



PROSPECTUS

Non-Renounceable Entitlement Offer

Fertoz Limited ACN 145 951 622

Fully underwritten non-renounceable pro-rata entitlement offer to Eligible Shareholders on the basis of 1 New Share for every 7 Shares held at the Record Date at an issue price of A\$0.15 per New Share, together with 1 free attaching New Option for every 1 New Share subscribed for under the Entitlement Offer to raise approximately A\$1,007,875 before costs.

If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement.

The Entitlement Offer closes at 5pm (AEDT) on Tuesday 24 November 2015. Valid applications and payment must be received before that time.

The Entitlement Offer is fully underwritten by Blackwood Capital Pty Limited.

This document is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This Prospectus contains important information about the Offer. You should read the entire document including the Entitlement and Acceptance Form. If after reading this Prospectus you have any questions about the Offer or this Prospectus, you should speak to your professional adviser.

The New Shares and New Options offered by this Prospectus should be considered highly speculative.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

IMPORTANT NOTICES

About this Prospectus

This Prospectus is dated 30 October 2015 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Shares or New Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This Prospectus should be read in conjunction with the Company's other periodic and continuous disclosure announcements given to ASX which are available at www.asx.com.au (ticker: FTZ). The Company is an ASX listed company whose securities are granted official quotation by ASX. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

Important document

It is important that you carefully read this Prospectus in its entirety before deciding to invest in Fertoz and, in particular, that you consider the assumptions underlying the prospective financial information and the risk factors that could affect the financial performance of Fertoz. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Risk Factors

Potential investors should note that there are a number of risks attached to their investment in Fertoz. Please refer to Section 8 of this Prospectus (Risk Factors) for further information on those risks. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the New Shares and New Options in the future. Accordingly, an investment in Fertoz should be considered speculative.

Disclaimer

No person is authorized to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorized by Fertoz or its Directors or any other person in connection with the Offer. Neither Fertoz nor any other person warrants the future performance of Fertoz or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

Not investment advice

This Prospectus and the recommendations and other information contained in it do not constitute financial product advice. This Prospectus does not take into account your individual investment objectives, financial situation and your particular needs and it does not contain personal advice.

Restrictions on the distribution of this Prospectus

This Prospectus does not constitute an offer of New Shares or New Options in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. The New Shares and New Options have not been, and will not be, registered under the US Securities Act (as amended) and may not be offered in the United States or to, or for the account of or benefit of, US Persons.

Accordingly, this Offer is not to be extended to, and no New Shares or New Options will be issued to, investors having registered addresses outside Australia and New Zealand (unless Fertoz in its sole and absolute discretion determines that an investor in a place outside of Australia and New Zealand is eligible to participate in the Offer), or to any person to whom it would not be lawful to make such an offer or to issue this Offer or Prospectus. This Prospectus is sent to those persons for information purposes only.

Notwithstanding the above, in limited circumstances Fertoz may (in its absolute and sole discretion) elect to treat as Eligible Shareholders certain Shareholders who would otherwise not be Eligible Shareholders because their registered addresses are not in Australia or New Zealand.

The Corporations Act prohibits any person passing on to another person an Entitlement and Acceptance Form unless it is accompanied by a hard copy of this complete Prospectus, or the complete and unaltered electronic version of this Prospectus. Please contact us on 0408 704 446 if you wish to obtain a hard copy of this Prospectus free of charge.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary (see section 11 of this Prospectus).

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Prospectus are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Prospectus.

Prospectus availability

Eligible Shareholders will be mailed a copy of this Prospectus, together with a personalized Entitlement and Acceptance Form.

A copy of this Prospectus can be downloaded from our website at www.fertoz.com and on the ASX website (ticker: FTZ) at www.asx.com.au. If you access the electronic version of this Prospectus you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus is only available to Eligible Shareholders (see section 4.2 of the Prospectus). The electronic version of this Prospectus on the Fertoz or ASX websites will not include an Entitlement and Acceptance Form. Entitlement and Acceptance Forms will not be made available electronically.

Forward Looking Statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. It also contains statements of intentions, statements of opinion and predictions as to possible future events. Such statements are only predictions and are subject to inherent risks and uncertainties. Fertoz believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Prospectus.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and its Directors and management. These risks include those set out in Section 8 (Risk Factors) of this Prospectus. Fertoz cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and you are cautioned not to place undue reliance on these forward-looking statements.

Enquiries

If you have any questions on how to apply for New Shares and New Options offered to you under the Entitlement Offer or how to complete the personalized Entitlement & Acceptance Form which accompanies this Prospectus please contact Julien McNally at julien.mcinnally@fertoz.com or call 0408 704 446.

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1. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of Fertoz Limited ACN 145 951 622 (**Fertoz or Company**), I would like to invite you to participate in a pro rata entitlement offer, which entitles you to acquire one (1) New Share in Fertoz for every seven (7) Shares you hold as at 7.00 pm AEDT on 9 November 2015 (**Record Date**) at an issue price of \$0.15 per New Share, to raise up to approximately \$1,007,875 before costs, together with one (1) New Option free of charge for every one (1) New Share subscribed for under the Offer. Each New Option is exercisable into one (1) Share in Fertoz at an exercise price of \$0.15 per New Option at any time up to and including 5:00 pm (AEDT) on 1 December 2017 with the New Options to be listed on the ASX if the ASX requirements for listing options are met (**Offer**). The Offer is fully underwritten by the Underwriter on the terms and conditions of the Underwriting Agreement. A summary of the underwriting and particulars regarding certain sub-underwriting arrangements in relation to the Entitlement Offer are detailed in section 4.9 of this Prospectus.

If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 by way of the issue of up to 5,600,000 New Shares at \$0.15 per New Share, together with one (1) New Option for every one (1) New Share (together the **Additional Securities**) subscribed for by those investors nominated by the Company, in consultation with the Underwriter (**Discretionary Placement**)¹.

The net proceeds of the Entitlement Offer will be used to purchase or lease screens and a mill that will allow the Company to process mined rock phosphate from the Company's Wapiti Project and Fernie Project in Canada and sell direct application rock phosphate (also known as direct application natural fertilizer) to potential customers in North America, further bulk sample collection at the Fernie Project and to cover general corporate costs. The net proceeds will be reduced by up to \$500,000 to the extent that Lenark Pty Ltd atf Lenark Investment Trust² elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement against monies owed to it by Fertoz under the Offset Loan Agreement (see section 4.8 and 6.2 of the Prospectus for further details).

The Company has rock phosphate stockpiled in the farming region of Stettler, Alberta, and Grande Prairie, Alberta, ready for processing. In addition, The Company is awaiting approval of a 75,000tpa mine at Wapiti. The Company has a deposit of rock phosphate in the Wapiti Project and projects with exploration potential at the Fernie Project, both close to major farming districts in North America, the largest organic agricultural market in the world. Even so, the Company has found that both conventional and organic farmers appear to use direct application rock phosphate, and Fertoz considers that the high availability of phosphate and low impurities in the Company's resources potentially makes the Fertoz direct application rock phosphate an attractive fertilizer to many farming groups. Various trials have already been undertaken by farmers in the region and the Company now wishes to secure suitable equipment in order to produce direct application rock phosphate to specifications required by local farmers.

The Offer is fully underwritten by the Underwriter on the terms and conditions of the Underwriting Agreement. A summary of the Underwriting Agreement (and particulars regarding certain sub-underwriting arrangements) in relation to the Offer is provided in section 4.9 of this Prospectus. The Offer is non-renounceable. This means that your rights to these New Shares are not tradable.

Your Entitlement may have value and it is important that you determine whether to take up your Entitlement. Accompanying this Prospectus is a personalized Entitlement and Acceptance Form which contains details of your Entitlement.

¹ All Additional Securities, if any, issued under the Discretionary Placement to investors are offered and will be issued by the Company with disclosure to those investors under this Prospectus.

² Lenark Pty Ltd atf Lenark Investment Trust is controlled by Kimberley Chisholm, spouse of the Non-Executive Chairman of Fertoz Ltd, James Chisholm.

You should read the entirety of this Prospectus carefully, in particular the "Risk Factors" described in section 8 of this Prospectus, before deciding whether to participate in the Entitlement Offer. If you would like further information regarding the Entitlement Offer, please call Fertoz on 0408 704 446. For other questions, you should consult your broker, solicitor, accountant, taxation adviser, financial adviser or other professional adviser without delay.

On behalf of the Board and management team of Fertoz, I invite you to read this Prospectus carefully and consider this investment opportunity.

Yours sincerely

A handwritten signature in black ink, appearing to read "James Chisholm". The signature is written in a cursive style with a long horizontal flourish at the end.

James Chisholm
Non-Executive Chairman.

2. KEY DATES FOR THE OFFER

| Event | Date |
|--|------------------------------------|
| Prospectus lodged with ASIC and ASX | 30 October 2015 |
| Appendix 3B lodged with ASX | 30 October 2015 |
| "Ex" date (date from which Shares trade on ASX without the entitlement to participate in the Offer) | 5 November 2015 |
| Record Date to determine Entitlement to New Shares and New Options | 7:00 pm AEDT 9 November 2015 |
| Prospectus dispatched to Shareholders and Company announces dispatch has been completed | 10 November 2015 |
| Opening Date for Entitlement Offer | 10 November 2015 |
| Closing Date for applications under the Offer and payment in full of Application Money (by 5.00pm AEDT) | 24 November 2015 |
| ASX notified of under-subscriptions | 27 November 2015 |
| Issue date of new securities issued under the Entitlement Offer and, if applicable, the Discretionary Placement | 30 November 2015 |
| Dispatch of holding statements for new securities issued under the Entitlement Offer and if applicable under the Discretionary Placement | 1 December 2015 |
| Trading commences for New Shares | 1 December 2015 |
| Expiry date of New Options | 5:00 pm AEDT on 1 December 2017 |

These dates are indicative only and subject to change. The Company, in conjunction with the Underwriter, reserves the right, subject to the Corporations Act and the ASX Listing Rules, to vary the above dates at any time without prior notice, including extending the Entitlement Offer or accepting late applications under the Offer, either generally or in particular cases, or extending the date for issue of the securities under the Discretionary Placement or to withdraw the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares and New Options.

Applicants are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible. No cooling-off rights apply to applications for New Shares and New Options submitted under the Entitlement Offer.

The commencement of quotation of New Shares is subject to confirmation from ASX.

3. INVESTMENT OVERVIEW

| Question | Response | Where to find more information |
|--|--|--|
| <p>What is the structure of the Offer?</p> | <p>The Company is offering to issue New Shares to Eligible Shareholders by a pro-rata non-renounceable entitlement offer.</p> <p>Under the Offer, Eligible Shareholders may subscribe for one (1) New Share for every seven (7) Shares held by Eligible Shareholders at the Record Date, together with one (1) free attaching New Option for every one (1) New Share subscribed for under the Offer. Each New Option is exercisable into one (1) Share at an exercise price of \$0.15 per New Option, at any time up to and including 5:00 pm AEDT on 1 December 2017.</p> <p>Application will be made to the ASX for quotation of the New Shares. The New Options may be listed, if the ASX requirements for listing options are met.</p> <p>If the Entitlement Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement by way of the issue of up to an additional 5,600,000 New Shares at \$0.15 per New Share, together with one (1) New Option free of charge for every one (1) New Share subscribed for. These Additional Securities, if applicable, will be issued to investors nominated by the Company, in consultation with, the Underwriter. All Additional Securities, if any, issued by the Company under the Discretionary Placement to investors have been offered and will be issued to such investors with disclosure under this Prospectus.</p> | <p>Section 4.1 (The Offer)</p> |
| <p>What is the Issue Price for the New Shares?</p> | <p>The Issue Price is \$0.15 per New Share.</p> | <p>Section 4.1 (The Offer)</p> |
| <p>Can Additional Securities be issued?</p> | <p>If the Entitlement Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement by way of the issue of up to an additional 5,600,000 New Shares at \$0.15 per New Share, together with one (1) New Option free of charge for every one (1) New Share subscribed for. These Additional Securities, if applicable, will be issued to investors nominated by the Company in consultation with the Underwriter. All Additional Securities, if any, issued by the Company under the Discretionary Placement to investors have been offered and will be issued to such investors with disclosure under this Prospectus.</p> | <p>Section 4.7 (Additional Securities)</p> |

| Question | Response | Where to find more information |
|--|--|-------------------------------------|
| Who is an Eligible Shareholder? | <p>The Offer is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who satisfy each of the following conditions:</p> <ul style="list-style-type: none"> a) are registered as a holder of Shares as at 5pm AEDT on the Record Date; b) have an address on the Fertoz share register in Australia or New Zealand or are a Shareholder that Fertoz has otherwise determined (in its sole and absolute discretion) is eligible to participate in the Offer; c) are not located in the United States and are not US Persons and not acting for the account of or benefit of US Persons; d) do not hold Shares as a result of post Record Date transactions; and e) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer. <p>Fertoz, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Entitlement Offer. Fertoz disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder.</p> | Section 4.2 (Eligible Shareholders) |
| What are the key risks of a further investment in the Company? | <p>Investing in Fertoz involves risk, before deciding to subscribe under the Offer, you should consider the risk factors set out in this Prospectus and all other public announcements and reports by the Company. Some of the specific risks relevant to an investment in the Company are as follows (see section 8 for details and a list of other risks):</p> <ul style="list-style-type: none"> • Market risks for the products produced or sold by the Company. • Financing risk to progress the Company’s business plans. • Mining and development risks in relation to its projects. • Risk associated with reliance on key personnel. • Exploration, evaluation and resource estimation risk. • Competition risk. | Section 8 (Risk Factors) |
| Maximum number of New Shares to be issued under the Offer, together with any Additional Securities | <p>A maximum of approximately 6,719,164 New Shares will be issued under the Offer. If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion issue up to an additional 5,600,000 New Shares under the Discretionary Placement and the maximum number of New Shares to be issued in aggregate will be 12,319,164.</p> | Section 4.1 (The Offer) |

