K nomenclature of conventional fertiliser: "**FertAg 0-8-0**".

Figure 9 — FertAg 0-8-0 loaded ready for shipment to Australia in 20 foot containers.

FertAg 0-8-0 and FertAg 0-7-0.

FertAg 0-8-0 is a fused calcium-magnesium-silicate phosphate, not a reactive phosphate rock. It is manufactured at high temperature from naturally occurring minerals and because there is no chemical change, it is suitable for use in both organic and conventional agriculture. The product is insoluble in water and does not leach into waterways, like conventional P fertilisers, yet 95% of the P is readily available for uptake to plants.

When compared on a cost per hectare basis, FertAg 0-8-0 is expected to be cheaper than superphosphate due to:

a. Less product required per hectare;
b. Lower spreading costs;
c. No need for periodic lime applications; and
d. Less other nutrients required.

Due to customer demand, FertAg has introduced a granular product, FertAg Granular 0-7-0 ("FertAg G 0-7-0") which is available in 1 tonne bags and 25kg bags.

FertAg 0-8-0 is typically spread using belt and disc spreaders.

FertAg G 0-7-0 has the advantage of being able to be spread through air seeders and also by aircraft over large pastures. FertAg products are not hygroscopic and do not pick up moisture and harden like single super phosphate. They can be stored indefinitely and are easy to spread at all times. FertAg 0-8-0 and FertAg G 0-7-0 are effective alternatives for superphosphate. Australian farmers use approximately 710,000 tonnes of superphosphate per year (Australian Bureau of Statistics 2012 data) while New Zealand farmers use approximately 1,000,000 tonnes each year (Ballance 2015).

Initiatives introduced during the March quarter were:

1. Secured a non-exclusive National Supplier Agreement (ASX announcement 9 February 2015) for distribution of FertAg's specialty phosphate products with Ruralco Holdings Ltd ("Ruralco"), a major Australian agribusiness.
2. Introduced a Shareholder Rewards program (ASX announcement 12 February 2015) where Fertoz shareholders who own a minimum of 5,000 shares can receive a refund of A$15 per tonne for FertAg products purchased in Australia. Key terms and conditions are available on the Company's websites (www.fertoz.com, www.fertag.com) and were also provided in the press release.
3. Entered into a working capital facility (ASX announcement 27 February 2015 with Moneytech Finance Pty Ltd ("Moneytech") for up to A$1 million (the "Facility"). The Facility provides FertAg with up to 90 days to pay Moneytech for expected proceeds from goods sold. A global insurance group, currently rated A+ by Standard & Poors, agreed to insure the Facility.
4. Developed FertAg web page www.fertag.com.

800 tonnes of FertAg 0-8-0 product was imported to Brisbane and Melbourne in February and March 2015.

Sales revenue for FertAg 0-8-0 in the March quarter was A$38,000 from sales in Queensland and Victoria. Sales have continued to grow since with orders also coming from NSW, Tasmania and Kangaroo Island.

Revenue from sales of FertAg 0-8-0 invoiced in the June quarter for FertAg 0-8-0 were up 35% on the March quarter. Sales at the end of June totalled $94,000.

During the March quarter, the distributor network was expanded to include Landmark, E.E. Muirs and National Framers Warehouse stores, and 7 product distribution centres were established in sites across Queensland, NSW, Victoria and Tasmania to enable easy access for farmers, and to reduce holding costs.

FertAg has delayed the appointment of further sales personnel and also expansion into New Zealand. The sales team has been reduced to one full time person with technical support being provided part-time as required. These changes and the growth in customer awareness of the FertAg products have resulted in the business becoming cash positive in June.

BOARD OF 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. Mr Chisholm has worked on numerous resource construction and maintenance projects around Australia, primarily covering coal, iron ore, and agricultural mining and processing. Mr Chisholm co-founded The Chairmen1 Pty Ltd which sold its assets to Guildford Coal Ltd (ASX: GUF), becoming its largest shareholder. Mr Chisholm is experienced in start-up exploration and development companies.

Other current directorships Executive Chairman of Atrum Coal NL (ASX: ATU)

Mr Stephen Keith *(appointed as non-executive 29 July 2014)*

Title Managing Director *(appointed 31 July 2015)*

Qualifications P.Eng, B.Sc. Applied Science, MBA

Experience and expertise Mr Keith was appointed managing director on 31 July 2015 to focus on commercialising North American assets. Previously he was a non-executive director. Mr Keith is based in Toronto, was President and Chief Executive of 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 founder and President of Rio Verde Minerals Development Corp ("Rio Verde") (TSX: RVD), 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 Mr Keith sits on the Board of Directors of Aura Minerals (TSX:ORA).

Other current directorships Aura Minerals (TSX:ORA).

BOARD OF DIRECTORS

— continued —

Dr Leslie Szonyi

Title Executive Director
(changed from Managing Director to executive director on 31 July 2015)

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. Dr Szonyi was managing director until 31 July 2015 and continues as director and a consultant reporting to Mr Keith the current managing director.

Other current directorships None

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 specialty metal mining and exploration companies worldwide. Mr Byass is a Competent Person for reporting to the ASX for certain minerals. Mr 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).