| Question | Response | Where to find more information |
|--|--|---|
| <p>Maximum number of New Options to be issued under the Offer, together with any Additional Securities</p> | <p>A maximum of approximately 6,719,164 New Options will be issued under the Offer. If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion issue up to an additional 5,600,000 New Options under the Discretionary Placement.</p> <p>Further, the Underwriter (and certain sub-underwriters) will receive 4,333,333 Underwriter Options as part of the Underwriting Fee, save that the issue of 2,333,333 Underwriter Options (or such other number, as may require shareholder approval for the purposes of the ASX Listing Rule 7.1 and all other purposes) will be subject to shareholder approval for the purposes of the ASX Listing Rule 7.1 and all other purposes (see section 4.9 of this Prospectus for the terms of the underwriting and particulars regarding certain sub-underwriting arrangements).</p> <p>Hence, the maximum number of options to be issued in connection with the Offer, together with any Additional Securities and the Underwriter Options in aggregate will be 16,652,497.</p> | <p>Section 7.2 (Capital structure on completion of the Issue)</p> |
| <p>What is the maximum amount that will be raised under the Offer (before costs and expenses and not including any capital that may be raised on exercise of the New Options)?</p> | <p>A maximum of approximately \$1,007,875 before costs of the Offer.</p> <p>If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise an additional \$840,000 under the Discretionary Placement.</p> <p>The net proceeds will be reduced to the extent that Lenark Pty Ltd atf Lenark Investment Trust elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement, against monies owed to it by Fertoz under the Offset Loan Agreement. See sections 6.2 and 10.10 for further details.</p> | <p>Section 6 (Purpose of the Offer)</p> |
| <p>Maximum number of Shares on issue after the Offer (not including any Shares that may be issued on exercise of the New Options or Underwriter Options), together with New Shares forming part of the Additional Securities</p> | <p>A maximum of approximately 53,753,309 Shares will be on issue after the Offer.</p> <p>If Fertoz decides in its absolute discretion to raise up to an additional \$840,000 under the Discretionary Placement, the maximum number of Shares on issue after the Entitlement Offer and the issue of New Shares forming part of the Additional Securities will, in aggregate, be 59,353,309 (which represents an additional 5,600,000 New Shares).</p> | <p>Section 7.2 (Capital structure on completion of the Issue)</p> |

| Question | Response | Where to find more information |
|---|---|---|
| <p>Maximum number of Options on issue after the Entitlement Offer together with the Underwriter Options and any New Options forming part of the Additional Securities</p> | <p>There will be a maximum of 21,952,496 Options on issue (excluding New Options issued under the Discretionary Placement, if any) comprising:</p> <ul style="list-style-type: none"> • 6,719,164 New Options with an exercise price of \$0.15 expiring at 5pm (AEDT) on 1 December 2017 • 4,333,333 Underwriter Options with an exercise price of \$0.18 expiring at 5pm (AEDT) on 1 December 2017 (save that the issue of 2,333,333 Underwriter Options, or such other number as may require shareholder approval, will be subject to shareholder approval); • 6,307,692 Options with an exercise price of \$0.25 expiring on 1 September 2017 • 1,538,461 Options with an exercise price of \$0.35 expiring on 1 September 2017 • 1,538,461 Options with an exercise price of \$0.45 expiring on 1 September 2017 • 615,385 Options with an exercise price of \$0.55 expiring on 1 September 2017 • 300,000 Options with an exercise price of \$0.65 expiring on 27 November 2017 • 300,000 Options with an exercise price of \$0.75 expiring on 27 November 2017 • 300,000 Options with an exercise price of \$0.85 expiring on 27 November 2017 <p>If Fertoz decides in its absolute discretion to raise up to an additional \$840,000 under the Discretionary Placement, the maximum number of Options on issue after the Entitlement Offer and the issue of New Options forming part of the Additional Securities will in aggregate be 27,552,496 (which represents an additional 5,600,000 New Options).</p> | <p>Section 7.2 (Capital structure on completion of the Issue)</p> |

| Question | Response | Where to find more information |
|----------------------------|---|---|
| Is the Offer underwritten? | <p>The Offer is fully underwritten by Blackwood Capital Pty Limited (the Underwriter). The fees payable (which includes the 4,333,333 Underwriter Options with an exercise price of \$0.18) to the Underwriter and a summary of the key terms of the Underwriting Agreement and particulars regarding certain sub-underwriting arrangements are set out in Section 4.9 of this Prospectus.</p> <p>The Underwriter is not a related party of Fertoz. The underwriter holds 4,000,000 Options. Stuart Richardson, a director of the Underwriter has an indirect interest in 813,776 Shares. Francis Harper, a director of the Underwriter has an indirect interest in 131,410 Shares.</p> <p>The Underwriter must apply for the Shortfall Securities up to the Underwritten Amount in accordance with the terms of the Underwriting Agreement.</p> <p>The Underwriter has appointed sub-underwriters to subscribe for the Shortfall Securities up to the Underwritten Amount. The sub-underwriters include Terra Capital Pty Ltd (a substantial shareholder of Fertoz) and Lenark Pty Ltd atf Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm). Each sub-underwriter will not, by its sub-underwriting, increase its voting power in the Company from 20% or below to more than 20% or from a starting point that is above 20% and below 90%. See section 7.4 of the Prospectus for details of the potential effects on control of the Offer.</p> | Section 4.9 (Underwriting and sub-underwriting) |

| Question | Response | Where to find more information |
|--|---|---|
| <p>What is the purpose of the Offer?</p> | <p>The amount raised by the Offer, after deducting associated costs of the Offer, will be used by Fertoz to:</p> <ul style="list-style-type: none"> a) purchase or lease equipment to grind phosphate rock bulk samples to allow further product trials and potential sales to commence in Canada for direct application natural fertilizer; b) commence development at the Wapiti Project; c) further bulk sample collection at Fernie Project; d) cover the costs of the Offer; and e) cover general working capital. <p>Fertoz proposes to use any additional funds raised under the Discretionary Placement to fund the additional costs of the Discretionary Placement and then for further processing and farm trials, further bulk sample collection at the Fernie project, a road upgrade at the Wapiti project, purchasing blending and bagging equipment, and general working capital.</p> <p>The net proceeds will be reduced to the extent that Lenark Pty Ltd atf Lenark Investment Trust elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement, against monies owed to it by Fertoz under the Offset Loan Agreement. See sections 6.2 and 10.10 for further details.</p> | <p>Section 6 (Purpose of the Offer)</p> |
| <p>Can I trade my Entitlement on ASX or otherwise transfer my Entitlement?</p> | <p>The Offer is non-renounceable, which means that Entitlements are not tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value in respect of those Entitlements they do not take up.</p> | <p>Section 4.5 (Non-renounceable entitlement)</p> |
| <p>What are the choices available to Eligible Shareholders?</p> | <p>As an Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> • Take up all of your Entitlement. • Take up all of your Entitlement and apply for Shortfall Securities. • Take up part of your Entitlement and allow the balance of your Entitlement to lapse. • Allow all of your Entitlement to lapse. | <p>Section 9.1 (Choices available to you)</p> |
| <p>How do I accept my Entitlement?</p> | <p>See section 9 (How to apply) of this Prospectus.</p> | <p>Section 9 (How to apply)</p> |

| Question | Response | Where to find more information |
|---|--|--|
| <p>How will the Shortfall be allocated?</p> | <p>Any Entitlement not accepted will form part of the Shortfall Securities.</p> <p>Eligible Shareholders are entitled to apply for Shortfall Securities (that is, New Shares in excess of their Entitlement) under the Entitlement Offer. Shortfall Securities will only be allocated to Eligible Shareholders if and to the extent that Fertoz so determines, in its absolute discretion, having regard to the circumstances as at the time of the close of the Entitlement Offer. Any Shortfall Securities will be limited to the extent that there are sufficient Shortfall Securities from Eligible Shareholders who do not take up their full Entitlements. After allocation to Eligible Shareholders, the balance of Shortfall Securities will be allocated to the Underwriter.</p> <p>Fertoz may apply any scale-back to the allocation of Shortfall Securities (in its absolute discretion). This means any application for Shortfall Securities may not be successful (wholly or partially). The decision by Fertoz on the number of Shortfall Securities to be allocated to you will be final.</p> | <p>Sections 4.6 (Shortfall Securities)</p> |

4. DETAILS OF THE OFFER

4.1 The Offer

The Company invites applications from Eligible Shareholders for subscription of approximately 6,719,164 New Shares pursuant to a fully underwritten pro-rata non-renounceable entitlement offer of one (1) New Shares for every seven (7) Shares held on the Record Date at an issue price of \$0.15 per New Share. Fractional entitlements will be rounded up to the nearest whole number.

For every one (1) New Share subscribed for by an Eligible Shareholder under the Offer, the Company will also grant one (1) New Option free of charge to that Eligible Shareholder, each exercisable for one (1) Share at an exercise price of \$0.15 per New Option, and which are exercisable at any time up to 5:00 pm AEDT on 1 December 2017. If the ASX requirements for listing options are met, the Company proposes to apply to ASX for quotation of the New Options. The Company will advise on the completion of the capital raise if sufficient marketable parcels of New Options have been issued, in which case the Company will apply to the ASX for the quotation of the New Options.

Eligible Shareholders may apply for Shortfall Securities (that is, New Shares in excess of their Entitlement) under the Offer. See section 4.6 of this Prospectus for more detail on Shortfall Securities.

If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement by way of the issue of New Shares at \$0.15 per New Share, together with one (1) New Option, free of charge, for every one (1) New Share subscribed for by investors invited to participate in the Discretionary Placement, if applicable.

All of the New Shares are fully paid ordinary shares in the share capital of Fertoz and will rank equally in all respects with the existing Shares. Please refer to section 10.1 for further information regarding the rights and liabilities attaching to the Shares.

New Options issued under the Entitlement Offer will be issued on the terms and conditions summarized in section 10.2 of this Prospectus. Shares issued on exercise of the New Options will rank equally with the then existing issued Shares.

4.2 Eligible Shareholders

The Offer is only open to Eligible Shareholders. '**Eligible Shareholders**' are those Shareholders who satisfy each of the following criteria:

- a) are registered as a holder of Shares as at 5pm AEDT on the Record Date; and
- b) have an address on the Fertoz share register in Australia or New Zealand or are a Shareholder that Fertoz has otherwise determined (in its sole and absolute discretion) is eligible to participate in the Offer and
- c) are not located in the United States and are not US Persons and not acting for the account of or benefit of US Persons; and
- d) do not hold Shares as a result of post Record Date transactions; and
- e) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Shareholders who do not satisfy each of these criteria are '**Excluded Shareholders**'. Excluded Shareholders will be sent a letter notifying them of the Offer and their ineligibility to participate in it on or about 10 November 2015.

Fertoz, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and therefore is able to participate in the Offer or an Excluded Shareholder and therefore unable to participate in the Offer. Fertoz disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder. If you are an Eligible Shareholder, you can apply to take up your Entitlement in full (and in which case, also apply for Shortfall Securities) or in part by following the instructions set out

in section 9 (How to Apply) of this Prospectus.

For Eligible Shareholders, accompanying this Prospectus is a personalised Entitlement and Acceptance Form which contains details of your Entitlement. Fractional Entitlements will be rounded up to the nearest whole number.

The Entitlements of Eligible Shareholders who also hold Options, performance rights or other convertible securities which entitle the holder to subscribe for Shares will be calculated on the basis of the number of Shares they hold at 5pm (AEDT) on the Record Date, disregarding any Options, performance rights or other convertible securities which have not been exercised or converted before that time.

4.3 Overseas shareholders

This Prospectus and accompanying forms do not, and are not intended to, constitute an offer of New Shares or New Options in any place outside of Australia and New Zealand (unless Fertoz in its sole and absolute discretion determines that a Shareholder in a place outside of Australia and New Zealand is eligible to participate in the Offer), or to any person to whom, it would not be lawful to make such an offer or to issue this Offer or Prospectus.

The Company has decided that it is generally unreasonable to make offers under this Prospectus to Shareholders with registered addresses outside of Australia and New Zealand having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the legal and regulatory requirements in those places and costs of complying with those requirements. Fertoz, in its absolute discretion, reserves the right to determine whether a Shareholder with a registered address outside of Australia and New Zealand is an Eligible Shareholder and therefore is able to participate in the Offer.

The Offer is not being extended to, and does not qualify for distribution or sale by Excluded Shareholders and no New Shares or New Options will be issued to Excluded Shareholders. Where this Prospectus has been dispatched to Excluded Shareholders, it is provided for information purposes only.

In particular this Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Prospectus without any requirement for a prospectus to be lodged or registered.

4.4 Closing Date

Fertoz will accept applications from the Opening Date until 5pm AEDT on 24 November 2015 (unless extended by the Directors in their absolute discretion, subject to the requirements of the ASX Listing Rules and after consultation with the Underwriter).

4.5 Non Renounceable Entitlement

The Offer is non-renounceable, which means that Entitlements are not tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value in respect of those Entitlements they do not take up.

4.6 Shortfall Securities

All of the New Shares and New Options under the Offer that are not applied for by Eligible Shareholders in accordance with the terms of the Offer (if any) will form the shortfall securities (**Shortfall Securities**).

Eligible Shareholders may apply for Shortfall Securities (that is, New Shares in excess of their Entitlement) under the Offer at the same price as New Shares under the Offer (being \$0.15 per New Share applied for under the Shortfall). Please note that Shortfall Securities will only be allocated to Eligible Shareholders if and to the extent that Fertoz so determines, in its absolute discretion, having regard to the circumstances as at the time of the close of the Offer.

The Directors will exercise this discretion in the manner that they consider to be most equitable to all Shareholders, which is likely to be based on a pro rata allocation of Shortfall Securities to Eligible Shareholders who applied for Shortfall Securities. However, the Directors reserve their absolute discretion to determine the manner in which Shortfall Securities are allocated to take into account the actual profile of the applications for Shortfall Securities received including the nature of oversubscriptions and the amount of any Shortfall. For example, applications for Shortfall Securities may be scaled back if the Eligible Shareholder applying for Shortfall Securities has applied for a number of Shortfall Securities which is disproportionately large having regard to their existing holding (such that the Shareholder may be attempting to gain an unfair advantage relative to other Shareholders).

This means any application for Shortfall Securities may not be successful (wholly or partially). The decision by Fertoz on the number of Shortfall Securities to be allocated to you will be final. After allocation to Eligible Shareholders, the balance of Shortfall Securities will be allocated to the Underwriter.

Refer to section 9 (How to Apply) of this Prospectus for how to apply for any Shortfall Securities

It is your responsibility to ensure that you will not breach the takeovers provisions in the Corporations Act by applying for Shortfall Securities.

4.7 Additional Securities

If the Offer is oversubscribed or Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement.

If an Eligible Shareholder has applied for Shortfall Securities and the demand for New Shares and New Options from Eligible Shareholders in excess of their Entitlement and from third party investors exceeds the number of Shortfall Securities, Fertoz may, in its absolute discretion, decide to issue some or all of the Additional Securities under the Discretionary Placement.

4.8 Shareholder commitment to participate

James Chisholm has committed to Fertoz that he and his related parties³ will take up their full Entitlement under the Entitlement Offer. Consideration for the issue of New Shares and New Options to James Chisholm and his related parties may be made by offsetting such amount against amounts owing by Fertoz to Lenark Pty Ltd atf Lenark Investment Trust under the Offset Loan Agreement (or alternatively by payment in cash or a combination of both at the election of Lenark Pty Ltd atf Lenark Investment Trust). Further details of the Offset Loan Agreement are set out in section 10.10 of this Prospectus.

Lenark Pty Ltd atf Lenark Investment Trust has also agreed with the Underwriter to sub-underwrite the Entitlement Offer up to a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options) (see Section 4.9(c) (Sub-underwriting) of the Prospectus).

4.9 Underwriting and sub-underwriting

The Offer is fully underwritten for the full amount of the Offer being \$1,007,875 as follows:

(a) **Underwriter**

Blackwood Capital Pty Limited (**Underwriter**) was appointed to underwrite the Entitlement Offer up to the underwritten amount of \$1,007,875 (**Underwritten Amount**) pursuant to an underwriting agreement dated 30 October 2015 entered into between the Company and the Underwriter (**Underwriting Agreement**), described in further detail below.

³ The related parties of James Chisholm who hold Shares in Fertoz are: Lenark Pty Ltd atf Lenark Investment Trust (of which his spouse is a director) (which holds 5,555,311 Shares as at the date of this Prospectus) and Kifaco Pty Ltd (of which his spouse is a director) (which holds 213,675 Shares as at the date of this Prospectus) and Left Brain Strategies Pty Ltd (of which he is a director) (which holds 60,779 Shares as at the date of this Prospectus) and Mr JA Chisholm and Mrs KM Chisholm (who together hold 89,000 Shares as at the date of this Prospectus).

The Underwriter is not a related party of Fertoz. The Underwriter holds 4,000,000 Options. Stuart Richardson, a director of the Underwriter has an indirect interest in 813,776 Shares. Francis Harper, a director of the Underwriter has an indirect interest in 131,410 Shares.

In the event that Shortfall Securities are available, the Directors are not aware of any reason why the Underwriter would not be in a position to meet its financial obligations to subscribe for the Shortfall Securities in accordance with the Underwriting Agreement.

(b) **Underwriting Agreement**

Fertoz has entered into an Underwriting Agreement dated 30 October 2015 with the Underwriter under which the Underwriter was appointed to underwrite the Entitlement Offer. The Underwriting Agreement was negotiated on an arm's length basis. The key terms of the Underwriting Agreement are set out below.

Fertoz has also entered into an engagement letter dated 30 October 2015 with the Underwriter under which (among other things) the Underwriter was appointed as an equity placement agent to the Company in relation to the Discretionary Placement (**Engagement Letter**).

The obligations of the Underwriter under the Underwriting Agreement is conditional (among other things) on the ASX granting the required approvals, including (among other things) permission for official quotation of the New Shares by the time prescribed in the Underwriting Agreement for those events to occur.

The Underwriting Agreement contains various representations and warranties, and imposes various obligations on Fertoz, including (among others) representations, warranties and undertakings to ensure that the Prospectus complies with the Corporations Act, the ASX Listing Rules and all other applicable laws, and to conduct the Offer in accordance with the agreed timetable, Fertoz's Constitution, the Corporations Act, the ASX Listing Rules and any other applicable laws, along with representations and warranties as to Fertoz's assets, business and general compliance with laws.

Under the Underwriting Agreement and the Engagement Letter, Fertoz has agreed to pay the Underwriter an underwriting cash fee of 6% of the total proceeds to be raised under the Entitlement Offer and if applicable, raised as a result of the issue of Additional Securities under the Discretionary Placement plus 4,333,333 Underwriter Options with an exercise price of \$0.18 expiring at 5pm (AEDT) on 1 December 2017 (**Underwriting Fee**). The Underwriter intends to sub-underwrite the full amount of the underwritten amount and intends to pay a sub-underwriting fee of 6% of the sub-underwritten amount and 3,333,333 Underwriter Options to the sub-underwriters, so that the Underwriter retains 1,000,000 Underwriter Options and no cash fee. Refer to paragraph 4.9(c) below for particulars regarding certain sub-underwriting arrangements.

Fertoz has also agreed to pay the Underwriter certain costs of and incidental to the Entitlement Offer and, if applicable, the Discretionary Placement (including reasonable legal costs and out-of-pocket expenses and certain settlement costs) incurred by the Underwriter.

Under the Underwriting Agreement, Fertoz has agreed to indemnify the Underwriter, its related bodies corporate and affiliates and each of their respective officers, directors, employees, advisers, representatives and agents (**Indemnified Parties**) from and against (among other things) any and all losses directly or indirectly incurred by an Indemnified Party arising at any time in connection with the Prospectus and the Entitlement Offer, whether or not foreseeable to the Indemnified Party, except in certain limited circumstances.

Under the Underwriting Agreement, the Underwriter is obliged to subscribe for (or procure subscription for) all of the Shortfall Securities on receiving notice from Fertoz as to the number of Shortfall Securities and within the time set out in the Underwriting Agreement. The maximum number of Shortfall Securities that the Underwriter is required to subscribe for is 6,719,164 New Shares (together with 6,719,164 free attaching New Options).

The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of one or more of a number of termination events, including as follows (defined terms below have the same meaning as given to them in the Underwriting Agreement):

- **Disclosure:** the Underwriter forms the opinion that a statement contained in a document used for the Entitlement Offer is or becomes misleading or deceptive or a matter is omitted from such a document that is required to be included in that document (having regard to the provisions of Chapter 6D of the Corporations Act, the ASX Listing Rules and any other applicable legal requirements) or any material statement in such a document which relates to future matters is or becomes incapable of being met or, in the reasonable opinion of the Underwriter, unlikely to be met in the forecast time;
- **Notifications:** ASIC gives notice of an intention to hold a hearing or issues an order or interim order under the Corporations Act, an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Prospectus, or any person (other than the Underwriter) gives a notice under section 730(1) of the Corporations Act or any person (other than the Underwriter) withdraws their consent to be named;
- **Prosecution:** any director of the Company is charged with a criminal offence relating to any financial or corporate matter or disqualified from managing a corporation under the Corporations Act;
- **Winding up and insolvency:** an insolvency or winding up event occurs in respect of any member of the Ferto Group;
- **Market fall:** the ASX/S&P 200 Resources Index falls by 10% or more from its level at the time this agreement is entered into between the parties and is at or below that level:
 - at the close of trading on 2 consecutive Business Days prior to the issue date for the Entitlement Offer; or
 - at the close of trading on the Business Day immediately prior to the settlement date or issue date for the Entitlement Offer;
- **Quotation:** approval is refused or not granted, other than subject to customary listing conditions imposed by ASX, to the official quotation of all of the accepted entitlement securities on or before 10am on the settlement date for the Entitlement Offer, or if granted, the approval is subsequently withdrawn, qualified (other than by customary listing conditions imposed by ASX) or withheld.

In addition the Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of one or more of the following termination events (among others) but only if, in the reasonable opinion of the Underwriter, such event has, or is likely to have, a material adverse effect on the marketing, success or settlement of the Entitlement Offer, the price at which the New Shares may trade on ASX after their quotation or the willingness of investors to pay the issue price for the New Shares and New Options being offered under the Entitlement Offer, or the event is likely to give rise to a liability for the Underwriter under applicable law:

- **Supplementary Prospectus:** Ferto Group becomes required to issue a Supplementary Prospectus because of a circumstance set out in section 719 of the Corporations Act;
- **Timetable:** the timetable for the Entitlement Offer, if applicable, is delayed for any length of time except in certain limited circumstances;
- **Disclosures:** information supplied by or on behalf of the Company to the Underwriter in relation to the Company, any member of the Ferto Group, the Entitlement Offer, is untrue, incorrect, misleading or deceptive;
- **Change in management:** there is a change in senior management (including the chief executive officer) or the membership of the board of directors occurs;
- **Default:** a default by the Company in the performance of any of its obligations under the Underwriting Agreement occurs;

- **Warranties:** a warranty or representation contained in the Underwriting Agreement on the part of the Company is not true or correct;
- **Fraud:** the Company or any of its directors or officers engage in any fraudulent conduct or activity whether or not in connection with the Entitlement Offer;
- **Adverse change:** any adverse change occurs in the assets, liabilities, financial position, performance, prospects or standing of the Fertoz Group including changes in the assets, liabilities, financial position or performance, profits, losses or prospects of the Fertoz Group, or earnings, future prospects or forecasts of the Fertoz Group from those respectively disclosed in a document used for the Entitlement Offer (including the Prospectus);
- **Change of law:** there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (including a policy of the Reserve Bank of Australia) or in the United States or the United Kingdom (other than a law or policy which has been publicly announced before the date of the Underwriting Agreement);
- **Other events:** there is:
 - a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading or substantially all of one of those days; or
 - any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions from those existing at the date of the Underwriting Agreement.

(c) **Sub-Underwriting**

The Underwriter has appointed sub-underwriters to subscribe for the Shortfall Securities up to the Underwritten Amount. The Underwriter is responsible for fees payable to sub-underwriters.

None of the sub-underwriters, apart from Lenark Pty Ltd atf Lenark Investment Trust and Terra Capital Pty Ltd (which are already substantial shareholders) would become a substantial shareholder in the event they were required to take up their full sub-underwritten amount.

Lenark Pty Ltd atf Lenark Investment Trust (which is controlled by Kimberly Chisholm, the spouse of the Executive Chairman of Fertoz), a related party of Fertoz, has agreed with the Underwriter to sub-underwrite the Entitlement Offer. Lenark Pty Ltd atf Lenark Investment Trust has agreed to sub-underwrite a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options).

See section 7.4 of the Prospectus for details of the potential effects on control of Fertoz as a result of the sub-underwriting arrangements with Lenark Pty Ltd atf Lenark Investment Trust and Terra Capital Pty Ltd.

Lenark Pty Ltd atf Lenark Investment Trust

Lenark Pty Ltd atf Lenark Investment Trust is sub-underwriting on the same terms as other sub-underwriters (except for the relevant proportion of the shortfall) and save that Lenark Pty Ltd atf Lenark Investment Trust will only receive a cash fee of 6% of the sub-underwriting amount, being \$500,000 and will not be entitled to receive any Underwriter Options in connection with the sub-underwriting arrangement. The Company considers these arrangements to be reasonable and on arm's length terms.

The net proceeds of the Entitlement Offer and Discretionary Placement (if any) will be reduced to the extent that Lenark Pty Ltd atf Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Executive Chairman of Fertoz Ltd, James Chisholm) elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement against monies owed to it by Fertoz under the Offset Loan Agreement. See Sections 6.2 (Proceeds reduced by payment of debt) and 10.10 (Offset Loan Agreement) of this Prospectus for further details.

The Underwriter has the right to reduce the amount to be sub-underwritten under the Entitlement Offer by Lenark Pty Ltd atf Lenark Investment Trust in order to ensure the maximum amount of funds are received as part of the Entitlement Offer.

Terra Capital Pty Ltd

Terra Capital Pty Ltd (a substantial shareholder in Fertoz) has agreed with the Underwriter to sub-underwrite the Entitlement Offer up to a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options) Terra Capital Pty will receive a cash fee of 6% of the sub-underwritten amount, being \$500,000 plus 3,333,333 Underwriter Options with an exercise price of \$0.18 expiring at 5pm (AEDT) on 1 December 2017. However, the issue of 2,333,333 of these Underwriter Options (or such other number, as may require shareholder approval for the purposes of the ASX Listing Rule 7.1 and all other purposes) will be subject to shareholder approval for the purposes of the ASX Listing Rule 7.1 and all other purposes.