Mr Alexandre Penha *(appointed 29 July 2014)*

Title	Alternative Non-executive Director to Stephen Keith
Qualifications	BA, B.Sc. Economics, post-degree in Corporate Finance
Experience and expertise	Mr Penha 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). Mr Penha has over eight years of experience in mining capital markets, including corporate development, research and investment banking. Mr Penha is a board member of the Brazil-Canada Chamber of Commerce and Chairman of its mining Committee.
Other current directorships	None

LIST OF TENEMENTS

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
CANADA **Wapiti East**					
WK-1	851942	100%	450.83	21/04/2021	Fertoz International
WK-2	851948	100%	451.02	21/04/2021	Fertoz International
WK-3	851952	100%	450.77	21/04/2021	Fertoz International
WK-4	851958	100%	451.2	21/04/2021	Fertoz International
WK-5	941760	100%	450.83	21/04/2021	Fertoz International
WK-6	941761	100%	469.87	21/04/2021	Fertoz International
WK-7	941762	100%	450.86	21/04/2021	Fertoz International
WK-8	941763	100%	451.08	21/04/2021	Fertoz International
WK-9	941764	100%	451.33	21/04/2021	Fertoz International
WK-10	941769	100%	451.36	21/04/2021	Fertoz International
WK-11	955278	100%	470.31	21/04/2021	Fertoz International
WK-12	956829	100%	225.35	21/04/2021	Fertoz International
WK-One	982744	100%	18.8	21/04/2021	Fertoz International
Wapiti NE	1015556	100%	375.54	21/04/2021	Fertoz International
Wapiti Two	1015557	100%	168.93	21/04/2021	Fertoz International
Wapiti South	1015558	100%	376.35	21/04/2021	Fertoz International
WAP S2	1018104	100%	451.82	21/04/2021	Fertoz International
WAP S3	1018106	100%	451.75	21/04/2021	Fertoz International
WAP S4	1018107	100%	451.93	21/04/2021	Fertoz International
WAP S5	1018108	100%	452.09	21/04/2021	Fertoz International
WAP S6	1018109	100%	452.3	21/04/2021	Fertoz International
Red Deer 1	1023921	100%	150.2	21/04/2021	Fertoz International
Red Deer 2	1023922	100%	206.3	21/04/2021	Fertoz International
Red Deer 3	1023923	100%	150.1	21/04/2021	Fertoz International
Munok	1029417	100%	207.38	21/04/2021	Fertoz International
Munok 1	1015626	100%	169.58	21/04/2021	Fertoz International
Belcourt 1	1015627	100%	113.27	21/04/2021	Fertoz International
Munok 2	1024783	100%	603.05	21/04/2021	Fertoz International
Belcourt 2	1024803	100%	301.76	21/04/2021	Fertoz International
Belcourt 3	1024806	100%	188.7	21/04/2021	Fertoz International
Belcourt 4	1024805	100%	339.78	21/04/2021	Fertoz International
Belcourt 4	1024805	100%	339.8	21/04/2021	Fertoz International
Belcourt Link	1027037	100%	282.59	21/04/2021	Fertoz International

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
CANADA *(continued)* **Wapiti East** *(continued)*					
WAP 11	1027038	100%	168.94	21/04/2021	Fertoz International
South 1	1029488	100%	112.64	21/04/2021	Fertoz International
South 2	1029489	100%	376.16	21/04/2021	Fertoz International
South Road 2	1030777	100%	413.66	21/04/2021	Fertoz International
SubTotal			**12,208.43**		
Wapiti West					
Tunnel 1	942096	100%	446.13	27/03/2016	Fertoz International
Tunnel 2	942097	100%	445.97	27/03/2016	Fertoz International
Sukunka1	851714	100%	18.51	15/09/2016	Fertoz International
Sukunka2	980302	100%	444.23	15/09/2016	Fertoz International
PAL 2	1018084	100%	443.88	27/03/2016	Fertoz International
PAL 3	1018085	100%	388.49	27/03/2016	Fertoz International
PAL 4	1018086	100%	444.1	27/03/2016	Fertoz International
SUK 3	1018087	100%	444.32	27/03/2016	Fertoz International
SUK 4	1018095	100%	444.53	27/03/2016	Fertoz International
SUK 5	1018096	100%	444.71	27/03/2016	Fertoz International
SUK 6	1018097	100%	444.89	27/03/2016	Fertoz International
SUK 7	1018098	100%	445.08	27/03/2016	Fertoz International
SUK 8	1018099	100%	445.25	27/03/2016	Fertoz International
SUK 9	1018101	100%	445.39	27/03/2016	Fertoz International
SUK 10	1018102	100%	445.57	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			**6,953.03**		
Barnes Lake					
BL 1	1011319	100%	608.98	19/07/2017	Fertoz International
BL 2	1020873	100%	629.00	18/10/2016	Fertoz International
Crows Nest					
Crows Nest	1023062	100%	1450.89	15/10/2021	Fertoz International
Crows 2	1023064	100%	38.67	15/10/2021	Fertoz International

LIST OF TENEMENTS

— continued —

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
CANADA *(continued)* **Marten**					
Marten 1	1024365	100%	754.32	29/06/2021	Fertoz International
Marten 2	1025533	100%	460.86	28/06/2021	Fertoz International
Marten Nth	1029979	100%	334.99	1/08/2021	Fertoz International
Marten E	1031107	100%	188.48	23/09/2021	Fertoz International
SubTotal			**4,466.19**		
Canada Total			**23,627.65**		
UNITED STATES					
Dry Ridge	I-07238	0%[1]	210.0	31/05/2016	Solvay USA Inc.
United States Total			**210.0**		

Fertoz
Fertoz Ltd (ACN 145 951 622)