4.10 Application of money held in Trust

All acceptance and Application Money received for New Shares offered by this Prospectus will be held in trust in a separate bank account until the New Shares and New Options are issued. All acceptance and application money will be returned (without interest) if the New Shares and New Options are not issued.

Eligible Shareholders and investors who are issued less than the number of Shortfall Securities or Additional Securities applied for will receive a refund cheque for the relevant amount of application money (without interest) as soon as practicable after the close of the Entitlement Offer.

4.11 Issue of New Shares and Additional Securities

New Shares and New Options issued under the Entitlement Offer and Additional Securities issued under the Discretionary Placement will be issued in accordance with the ASX Listing Rules and timetable set out in Section 2 (Key Dates) of the Prospectus.

No securities will be allotted and issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

4.12 ASX quotation of New Shares

Fertoz intends to apply for admission of the New Shares to quotation by ASX within 7 days after the date of this Prospectus. If the ASX accepts the application, quotation of the New Shares will commence after the issue of the New Shares.

If the New Shares offered by this Prospectus are not admitted to quotation within 3 months after the date of this Prospectus (or any longer period permitted by ASIC) any issue of New Shares is void and Fertoz will repay, as soon as practicable, without interest, all acceptance and application monies received under this Prospectus.

Subject to approval being granted by ASX, it is expected that the quotation and trading of New Shares issued under the Offer will commence on a normal basis on 1 December 2015 the day following the issue of the New Shares.

Eligible Shareholders and investors who sell New Shares before they receive their holding statements will do so at their own risk. Fertoz and the Underwriter disclaim all liability in tort (including negligence), statute or otherwise to persons who trade New Shares before receiving their holding statements.

The New Options will be listed if the relevant number of marketable parcels of options are issued and the ASX grants the Company the right to list the New Options.

4.13 Rights and liabilities attaching to New Shares and New Options

New Shares

A summary of the significant rights and liabilities attaching to Shares (including the New Shares) is set out in Section 10.1 of this Prospectus. Details of the rights and liabilities attaching to Shares (including the New Shares) are set out in the constitution of the Company, a copy of which is available for inspection at the Company's registered office during normal business hours.

New Options

A summary of the significant rights and liabilities attaching to the New Options is set out in Section 10.2. Details of the rights and liabilities attaching to New Options will be set out in the option terms which will be sent to holders of New Options.

4.14 Risk factors

In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in Fertoz, which are set out in section 8 (Risk Factors) of this Prospectus.

4.15 Taxation implications

None of the Company, its Directors, officers, employees or advisers is giving or is able to give advice to Eligible Shareholders or prospective investors regarding the taxation consequences of subscribing for New Shares and New Options under this Prospectus. None of the Company, its Directors, officers, employees or advisers accept any responsibility or liability for any taxation consequences. The taxation consequences of any investment in New Shares and New Options will depend upon your particular circumstances. As a result, Eligible Shareholders and investors should consult their own professional tax advisers in connection with subscribing for New Shares and New Options under this Prospectus.

4.16 Enquiries

If you have questions on how to complete the Entitlement & Acceptance Form please contact Julien McNally by telephone on 0408 704 446 or by email julien.mcinally@ferto.com.

If you have any questions about participating in the Entitlement Offer please contact Stuart Richardson by telephone on 02 9252 2647 or the Managing Director, Stephen Keith, by telephone on +1 (647) 299 0046.

If you have any other questions relating to the Entitlement Offer, Discretionary Placement, this Prospectus or the Company please contact Executive Director, Stephen Keith, by telephone on +1 (647) 299 0046, or e-mail at stephen.keith@ferto.com or Non-executive Chairman James Chisholm by telephone on 0419 256 690 or e-mail at chisholmj@bigpond.com.

5. OVERVIEW OF FERTOZ

Shareholders should review Fertoz's latest Annual Report for financial year ending 30 June 2015 and other half-yearly, quarterly reports and ASX releases available on Fertoz's website at www.fertoz.com or on Fertoz's ASX company announcement platform (ticker: FTZ) at www.asx.com.au for further details on the Company and its business and other prospects in which Fertoz has an interest.

5.1 Company Profile

Fertoz listed on the ASX on 2 September 2013 and is a phosphate exploration and development company which intends to sell phosphate products to potential customers in North America and is currently selling phosphate products in Australia. It has two 100% owned phosphate projects, being the Wapiti Project and Fernie Project, in British Columbia Canada and an option over the Dry Ridge project in Idaho, USA.

The Company's focus is on generating cash from its North American assets. 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 rock phosphate with minimal processing (also known as Direct Application Natural Fertilizer, Direct Application Rock Phosphate, Natural Rock Phosphate or Organic Rock Phosphate) to the lucrative organic and conventional fertilizer markets in North America. The USA is the largest organic food market in the world while Canada is the fourth largest. Organic farmers in the USA and Canada need to use natural fertilizers in order to retain their organic certification. Typically 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.

Fertoz also has a 50% holding in Fertoz Agriculture Pty Ltd ("**FertAg**") which is a joint venture between Fertoz Limited and Vast Resources Pty Ltd that was established to distribute fused calcium magnesium silicate phosphate products to potential customers in Australia and New Zealand. It is intended to counter the acidic soils found across much of Australia's and New Zealand's key farming regions. FertAg products also provide valuable macronutrient conditioning to soils while reducing unnecessary contamination of creek and reef systems through their slow release properties. FertAg is expected to be a cash neutral operation. FertAg has provided the Company with valuable insights into how it will approach its sales and marketing initiatives in North America.

Recent Company highlights are:

- Scoping study completed 14 May 2015 on the Wapiti Project in Canada which demonstrates C\$20.1 million NPV¹⁰ (Net Present Value with a 10% average cost of capital) and IRR (**Internal Rate of Return**) of 82.4% after tax
- 20 year project life based on production of 75 kilo-tonnes per annum (ktpa) from an Indicated and Inferred resource of 1.54 million tonnes at 21.6% P₂O₅ within 30m of surface (Refer to ASX announcement dated 12 May 2015 which was issued with the prior written consent of Jo Shearer).
- Low mining costs and strip ratio during first 7 years of the Wapiti Project due to shallow mining planned to a depth of 7m only
- Development capital of C\$2.7M (A\$2.9M)⁴ to be staged over a three year period, with approximately A\$0.5M required in the first year of development.
- 1 kt of rock available for processing and immediate sale to potential customers at Stettler, Alberta.
- A total of 27.5kt of bulk sample approved for collection at the Wapiti and Fernie Projects while Wapiti 75ktpa mine approval is expected in the fourth quarter of the calendar year 2015 or first quarter of the calendar year 2016.

⁴ Based on approximate reported AUD / CAD exchange rate of CAD0.944 on 27 August 2015

5.2 Strategy

The strategy and goal of Fertoz, is to be a growth-oriented, cash flow generating agribusiness. In the near term, the Company aims to accomplish this through:

- Focusing on owned assets - building out sales, production and cash flow from the Wapiti and Fernie projects in British Columbia, Canada;
- Proving out potentially larger assets within the portfolio – This will be through exploration to expand our Wapiti Project, to outline the potential of our Fernie Project, and at the Dry Ridge Project in Idaho, USA- in the heart of phosphate mining in the USA.
- Improving the returns and growth potential of the existing FertAg business in Australia; and,
- Considering external growth opportunities that can add low capital-intensity fertilizer assets, which can be realistically funded and developed.

Bulk samples and trial sales to potential long-term contract customers have already commenced and in late Q4 or early Q1 next calendar year, the Company hopes to receive the required permits to mine its Wapiti Project. However, the Company is not dependent on this approval in order to meet the first year production target of 10,000t – this tonnage has already been approved for extraction under the granted Bulk Sample Permit.

The Company is currently providing samples to potential long-term offtake customers with the aim of securing multi-year off-take contracts for both the Wapiti and Fernie resources. Wapiti is located proximate to a major northern Alberta agricultural district, while Fernie is located proximate to a major Southern Alberta farming region. The Fernie resource is also proximate to north-western USA farming regions and organic fertilizer manufacturing and blending facilities.

The Company is also providing samples to various organic fertilizer manufacturing facilities located in Canada, with the aim of securing multi-year contracts to supply natural rock phosphate. These facilities already have established sales and distribution channels to organic farmers throughout Canada.

Low capital intensity development is a key requirement for the Company. Subject to permits to mine being obtained, initial production from Wapiti can be achieved through the use of some leased and owned equipment – primarily a small crusher and screen. Contract mining for approximately six months each year will provide sufficient product for crushing, screening and delivery to other fertilizer manufacturers and off-take customers.

The existing Bulk Sample Permits at both Wapiti and Fernie provide for 27,500t to be extracted, which exceeds the first year production target of 10,000t. During the 2017 calendar year (and subject to permits to mine being obtained), the Company is aiming to extract 35,000t from Wapiti, increasing to 75,000t in 2018.

Further exploration is planned at both Wapiti and Fernie while production is ramping up, with the aim of significantly increasing the JORC resources available for mining at both projects. Geological analysis undertaken by the Company at both sites is encouraging. The Company's aim is to have separate facilities producing natural rock phosphate for the northern and southern Alberta and north-western USA farming regions over the coming three years.

5.3 Projects

(a) Wapiti Project

The Wapiti project consists of Wapiti East (122 km²) and Wapiti West (69 km²) tenements which are 100% owned by Fertoz. The tenements are within 80 km of Tumbler Ridge in British Columbia. The Company's focus is Wapiti East where a Scoping Study has shown the potential for a profitable quarrying operation. Although the tenements cover a large area, the phosphate outcrop is easily identified and follows a linear NW-SE trend. It is narrow but extends from surface to more than 90m in some places. Scoping Study economics have been based on a standard 6m arm excavator. Use of a long-reach excavator increases the IRR to 88% as depth of mining extends to 10m and operating costs decrease.

Further drilling of Wapiti East is expected to yield increased resources for the Scoping Study. Mapping of Wapiti West indicates a similar geology to Wapiti East, providing potential upside to the base case Scoping Study.

(b) Fernie Project

The Fernie project consists of Marten (17km²), Crows Nest (15km²) and Barnes Lake (12km²) tenements. The tenements are close to Sparwood in British Columbia and the USA border. Major arterial transport routes run through the property.

Phosphate horizons are evident on road cuttings in the area and preliminary mapping has highlighted the potential for Fernie to be a similar synclinal phosphate resource as Wapiti. Whereas the Wapiti resource is proximate to northern Alberta farming regions, the Fernie project is proximate to Alberta's southern agricultural region and north-western USA farming regions. A 1,000t bulk sample from Fernie has already been extracted and moved to a farming centre ready for crushing, screening and distribution to local farming enterprises.

The Company intends to process the rock phosphate already extracted from Fernie, extract more product for local trials and, subject to further exploration, develop a Scoping Study for a second quarry-type phosphate operation. If the Scoping Study produces a similar output to the Wapiti Scoping Study, the Company intends to submit a small scale mining permit application to allow the extraction of up to 75,000tpa from this resource. The Company owns a drilling rig that enables very cost-effective drilling of near-surface phosphate resources.

(c) Dry Ridge Project

Fertoz has an option to acquire 100% of the Dry Ridge Project from Solvay USA and Sulfate Resources as announced on 10 December 2013. It is located close to 3 major phosphate producers near Soda Springs, Idaho. Permitting has recently been approved for exploration and drilling.

6. PURPOSE OF THE OFFER

6.1 Use of proceeds

Fertoz intends to use the net proceeds of the Entitlement Offer to:

- a) purchase or lease of equipment to grind phosphate rock bulk samples to allow further product trials and to facilitate potential sales to long-term off-take customers for direct application natural fertilizer;
- b) commence development of the mine at the Wapiti Project;
- c) cover the costs of further bulk sample collection at the Fernie Project;
- d) cover the costs of the Offer; and
- e) cover general working capital.

If the Entitlement Offer is oversubscribed and Fertoz receives interest from third party investors, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 under the Discretionary Placement. These additional funds are intended to first be applied to fund the additional costs of the Discretionary Placement and then for further processing and farm trials, further bulk sample collection at Fernie, a road upgrade at Wapiti, purchasing blending and bagging equipment and general working capital.

The amount to be raised under the Entitlement Offer is \$1,007,875. The maximum amount which may be raised under the Discretionary Placement is \$840,000. Accordingly, the aggregate amount which may be raised under the Entitlement Offer and Discretionary Placement together is a maximum of \$1,847,875 before Offer costs.

The proposed application of the funds raised under the Offer and Discretionary Placement is approximately as follows:

| Location | Allocation | \$ minimum | \$ maximum |
|----------|-----------------------------------|------------------|------------------|
| Canada | Rock Phosphate Processing | 100,000 | 350,000 |
| Canada | Bulk sample collection at Fernie | 200,000 | 320,000 |
| Canada | Wapiti road development | 235,000 | 235,000 |
| General | Working capital | 360,875 | 572,875 |
| | Net Proceeds | 895,875 | 1,682,875 |
| General | Expenses of the Entitlement Offer | 112,000 | 165,000 |
| | Total use of funds | 1,007,875 | 1,847,875 |

Note: The net proceeds may be reduced by up to \$500,000 if and to the extent that Lenark Pty Ltd atf Lenark Investment Trust elects to offset any application monies payable by it (to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement) against monies owed to it by Fertoz under the Offset Loan Agreement (see Section 6.2 of the Prospectus for further details). Should this occur, the Company will reduce or eliminate its investment in rock phosphate processing, bulk sample, and/or Wapiti Road Upgrade accordingly.

The above use of funds is a statement of current intentions and estimated expenditures as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. Accordingly, the above is subject to change at the absolute discretion of the Directors.

6.2 Proceeds reduced by repayment of debt

The net proceeds of the Offer will be reduced if and to the extent that Lenark Pty Ltd atf Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm) elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement against monies owed to it by Fertoz under the Offset Loan Agreement (**Offset Amount**).

The maximum amount by which the net proceeds of the Offer may be reduced is a maximum of \$500,000 (which is the estimated balance at the close of the Offer which will be payable by Fertoz under the Offset Loan Agreement). The resulting Offset Amount, will depend on:

- a) The actual sub-underwriting subscription requirements of Lenark Pty Ltd atf Lenark Investment Trust (i.e. the amount of the Shortfall); and
- b) whether Lenark Pty Ltd atf Lenark Investment Trust elects to offset any application monies payable by it (to take up its Entitlement under the Entitlement Offer) against monies owed to it by Fertoz under the Offset Loan Agreement.

The Company's liability under the Offset Loan Agreement, will be reduced by the Offset Amount. See section 10.10 of this Prospectus for further details.

The Underwriter has the right to reduce the amount to be sub-underwritten under the Entitlement Offer by Lenark Pty Ltd atf Lenark Investment Trust in order to ensure the maximum amount of funds are received as part of this Entitlement Offer.

The Company and Lenark Pty Ltd atf Lenark Investment Trust propose to seek the approval of Shareholders of Fertoz (in accordance with the Listing Rules) to allow the outstanding debt owing by Fertoz under the Offset Loan Agreement following the Entitlement Offer to be converted to securities (and for the issue of the corresponding Shares and Options to Lenark), and alternatively (if the approval of Shareholders is not obtained), the parties intend to negotiate extended payment terms dependent on phosphate sales from the Company's Wapiti and Fernie projects.

7. EFFECT OF THE OFFER ON FERTOZ

7.1 Capital structure as at the date of this Prospectus

The capital structure as at the date of this Prospectus is 47,034,145 Shares and Options of 10,899,999 as follows:

| Quoted Ordinary Shares (excluding Performance Shares) | Performance Shares | Unquoted Options |
|--|-----------------------------|------------------------------|
| 45,784,145 | 1,250,000 ^{Note 1} | 10,899,999 ^{Note 2} |

Notes:

Note 1: There are 1,250,000 Performance Shares on issue as at the date of the Prospectus, of which 1,000,000 are held by related parties of Fertoz. See section 10.11 of this Prospectus for further details.

Note 2: The current Options on issue of 10,899,999 as at the date of the Prospectus are as follows:

| No of Options | Exercise Price | Expiry Date |
|---------------|----------------|------------------|
| 6,307,692 | 0.25 | 1 September 2017 |
| 1,538,461 | 0.35 | 1 September 2017 |
| 1,538,461 | 0.45 | 1 September 2017 |
| 615,385 | 0.55 | 1 September 2017 |
| 300,000 | 0.65 | 27 November 2017 |
| 300,000 | 0.75 | 27 November 2017 |
| 300,000 | 0.85 | 27 November 2017 |

7.2 Capital structure on completion of the Issue

The following table shows the proposed capital structure on completion of the Offer.

| Instrument Type | As at Record Date | At Completion of the Entitlement Offer | Maximum number if Discretionary Placement completed |
|---|-------------------|--|---|
| Quoted Ordinary Shares (excluding Performance Shares) | 45,784,145 | 52,503,309 | 58,103,309 |
| Performance Shares | 1,250,000 | 1,250,000 | 1,250,000 |
| Total Shares | 47,034,145 | 53,753,309 | 59,353,309 |
| Options (exercisable for 1 Share each) | 10,899,999 | 21,952,496 | 27,552,496 |

If Fertoz decides, in its absolute discretion to raise up to an additional \$840,000 under the Discretionary Placement:

- the maximum number of Shares on issue after the Entitlement Offer and the issue of New Shares forming part of the Additional Securities will in aggregate be 59,353,309 which represents an additional 5,600,000 New Shares; and

- b) the maximum number of Options on issue after the Entitlement Offer (including Underwriter Options) and the issue of New Options forming part of the Additional Securities will in aggregate be 27,552,496, which represents an additional 5,600,000 Options.

The Entitlement Offer will not have any effect on the number of Performance Shares on issue.

7.3 Substantial Shareholders (as at 30 October 2015)

The following table lists the Shareholders who, together with their associates, hold more than 5% of the Company's voting rights (based on information provided by the Company's Share Registry as at 30 October 2015).

| Shareholder | No of Shares | % of all of Fertoz's Shares |
|---|--------------|-----------------------------|
| Terra Capital Pty Ltd | 6,115,302 | 13.00% |
| James Chisholm (Lenark Pty Ltd, Left Brain Strategies Pty Ltd, Kifaco Pty Ltd), Mr JA Chisholm and Mrs KM Chisholm ⁵ | 5,918,765 | 12.58% |

See below for a summary of the effect on control of the Offer.

7.4 Effect on Control

a) *The Entitlement Offer*

The Entitlement Offer is fully underwritten by the Underwriter and accordingly all New Shares and New Options offered under the Offer will be taken up. Hence, if an Eligible Shareholder takes up their full Entitlement under the Entitlement Offer and there are no Additional Securities issued under the Discretionary Placement their percentage interest in Fertoz will remain the same.⁶ If Fertoz decides, in its absolute discretion, to proceed with the Discretionary Placement (and issues the Additional Securities) then Eligible Shareholders who take up their full entitlement under the Entitlement Offer will be diluted by up to a maximum of 10.42%.

New Shares that are not taken up by Eligible Shareholders will be taken up by the Underwriter (or its sub-underwriters). The shareholding of any Eligible Shareholder who does not take up their Entitlement under the Entitlement Offer will be diluted.

⁵ Mr James Chisholm's interests in Fertoz arise as a result of Shares in Fertoz held by Lenark Pty Ltd atf Lenark Investment Trust (of which his spouse is a director) (being 5,555,311 Shares as at the date of this Prospectus) and Kifaco Pty Ltd (of which his spouse is a director) (being 213,675 Shares as at the date of this Prospectus) and Left Brain Strategies Pty Ltd (of which he is a director) (being 60,779 Shares as at the date of this Prospectus) and Mr JA Chisholm and Mrs KM Chisholm (being 89,000 Shares as at the date of this Prospectus).

⁶ Although, all Shareholders' (other than those who participate in the Discretionary Placement, if applicable) percentage interest in Fertoz will be reduced slightly if the Board decides to proceed with the Discretionary Placement (see section 8.2 of this Prospectus for further detail).

Lenark Pty Ltd atf Lenark Investment Trust

Lenark Pty Ltd atf Lenark Investment Trust (which is controlled by Kimberly Chisholm, spouse of the Executive Chairman of Fertoz, James Chisholm) has agreed with the Underwriter to sub-underwrite a portion of the Offer together with other sub-underwriters appointed by the Underwriter. Lenark Pty Ltd has agreed to sub-underwrite a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options) of any Shortfall which would otherwise have to be taken up by the Underwriter (see section 4.9 of the Prospectus). Lenark Pty Ltd atf Lenark Investment Trust will not, by its sub-underwriting, increase its voting power in the Company from 20% or below to more than 20%.

Lenark Pty Ltd atf Lenark Investment Trust (which is controlled by Kimberly Chisholm, spouse of the Executive Chairman of Fertoz) has agreed to subscribe for its full Entitlement under the Entitlement Offer. Other than the sub-underwriting arrangements described above, Lenark Pty Ltd will not subscribe for any further Shortfall Securities or any Additional Securities under the Discretionary Placement.

The maximum total New Shares and New Options that may be issued to the Non-executive Chairman of Fertoz, James Chisholm, and his related parties under the Entitlement Offer (including under its sub-underwriting arrangement) are 3,333,333 New Shares and 3,333,333 New Options. This is on the basis that Lenark Pty Ltd atf for Lenark Investment Trust takes up its full sub-underwriting amount. The related parties of James Chisholm and their Entitlements under the Offer are as follows:

| Related party | Entitlement to New Shares | Entitlement to New Options |
|--|---------------------------|----------------------------|
| Lenark Pty Ltd atf Lenark Investment Trust | 793,616 | 793,616 |
| Kifaco Pty Ltd | 30,525 | 30,525 |
| Left Brain Strategies Pty Ltd | 8,683 | 8,683 |
| Mr JA Chisholm & Mrs KM Chisholm | 12,715 | 12,715 |
| Total | 845,539 | 845,539 |

The changes to James Chisholm's and his related parties voting power as a result of the Entitlement Offer and the Discretionary Placement is as follows:

| Event | No of Shares held | No Discretionary Placement | | Maximum Discretionary Placement | |
|--|-------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| | | % change in voting power in Fertoz | % of voting power in Fertoz | % change in voting power in Fertoz | % of voting power in Fertoz |
| James Chisholm and related parties interest as at the date of the Prospectus | 5,918,765 | nil | 12.58% | nil | nil |
| Take up of full Entitlement | 6,764,304 | nil | 12.58% | (1.18%) | 11.40% |
| Maximum sub-underwriting under Offer | 9,252,098 | 4.63% | 17.21% | 3.01% | 15.59% |
| Maximum sub-underwriting and exercise of all New Options issued to (and exercise of all Options currently held by) James Chisholm and his related parties under the Offer and sub-underwriting arrangement (assuming <u>no</u> other New Options or Underwriter Options are exercised) * | 13,200,815 | 10.30% | 22.88% | 8.27% | 20.85% |
| Maximum sub-underwriting and exercise of all New Options issued to (and exercise of all Options currently held by) James Chisholm and his related parties under the Offer and sub-underwriting arrangement (assuming <u>all</u> New Options and Underwriter Options are exercised) * | 13,200,815 | 7.60% | 20.18% | 4.65% | 17.23% |

* Lenark Pty Ltd atf Lenark Investment Trust must comply with the takeovers provisions in section 606 of the Corporations Act (that is, the 20% voting power threshold), when exercising New Options issued pursuant to this Prospectus.

Terra Capital Pty Ltd

Terra Capital Pty Ltd (a substantial shareholder of Fertoz) has agreed with the Underwriter to sub-underwrite a portion of the Offer up to a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options) of any Shortfall which would otherwise have to be taken up by the Underwriter (see section 4.9 of the Prospectus).

Terra Capital Pty Ltd will not, by its sub-underwriting, increase its voting power in the Company from 20% or below to more than 20%.

| Event | No of Shares held | No Discretionary Placement | | Maximum Discretionary Placement | |
|---|-------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| | | % change in voting power in Fertoz | % of voting power in Fertoz | % change in voting power in Fertoz | % of voting power in Fertoz |
| Terra Capital Pty Ltd interest in Shares as at the date of the Prospectus | 6,115,302 | nil | 13.00% | nil | nil |
| Take up of full Entitlement | 6,988,917 | nil | 13.00% | (1.23%) | 11.78% |
| Maximum sub-underwriting under Offer | 9,448,635 | 4.58% | 17.58% | 2.92% | 15.92% |
| Maximum sub-underwriting and exercise of all New Options and Underwriter Options issued to Terra Capital Pty Ltd under the Offer and sub-underwriting arrangement (assuming <u>no</u> other New Options or Underwriter Options are exercised) * | 16,115,301 | 13.67% | 26.67% | 11.41% | 24.41% |
| Maximum sub-underwriting and exercise of all New Options and Underwriter Options issued to Terra Capital Pty Ltd under the Offer and sub-underwriting arrangement (assuming <u>all</u> New Options and Underwriter Options are exercised) * | 16,115,301 | 11.63% | 24.63% | 8.03% | 21.03% |

* Terra Capital Pty Ltd must comply with the takeovers provisions in section 606 of the Corporations Act (that is, the 20% voting power threshold), when exercising New Options issued pursuant to this Prospectus.

See also section 4.9 of this Prospectus for particulars regarding certain sub-underwriting arrangements.

b) Discretionary Placement

The Discretionary Placement will comprise up to approximately 5,600,000 New Shares (equal to 10.4% of the undiluted share capital of the Company following the issue of Additional Securities under the Discretionary Placement, based on the number of Shares on issue at the date of this Prospectus and assuming no other Shares (other than New Shares under the Offer) are issued) and another 5,600,000 New Options. Additional Securities under the Discretionary Placement will be issued to investors nominated by the Company in consultation with the Underwriter.

The Company does not anticipate that the issue of New Shares and New Options under the Discretionary Placement will have any effect on the control of the Company.

7.5 Pro-forma consolidated statement of financial position (pro-forma balance sheet)

To illustrate the effect of the Entitlement Offer on the Company, a pro forma statement of financial position has been prepared based on the Company's audited statement of financial position as at 30 June 2015. The pro-forma balance sheet has been prepared for illustrative purposes only, to show the impact on the 30 June 2015 balance sheet of the gross proceeds of \$1,007,875 from the Entitlement Offer and is based on the following assumptions:

- (a) the issue of 6,719,164 New Shares under the Offer at an issue price of \$0.15 per New Share to raise approximately \$1,007,875 before costs of the Offer;
- (b) the estimated cash costs of the Offer of approximately \$112,000; and
- (c) it assumes that none of the debt owing by Fertoz to Lenark Pty Ltd atf Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Executive Chairman of Fertoz Ltd, James Chisholm) is used to reduce the amount owing under the Entitlement Offer

The Fertoz statement of financial position as at 30 June 2015 has been extracted from the audited financial statements of Fertoz for the twelve months ended 30 June 2015.

The following pro forma balance sheet is not intended to be a statement of Fertoz's current financial position. Fertoz has not yet prepared its financial statements for the half year ended 31 December 2015 (although, the Directors are not aware of any matter that has occurred post-30 June 2015 that would materially alter the pro-forma balance sheet as presented except for an increase in the loan from Lenark Pty Ltd to Fertoz up to a maximum of \$500,000).

A copy of Fertoz's annual report and financial statements for the year ended 30 June 2015 can be viewed on the ASX platform (ticker: FTZ) at www.asx.com.au. The pro-forma consolidated balance sheet is presented in abbreviated form and does not contain all the disclosures that are usually found in financial statements prepared in accordance with the Corporations Act. This information is not represented as being indicative of Fertoz's views on its future financial condition and/or performance.

| | 30 June 2015 (Audited) \$ (Note 1) | Pro forma Adjustments \$ (Note 2) | 31 December 2014 Pro forma \$ |
|---|---|--|--|
| Current Assets | | | |
| Cash and cash equivalents | 82,831 | 895,875 | 978,706 |
| Trade and other receivables | 127,309 | - | 127,309 |
| Inventories | 208,696 | - | 208,696 |
| Prepayments | 10,990 | - | 10,990 |
| Total Current Assets | 429,826 | 895,875 | 1,325,701 |
| Non-Current Assets | | | |
| Exploration and evaluation expenditure | 3,155,201 | - | 3,155,201 |
| Property, plant and equipment | 35,339 | - | 44,520 |
| Total non-current assets | 3,190,540 | - | 3,190,540 |
| Total Assets | 3,620,366 | 895,875 | 4,516,241 |
| Current Liabilities | | | |
| Trade and other payables Note 3 | 337,041 | - | 337,041 |
| Borrowings | 307,512 | - | 307,512 |
| Total Current Liabilities | 644,553 | - | 644,553 |
| Total Liabilities | 644,553 | - | 644,553 |
| Net Assets | 2,975,813 | 895,875 | 3,871,688 |
| Equity | | | |
| Issued capital | 8,524,886 | 895,875 | 9,420,761 |
| Reserves | 1,163,575 | - | 1,163,575 |
| Retained profits / (losses) | (6,573,726) | - | (6,573,726) |
| Equity attributable to the owners of Fertoz Limited | 3,114,735 | - | 4,010,610 |
| Non-controlling interest | (138,922) | - | (138,922) |
| Total Equity | 2,975,813 | 895,875 | 3,871,688 |

Note 1: Offset Loan Agreement

The following additional information should also be taken into consideration when evaluating the effects of the Entitlement Offer:

- Under the Offset Loan Agreement, Fertoz has borrowed additional amounts from Lenark Pty Ltd atf Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Executive Chairman of Fertoz Ltd, James Chisholm) and the current balance is approximately \$491,000.
- Lenark Pty Ltd atf Lenark Investment Trust may elect to offset up to \$500,000 of any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement against monies owed to it by Fertoz under the Offset Loan Agreement. See sections 4.9 and 10.10 of this Prospectus for further details.
- The Company and Lenark Pty Ltd atf Lenark Investment Trust propose to seek the approval of Shareholders of Fertoz to allow the outstanding debt owing by Fertoz under the Offset Loan Agreement following the Entitlement Offer to be converted to securities (and for the issue of the corresponding Shares and Options to Lenark), or alternatively (if the approval of Shareholders is not obtained), the parties intend to negotiate extended payment terms dependent on phosphate sales from the Company's Wapiti and Fernie projects.

Note 2: Potential for cash and cash equivalents to be reduced

The cash and cash equivalents balance may be reduced by up to \$500,000 if and to the extent that Lenark Pty Ltd atf Lenark Investment Trust elects to offset any application monies payable by it (to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement) against monies owed to it by Fertoz under the Offset Loan Agreement (see Section 6.2 of the Prospectus for further details). If this occurs a corresponding reduction to the amount owing to Lenark Pty Ltd atf Lenark Investment Trust will result

Note 3: Trade and other payables

Trade and other payables included an amount of \$164,000 being Directors fees owing to Directors as at 30 June 2015. The director fees owing as at 30 September 2015 is approximately \$270,000. The directors have agreed to convert either their gross amount or their net amount (after deducting tax and superannuation) to shares at the same terms as the Offer subject to shareholder approval at a general meeting.

Note 4 Quarterly Cash Flow Reports

The above information should be considered with the Fertoz Quarterly Cash Flow report for the quarter ending 30 September 2015, released on 30 October 2015.

8. RISK FACTORS

8.1 General

The New Shares and New Options offered under this Prospectus, and any investment in the New Shares and New Options, should be regarded as speculative due to the inherent risks associated with the Company's activities. There are a number of risks, both specific to Fertoz and of a general nature which may, either individually or in combination, affect the future operational and financial performance of Fertoz and the resources industry in which it operates, and the value of Shares. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

Neither the Company, its Directors, officers, employees or advisers warrant the future performance of the Company or any investment made pursuant to this Prospectus.

The Directors recommend that Shareholders and potential investors examine the contents of this document together with previous ASX disclosures and public documents of the Company, including its most recent audited financial statements, and rely on advice of their professional advisers before deciding whether or not to apply for New Shares and New Options pursuant to this document.

The risks set out below are not exhaustive and do not take into account the individual circumstances of Shareholders. Additionally, Fertoz does not give any assurances or guarantees that the risks set out in this Prospectus will not change. The future dividends, the value of Fertoz assets and the market value or price of Shares quoted on ASX may be influenced by these and other risk factors.

8.2 Dilution risk

A Shareholder's voting power in Fertoz will be diluted if the Shareholder does not take up the Shareholder's full Entitlement in the Entitlement Offer and/or if Fertoz decides, in its absolute discretion, to raise up to an additional \$1 million under the Discretionary Placement by way of the issue of the Additional Securities.

8.3 Underwriting risk

The Entitlement Offer is being underwritten by the Underwriter. Investors should be aware of the terms of the Underwriting Agreement and sub-underwriting agreements as outlined in section 4.9 of this Prospectus, which includes certain termination events that may not be within the control of Fertoz, including changes in the political, economic and regulatory environment. Investors should be aware that if the Underwriter terminates the Underwriting Agreement the Fertoz Board of Directors will be required to meet and to determine whether the Entitlement Offer can or should continue.

8.4 Company specific risks

(a) Operating risks

The operations of Fertoz may be affected by various factors, risks and hazards which are beyond its control, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, adverse weather conditions, industrial and environmental accidents, environmental hazards, unusual or unexpected rock formations, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant, labour and equipment. The occurrence of any of these risks may give rise to claims against the Company which may not be covered fully by insurance or at all. No assurances can be given that Fertoz will achieve commercial viability through the successful exploration and/or mining of any of its projects or tenements.

(b) **Exploration and evaluation risk**

The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

(c) **Ability to exploit successful discoveries**

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploration would involve obtaining the necessary regulatory approvals, licences or clearances from the relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the granting of such regulatory approvals, licences or clearances may take time to achieve and no guarantees can be given that the approvals will be granted in the required timeframe or at all.

(d) **Mining and development risk**

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration and milestones, which may have a material impact on the Company's revenue and timing of any revenue. Even if the Company discovers or recovers potentially commercial quantities of minerals from its exploration activities, there is no guarantee that the Company will be able to successfully transport these resources to commercially viable markets or sell the resources to customers to achieve a commercial return.

(e) **Resource estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralization or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

(f) **Commodity prices and exchange rate risks**

To the extent the Company is involved in fertilizer sales the revenue derived through the sale of fertilizer products may expose the potential income of the Company to commodity price and exchange rate risks. Fertilizer prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include agricultural supply and demand fluctuations, technological advancements, competing products, forward selling activities and other macro-economic factors.

In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining fertilizer prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Furthermore, the company has operations in North America (as well as Australia) where revenues and expenditure is denominated in currencies other than the Australian dollar. This exposes the Company to the fluctuations and volatility between the Australian dollar and the United States dollar, the Canadian dollar, New Zealand dollar and potentially other currencies which are determined in international markets, which could have a materially adverse effect on Fertoz's operations, financial position (including revenue and profitability) and performance.

(g) **Environmental risks**

The operations and exploration activities of the Company in North America and Australia are subject to laws and regulation concerning the environment in those countries. As with most bulk commodity sellers and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is Fertoz's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(h) **Native title**

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which native title rights of local traditional owners exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

(i) **Title Risks**

Interests in tenements in North America and Australia are governed by legislation in their respective jurisdictions and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(j) **Joint Venture, supplier and contractor risks**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of its suppliers, contractors or service providers used by the Company in any of its activities. The financial failure or default of such a party could have a substantial adverse impact on the prospects and financial position of the Company.

(k) **Insurance and Uninsured Risks**

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in exploration or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(l) **Government Regulation**

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the operational activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations could have a substantial adverse impact on the Company.

(m) **Phosphate rock quality**

The mineralogical composition of phosphate bearing rocks is subject to natural variability resulting in differences in physical properties, levels of impurities and available phosphorus content. Fertilizer manufacturers and farmers require phosphate rock to be delivered which meet specified tolerances on elemental impurities and quantity of available phosphorus. Unforeseen changes in phosphate rock properties may result in the product failing to meet the required specifications of potential consumers. This may have a material adverse impact on the prospects and financial position of the Company.

(n) **Future capital requirements and unforeseen capital expenditure**

The Company's activities will require significant expenditures and, like many development and mining businesses, there may be unforeseen capital expenditure risks. There can be no assurances that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

To the extent that additional equity or debt funding is not available from time to time on acceptable terms, or at all, Fertoz may not be able to take advantage of acquisition and other growth opportunities, or develop new ideas.

Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(o) **Retention of key business relationships**

The Company relies on a large number of individual contracts and business alliances, but also derives significant income and profit from a relatively small number of key long term clients and business relationships with a few organizations. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Company, its business, operating results and prospects.

(p) **Reliance on key personnel**

A number of key management and personnel are important to the attainment of the business goals of the Company. Some of these key personnel have significant direct or indirect shareholdings in Company and the Company has introduced an Employee Share Plan in order to provide incentive and to promote retention of key personnel. Despite this, one or more of the key employees could leave the Company, and this may adversely affect the ability of the Company to conduct its business and, accordingly, affect the financial performance of the Company and its share price.

(q) **Competition**

The Company competes with other companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies. Although Fertoz undertakes all reasonable due diligence in its business decisions and operations, Fertoz has no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of Fertoz's projects and business.

(r) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

(s) **War and terrorist attacks**

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

(t) **Taxation risk**

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, or other relevant jurisdictions in which Fertoz operates, may affect taxation treatment of an investment in Fertoz Shares or the holding and disposal of those Shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Fertoz operates may impact the future tax liabilities of Fertoz.

(u) **Litigation**

As with all businesses, Fertoz is exposed to potential legal and other claims or disputes in the course of its business. Although Fertoz seeks to mitigate the risk of such claims arising, and their impact if they do arise, such claims will arise from time to time and could adversely affect Fertoz's business, results of operations or financial condition and performance.

(v) **Labour**

Fertoz's operations may be adversely affected by labour disputes or changes in labour laws in the jurisdictions in which it operates, including Australia, Canada and the USA. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the prospecting rights and any future mining and exploration activities undertaken by the Company.

(w) **Country risk**

Fertoz is primarily conducting its activities in Canada, USA and Australia. Any changes in regulatory policy by the government in these regions may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect Fertoz's ability to develop its projects and tenements in those regions.

In particular, any potential future operations of Fertoz in Canada and USA are subject to a number of risks, including:

- potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- potential difficulties in protecting rights and interests in assets;
- increases in costs for transportation and shipping; and
- restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect Fertoz's business, results of operations and financial condition.

(x) **Asset impairment**

The Fertoz Board regularly monitors impairment risk. Consistent with accounting standards, Fertoz is periodically required to assess the carrying value of its assets. Where the value of an asset is deemed to be less than its carrying value, Fertoz is obliged to record an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a company's profits and potentially, its capacity to pay dividends. Impairment charges are a non-cash item.

(y) **Water and power infrastructure**

In the event that the Company does discover a resource which it intends to develop, the Company will need to secure access to a source of water and power sufficient to permit the conduct of the Company's activities. The Company's ability to secure water and power infrastructure may be outside of the Company's control and the costs of such procurement are unknown.

8.5 General investment risks

(a) **Economic risk**

General economic conditions in Australia and internationally, movements in interest, inflation and currency exchange rates, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

The market price of the Fertoz Shares can fall as well as rise due to various factors, many of which are non-specific to Fertoz, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, global geopolitical events, hostilities and acts of terrorism, demand for listed securities, unpredictable influences on the market for equities in the resources and agricultural sector and investor perceptions. In the future, these factors may cause Fertoz Shares to trade at a lower price and/or cause the value of New Shares to rise or fall below their issue price. Stock markets, including the ASX, have exhibited increased volatility in recent times as a result of economic conditions.

(c) **Security investments**

Shareholders and potential investors should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities related to mining and exploration, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the New Shares regardless of the Company's performance.

(d) **Liquidity risk**

There may be relatively few buyers or sellers of securities on ASX at any given time. This may affect the volatility of the market price of the securities and the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price paid under the Offer.

(e) **Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially and adversely affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

8.6 Other

Other risk factors include those normally found in conducting business, including litigation through the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of operational personnel and other matters that may interfere with the Company's business or trade.

9.3 Applying for New Shares in excess of your Entitlement

Eligible Shareholders may also apply for Shortfall Securities (that is, New Shares in excess of their Entitlement) under the Entitlement Offer. Eligible Shareholders are only able to apply for New Shares in excess of their Entitlement if they have taken up their Entitlement in full.

If you wish to apply for New Shares in excess of your Entitlement, you need to either:

- specify the number of Shortfall Securities you would like to subscribe for on your Entitlement and Acceptance Form and lodge the form, and accompanying Application Monies by cheque, bank draft or money order so that they are received before 5:00 pm AEDT on the Closing Date. For further details on this payment method see section 9.4 of this Prospectus; or
- pay your Application Monies by BPAY® so that your funds are received before 5:00 pm AEDT on the Closing Date (in which case you do not need to complete and post your Entitlement and Acceptance Form to the Share Registry – Fertoz will treat you as applying for as many New Shares and New Options as your payment will pay for in full up to your full Entitlement, and will treat you as applying for as many Shortfall Securities as your payment will pay for in full and to the extent that it exceeds your Entitlement). For further details on this payment method see section 9.4 of this Prospectus.

Please note that Shortfall Securities will only be allocated to Eligible Shareholders if and to the extent that Fertoz so determines, in its absolute discretion, having regard to the circumstances as at the time of the close of the Entitlement Offer. The Directors will exercise this discretion in the manner that they consider to be most fair to all Shareholders, which is likely to be based on a pro rata allocation of Shortfall Securities to Eligible Shareholders who applied for Shortfall Securities. However, the Directors reserve their absolute discretion to determine the manner in which Shortfall Securities are allocated. For example, applications for Shortfall Securities may be scaled back if the Eligible Shareholder applying for Shortfall Securities has applied for a number of Shortfall Securities which is disproportionately large having regard to their existing holding (such that the Shareholder may be attempting to game the Entitlement Offer to obtain an unfair advantage relative to other Shareholders).

This means any application for Shortfall Securities may not be successful (wholly or partially). The decision of Fertoz on the number of Shortfall Securities to be allocated to you will be final. After allocation to Eligible Shareholders, the balance of Shortfall Securities will be allocated to the Underwriter.

If the Entitlement Offer is oversubscribed (that is, the demand for New Shares and New Options from Eligible Shareholders in excess of their Entitlement exceeds the number of Shortfall Securities) or Fertoz receives interest from third party investors which exceeds the number of Shortfall Securities, Fertoz may, in its absolute discretion, raise up to an additional \$840,000 by way of the issue of up to 5,600,000 New Shares (5,600,000 New Options for no additional consideration) under the Discretionary Placement. If Fertoz, in its absolute discretion, proceeds with the Discretionary Placement, Fertoz will treat you as applying for as many New Shares and New Options as your payment will pay for in full up to your full Entitlement, and will treat you as applying for as many Shortfall Securities or Additional Securities as your payment will pay for in full and to the extent that it exceeds your Entitlement.

If you apply and pay for New Shares and New Options before the close of the Entitlement Offer, it is expected that you will be issued your New Shares and New Options on 1 December 2015. Any surplus Application Monies received will be refunded as soon as practicable after the close of the Entitlement Offer and issue of Shortfall Securities (and Additional Securities, if applicable), and no interest will be paid to Eligible Shareholders on any Application Monies received or returned (wholly or partially).

Fertoz also reserves the right (in its absolute discretion) to reduce the number of New Shares and New Options allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders if Fertoz believes their claims to be incorrect or overstated or if they, or their nominees, fail to provide information to substantiate their claims to Fertoz's satisfaction.

9.5 Overseas Shareholders and investors

Shareholders and investors with registered addresses outside Australia and New Zealand should see section 4.3.

9.6 Nominees

Persons acting as nominees for other persons must not purchase, take up or exercise any Entitlement on behalf of, or send any materials relating to the Entitlement Offer to, any person in the United States.

Fertoz is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares (for example, for the purposes of determining whether any such persons may participate in the Entitlement Offer). Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, is responsible for determining whether indirect participation by the beneficiary in the Entitlement Offer, including following the acquisition of Entitlements on the ASX or otherwise, is compatible with, and does not breach, applicable foreign laws and regulations.

Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed.

9.7 Warranties made on acceptance of the Offer

By completing and returning your personalized Entitlement and Acceptance Form or making a payment of Application Monies, you will be deemed to have acknowledged, agreed, represented and warranted that you, and each person on whose behalf you are acting:

- a) have fully read and understood both this Prospectus and your personalized Entitlement and Acceptance Form in their entirety, and acknowledge the matters and make the warranties, representations and agreements contained in this Prospectus and the Entitlement and Acceptance Form;
- b) agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus and Fertoz's Constitution;
- c) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- d) declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- e) agree to apply for and be issued up to the number of New Shares and New Options specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies for, at the offer price per New Share set out in this Prospectus;
- f) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- g) acknowledge the information contained in this Prospectus and your personalized Entitlement and Acceptance Form is not investment advice or financial product advice and have been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances. You acknowledge that this Prospectus and your personalized Entitlement and Acceptance Form is not a recommendation that New Shares and New Options are suitable for you given your investment objectives, financial situation or particular needs;
- h) acknowledge the statement of the risk factors described in section 8 of this Prospectus and that investments in Fertoz are subject to risk;
- i) acknowledge that none of Fertoz, or its respective related bodies corporate, affiliates or respective Directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantee the performance of Fertoz, nor do they guarantee the repayment of capital from Fertoz;

- j) agree to provide (and, if applicable, direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- k) personalized FertoZ to correct any errors in your Entitlement and Acceptance Form provided by you;
- l) represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and New Options, and that you are eligible under all applicable laws to receive an offer under the Entitlement Offer without a prospectus, disclosure document or any lodgement, filing, registration or qualification;
- m) represent and warrant that your acceptance of the Entitlement Offer does not breach any laws in Australia or New Zealand or in a jurisdiction outside Australia or New Zealand; and
- n) that you are an Eligible Shareholder or otherwise eligible to participate in the Entitlement Offer and:
 - i. you are not in the United States and you are not acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer of or issue of Entitlements or New Shares and New Options under the Entitlement Offer and under any applicable laws and regulations;
 - ii. you understand and acknowledge that neither the Entitlements nor the New Shares and New Options have been, or will be, registered under the US Securities Act or under the laws of any other jurisdiction outside of Australia;
 - iii. you understand and acknowledge that the Entitlements and the New Shares and New Options may not be issued to, purchased or traded by, or taken up or exercised by, and the New Shares and New Options may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States;
 - iv. you and each person on whose account you are acting have not and will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer or the Discretionary Placement to any person in the United States; and
 - v. if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is not in the United States, and you have not sent this Prospectus, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer or the Discretionary Placement to any such person in the United States.

10. ADDITIONAL INFORMATION

10.1 Rights Attaching to New Shares

There is only one class of Share in the Company, fully paid ordinary shares. The rights attaching to Shares in the Company (including the New Shares) are described in the Constitution and, to the extent applicable, are regulated by the Corporations Act, the ASX Listing Rules and general law. A summary of certain rights attaching to Shares (including New Shares) is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities attaching to Shares and Shareholders.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share, registered in such Shareholder's name on the Company's Share Register.

A poll may be demanded by:

- (a) the chairperson of the meeting;
- (b) by any 5 Shareholders present in person or by proxy, attorney or representative; or
- (c) by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of the Shares of all those Shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors. Dividends declared will be payable on the Shares in proportion to the amount for the time being paid or credited as paid in respect of each Share.

Future issue of securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerized or electronic system established or recognized by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

Meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules.

Election of Directors

There must be a minimum of three Directors. At every annual general meeting one third of the Directors (rounded down to the nearest whole number) must retire from office together with any Director who would have held office for more than three years since that Director's election or last election. These retirement rules do not apply to certain appointments including the managing director.

Rights on winding up

Subject to any restricted securities, if the Company is wound up the liquidator may, with the sanction of a special resolution, of the Shareholders:

- divide among the Shareholders in kind the whole or any part of the property of the Company and for that purpose fix the value of assets and decide how the division is to be carried out as between the Shareholders and different classes of Shareholders; and/or
- vest assets of the Company in trustees on any trusts for the benefit of the Shareholders as the liquidator thinks appropriate.

Alteration of constitution

The constitution of the Company can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting.

Variation of rights

The rights and privileges attaching to Shares can be altered by special resolution of the Shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting.

No share certificates

Subject to the Listing Rules and Corporations Act (and other applicable laws), the Company need not issue share certificates.

Predominance of Listing Rules

While the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

10.2 Rights attaching to the New Options

A summary of the material rights attaching to New Options (including the Underwriter Options) is set out below. This summary does not provide an exhaustive statement of rights and liabilities attaching to New Options (including the Underwriter Options) and Optionholders.

Option entitlement

The New Options entitle the holder to subscribe for one Share on the exercise of each New Option.

Exercise Price

The New Options have an exercise price of \$0.15 each (except the Underwriter Options which have an exercise price of \$0.18 each).

Exercise Period

The New Options may be exercised at any time up to 5:00 pm AEDT on 1 December 2017, and any New Option not exercised before that time and date automatically lapses.

Shares issued on exercise

Shares issued on exercise of the New Options will rank equally in all respects with all other Shares.

Quotation of Options

The Company will seek to have the New Options listed on the ASX subject to the Company obtaining the minimum number of marketable options as proscribed by the ASX and a subject to the ASX approving the quotation of the New Options.

Quotation of Shares on exercise

Within 5 Business Days after the allotment of any Shares on exercise of the New Options to the Option Holder, the Company must apply for those Shares to be admitted to trading and quotation by the ASX.

Method and payment

To exercise the New Options, the Option holder must give the Company, at the same time:

- (a) a written exercise notice (in the form approved by the Board of the Company from time to time) specifying the number of New Options being exercised and Shares to be issued;
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

Timing of issue of Shares

Within 7 business days after receiving an application for exercise of Options and payment by an Option holder of the exercise price, the Company must issue the Option holder the number of fully paid ordinary Shares in the capital of the Company specified in the application.

Options transferable

The New Options will be transferrable on market if the Company meets the ASX conditions for the New Options to be listed. If the New Options are not listed then the New Options are transferable subject to compliance with the Corporations Act and any proposed transferee first covenanting with the Company (on terms reasonably acceptable to the Company) to comply with the terms of the New Options.

Participation in new issues

An Option holder is not entitled to participate in any new issue to existing Shareholders of securities in the Company unless they have exercised their New Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

Bonus issues

If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the New Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the New Option is exercisable is increased by the number of Shares which the Option holder would have received if the Option holder had exercised the New Option before the record date for determining entitlements to the issue.

Adjustment for rights issue

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the New Option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

Reorganisations

In the event of:

- (a) a consolidation, subdivision or pro rata cancellation of the issued ordinary share capital of the Company, the number of outstanding Options held by the Option holder will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled and an inverse adjustment will be made to the exercise price of the Option (as reasonably determined by the Company), to the effect that the total amount payable on the exercise of all outstanding Options by the Option holder will not alter;
- (b) a return of any of the issued ordinary share capital of the Company, the number of outstanding Options must remain the same, and the exercise price of each outstanding Option must be reduced by the same amount as the amount returned in relation to each Share;

- (c) a reduction of any of the issued ordinary share capital of the Company by cancellation of paid up capital that is lost or not represented by available assets (when no Shares or other securities are cancelled), the number of outstanding Options and the exercise price of each outstanding Option must remain unaltered; or
- (d) any other type of reorganization of the Company in respect of its issued ordinary share capital, the number of outstanding Options or the exercise price, or both, must be reorganized so that the Option holder will not receive a benefit that the holders of Shares do not receive. Any adjustments made will be subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reorganization.

Adjustments and calculations

Any calculations or adjustments which are required to be made in relation to the New Options will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option holder.

Notice of change

The Company must within a reasonable period give to each Option holder notice of any change under the terms of the New Options to the exercise price of any New Options held by an Option holder or the number of Shares which the Option holder is entitled to subscribe for on exercise of a New Option.

Method and payment

To exercise options, the Option holder must give the Company, at the same time:

- (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and Shares to be issued;
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company; and
- (c) the certificate for the options.

Governing law

These terms and the rights and obligations of option holders are governed by the laws of New South Wales. Each participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

Duties and taxes

The Company is not responsible for payment of any stamp duty or taxes which may subsequently become payable on exercise of any Options or the acquisition of any Shares on the exercise of any Options.

10.3 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with less rigorous disclosure requirements if:

- the securities offered by the prospectus are in a class of securities that have been quoted securities at all times in the 12 months before the date of the prospectus; and
- the Company is not subject to certain exemptions or declarations prescribed by the Corporations Act.

Securities are quoted securities if:

- the Company is included in the official list of ASX; and
- the ASX Listing Rules apply to those securities.

The information in this Prospectus principally concerns the terms and conditions of the Issue and the information necessary to make an informed assessment of:

- the effect of the Offer on Ferto; and
- the rights and liabilities attaching to the New Shares and New Options offered by this Prospectus.

As Ferto has been listed on ASX since 2 September 2013, a substantial amount of information concerning Ferto has previously been notified to ASX and is therefore publicly available on Ferto's website at www.ferto.com or on Ferto's ASX company announcement platform (ticker: FTZ) at www.asx.com.au.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to Ferto which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders and prospective investors should therefore also have regard to the other publicly available information in relation to Ferto before making a decision whether or not to invest in the New Shares.

10.4 Regular reporting and disclosure obligations

Ferto is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require Ferto to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, Ferto has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning Ferto which a reasonable person would expect to have a material effect on the price or value of securities in Ferto.

Ferto is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

All announcements and financial statements made by Ferto are available from Ferto's ASX company announcement platform (ticker: FTZ) at www.asx.com.au.

10.5 Currency of information

The information in this Prospectus is dated 30 October 2015. There may be additional announcements made by Ferto after the date of this Prospectus that may be relevant to your consideration of whether to exercise or do nothing in respect of your Entitlement. Therefore, you are encouraged to check whether any further announcements have been made by Ferto before submitting your application. Refer to Ferto's ASX company announcement platform (ticker: FTZ) at www.asx.com.au.

10.6 Market prices of existing Shares on ASX

The highest and lowest market sale prices of Ferto's existing Shares on ASX during the 3 months immediately prior to the lodgement of this Prospectus with ASIC and the last market price on the last day of trading before the lodgement date of this Prospectus is set out below:

| 3 month high Share price | 3 month low Share price | Last market sale Share price |
|--------------------------|----------------------------|------------------------------|
| \$0.20 on 10 August 2015 | \$0.125 on 12 October 2015 | \$0.14 on 29 October 2015 |

10.7 Your right to obtain copies of documents

Copies of any documents in relation to Ferto which are lodged with ASIC may be obtained from or inspected at, an ASIC office.

During the period that the Issue remains open, Ferto will provide copies of the following to any person on request, free of charge:

- Ferto's annual financial report for the year ended 30 June 2015 being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus; and

- (b) any continuous disclosure notices used to notify ASX of information relating to Fertoz between 30 September 2015 (being the date of lodgement of the financial report referred to in paragraph (a) with ASIC) and the date of lodgement of this Prospectus.

A list of documents filed with ASX by or concerning Fertoz since Fertoz's annual financial report for the year ended 30 June 2015 was released on 30 September 2015 until close of trading on ASX on 29 October 2015 (being the date prior to the date of this Prospectus) is set out in the table below.

| Document | Lodgement date |
|---|----------------|
| Notice of annual general meeting | 28/10/2015 |
| Annual Report to shareholders 30 June 2015 | 30/9/2015 |
| Full year audited financial statements 30 June 2015 | 30/9/2015 |
| Corporate governance statement | 30/9/2015 |
| Appendix 4G | 30/9/2015 |

Any Shareholder who would like to receive a copy of any of the above documents may download them from www.fertoz.com or obtain a copy free of charge by contacting Company Secretary, Julien McInally, by telephone on 0408 704 446 or e-mail at julien.mcinally@fertoz.com.

10.8 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of Fertoz:

- (a) this Prospectus; and
- (b) the Constitution of Fertoz.

10.9 CHESS and issuer sponsorship

Fertoz participates in CHESS. All trading on ASX in Shares is, and in New Shares will be, settled through CHESS. ASTC, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Computershare Investor Services Pty Ltd operates an electronic issuer-sponsored sub-register. Both these sub-registers constitute Fertoz's principal register of shareholders.

Holders of New Shares will not receive a certificate but will receive a statement of their holding. If you are sponsored by a broker or other participant in CHESS, you will receive a CHESS statement which will set out the number of New Shares issued to you under this Prospectus, provide details of your HIN (holder identification number), and provide the participant identification number of the sponsor.

If you are registered on the issuer-sponsored sub-register, your statement of holdings will contain the number of New Shares issued to you under this Prospectus and your SRN (security holder reference number).

A CHESS statement or issuer-sponsored statement will be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

10.10 Offset Loan Agreement

On or about 23 December 2014, Fertoz entered into the Offset Loan Agreement with Lenark Pty Ltd atf the Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm). The Offset Loan Agreement provides for a facility limit of \$1.25m. The facility accrues capitalized interest at a rate of 6% which is increased to 12% if certain default conditions are triggered. The balance outstanding under the Offset Loan Agreement at the close of the Offer is expected to be approximately \$491,000. The balance outstanding under the Offset Loan Agreement is repayable at any time, but not later than 30 June 2016.

The net proceeds of the Entitlement Offer and the Discretionary Placement (if any) will be reduced to the extent that Lenark Pty Ltd atf the Lenark Investment Trust elects to offset any application monies payable by it to take up its Entitlement under the Entitlement Offer or subscribe for Shortfall Securities under its sub-underwriting arrangement against monies owed to it by Fertoz under the Offset Loan Agreement. See section 6.2 of this Prospectus for further details. Lenark has advised the Board that it will not take any Underwriter Options for any sub-underwriting by Lenark – see section 4.9(c).

10.11 Directors' interests and benefits

(a) Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of Fertoz, holds, or has held at any time during the last 2 years before the date of this Prospectus, any interest in:

- the formation or promotion of Fertoz;
- any property acquired or proposed to be acquired by Fertoz in connection with its formation or promotion or in connection with the Issue, or
- the Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of Fertoz:

- to induce them to become, or to qualify them as, a Director; or
- for services rendered by them in connection with the formation or promotion of Fertoz or in connection with the Issue.

(b) Directors are not required under Fertoz's Constitution to hold any shares in Fertoz.

(c) The table below shows the interest of each Director (whether held directly or indirectly) in securities of Fertoz as at the date of this Prospectus:

| Director | Shares and Performance Shares | Options | Held beneficially |
|-----------------------------|---|-------------------------|-------------------|
| James Chisholm ⁷ | 5,918,765 Shares | 615,384 ⁸ | Yes |
| Leslie Szonyi | 690,438 Shares 1,000,000 Performance Shares ⁹ | 2,461,536 ¹⁰ | Yes |
| Adrian Byass ¹¹ | 130,000 Shares | 923,076 ¹² | Yes |
| Stephen Keith | - | 450,000 ¹³ | Yes |
| Alex Penha | - | 450,000 ¹⁴ | Yes |

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.
Directors who are Eligible Shareholders will receive an Entitlement to New Shares.

Mr James Chisholm has committed to Fertoz that he and his related parties¹⁵ will take up their full Entitlement under the Entitlement Offer. Consideration for the issue of New Shares and New Options to James Chisholm and his related parties may be made by offsetting such amount against amounts owing by Fertoz to Lenark Pty Ltd atf Lenark Investment Trust under the Offset Loan Agreement (or alternatively by payment in cash or a combination of both at the election of Lenark Pty Ltd atf Lenark Investment Trust).

Lenark Pty Ltd atf Lenark Investment Trust has also agreed with the Underwriter to sub-underwrite the Entitlement Offer up to a maximum of \$500,000 (being a maximum of 3,333,333 New Shares and 3,333,333 New Options) of any Shortfall. Consideration for the issue of any Shortfall Securities to Lenark Pty Ltd atf Lenark Investment Trust may be made by offsetting such amount against amounts owing by Fertoz to Lenark Pty Ltd atf Lenark Investment Trust under the Offset Loan Agreement or alternatively by payment in cash or a combination of both at Lenark Pty Ltd atf Lenark Investment Trust's election.

Further details of the Offset Loan Agreement are set out in section 10.10 of this Prospectus and further details of the effect on control are set out in section 7.4 of this Prospectus.

⁷ James Chisholm's interests in Fertoz arise as a result of securities in Fertoz held by Lenark Pty Ltd atf Lenark Investment Trust (of which his spouse is a director) and Kifaco Pty Ltd (of which his spouse is a director) and Left Brain Strategies Pty Ltd (of which he is a director) and himself and his spouse, Kimberly Chisholm

⁸ Options expire on 1 September 2017 and have an exercise price of between 35 cents and 45 cents.

⁹ 1 million Performance Shares were issued to Leslie Szonyi in Nov 2014 under the Company's Employee Share Plan via an interest-free non-recourse loan and the Performance Shares are currently in voluntary escrow. 500,000 Performance Shares are to be released from escrow when Share price reaches 70 cents and a further 500,000 Performance Shares are to be released from escrow when the Share price reaches 90 cents. Leslie Szonyi intends to retire as a Director at the upcoming Annual General Meeting of the Company and will not be seeking re-election. Accordingly, Mr Szonyi will forfeit the 1,000,000 Performance Shares issued to him and (subject to shareholder approval) the Company proposes to transfer these Performance Shares to Managing Director, Stephen Keith (on the terms set out in section 10.12(c) of the Prospectus).

¹⁰ Options expire on 1 September 2017 and have an exercise price of between 25 cents and 55 cents.

¹¹ Adrian Byass' interests in Fertoz arise as a result of securities in Fertoz held by Mr Adrian Byass & Mrs M.R. Byass and Valiant Equity Management Pty Ltd atf Byass Family Trust.

¹² Options expire on 1 September 2017 and have an exercise price of between 25 cents and 45 cents.

¹³ Options expire on 27 November 2017 and have an exercise price of between 65 cents and 85 cents.

¹⁴ Options expire on 27 November 2017 and have an exercise price of between 65 cents and 85 cents.

¹⁵ Refer to section 7.4 for shareholding of related parties of James Chisholm.

10.12 Securities to be issued to Managing Director

Fertoz proposes to issue an additional 1,100,000 Options and 1,000,000 Performance Shares to the Managing Director, Stephen Keith, subject to shareholder approval at a general meeting of the Company. These Options and Performance Shares have not been issued as at the date of this Prospectus and will not be issued until Shareholders have approved their issue at a general meeting of the Company. The details of the proposed Options and Performance Shares to be issued to the new Managing Director, Stephen Keith, are as follows:

- (a) 100,000 (exercisable for 1 Share each) Options with an exercise price of \$0.15 expiring 24 months after their issue - for signing on to the role as Managing Director and remaining in the role for a minimum of 6 months
- (b) 1,000,000 Options (exercisable for 1 Share each) as below:
 - a. 250,000 unquoted Options with an exercise price of \$0.20 expiring 12 months after their issue and which will become exercisable when the VWAP of the Company's Shares exceeds A\$0.25 for 21 consecutive trading days;
 - b. 250,000 unquoted Options with an exercise price of \$0.25 expiring 18 months after their issue and which will become exercisable when the VWAP of the Company's Shares exceeds A\$0.40 for 21 consecutive trading days;
 - c. 250,000 unquoted Options with an exercise price of \$0.30 expiring 24 months after their issue and which will become exercisable when the VWAP of the Company's Shares exceeds A\$0.50 for 21 consecutive trading days; and
 - d. 250,000 unquoted Options with an exercise price of \$0.35 expiring 30 months after their issue and which will become exercisable when the VWAP of the Company's Shares exceeds A\$0.65c for 21 consecutive trading days.
- (c) 1,000,000 Performance Shares which remain in escrow subject to performance hurdles as provided below being satisfied:
 - a. 500,000 Performance Shares subject to a closing share price exceeded \$0.35 for at least 21 consecutive trading days expiring 24 months from the issue;
 - b. 250,000 Performance Shares subject to completion of a \$1.75m minimum capital raise, expiring 18 months from issue but escrowed for 12 months from issue, with orderly market arrangements for any sales and the Managing Director to remain in the role for a minimum of six (6) months following the raise; and
 - c. 250,000 Performance Shares subject to the Company entering a 10,000tpa offtake agreement with a third party, in relation to any of the Company's wholly-owned or joint-ventured projects

10.13 Directors' remuneration

Mr James Chisholm is paid an annual fee of \$36,000 as Non-Executive Chairman. In respect of the period over the two financial years prior to the date of this Prospectus Mr Chisholm has received a total remuneration (in aggregate) of \$90,529 of which \$18,529 was the value of Options, with an exercise price of between 25 cents and 45 cents, issued in accordance with shareholder approval on 1 May 2013.

Mr Adrian Byass is paid an annual fee of \$36,000 as Non-Executive Director. In respect of the period over the two financial years prior to the date of this Prospectus Mr Byass has received a total remuneration (in aggregate) of \$87,923 of which \$21,923 was the value of Options, with an exercise price of between 25 cents and 45 cents, issued in accordance with shareholder approval on 1 May 2013.

Mr Stephen Keith was appointed as Managing Director on 29 July 2015. He has an annual salary of C\$250,000 and (subject to shareholder approval) Fertoz intends to issue him with 1,100,000 Options at an exercise price of between 15 cents and 35 cents with a term of between 12 and 30 months and 1,000,000 Performance Shares with an interest free non-recourse loan. The

Performance Shares are to be escrowed and are to be released on certain milestones being met. See section 10.12 of this Prospectus for further details.

Prior to being appointed as Managing Director on 29 July 2015, Mr Stephen Keith and his alternate director Mr Alex Penha were entitled to an annual fee of \$18,000 each, as Non-Executive Director and alternate Non-Executive Director respectively of which an amount of \$16,500 is currently owing to each of Mr Keith and Mr Penha, in consideration for their services since their appointment. They were appointed on the 29 July 2014 and Mr Stephen Keith has received total remuneration since his appointment to the Board of \$82,650 which was the value of Options, with an exercise price of between 65 cents and 85 cents, issued in accordance with shareholder approval on 28 November 2014.

Mr Alex Penha has received total remuneration since his appointment as an alternate director to Stephen Keith of \$82,650 which was the value of Options, with an exercise price of between 65 cents and 85 cents, issued in accordance with shareholder approval on 28 November 2014. Mr Alex Penha remains as an alternate director to Stephen Keith but not as an alternate Managing Director.

Mr Les Szonyi stepped down as Managing Director on 29 July 2015 and intends to retire as a Director of Fertoz at the upcoming Annual General Meeting of the Company. Mr Szonyi is to be paid a daily rate of \$1,200 based on each 8hr day worked as a consultant. In respect of the period over the two financial years prior to the date of this Prospectus Mr Szonyi has received a total remuneration of \$737,319 of which \$58,789 was the value of Options, priced between 25 cents and 55 cents in accordance with shareholder approval on 1 May 2013 and 1 million Performance Shares issued with a 3 year term via an interest free non-recourse loan in accordance with shareholder approval on 28 November 2014. The Performance Shares were placed in voluntary escrow with 500,000 Performance Shares to be released from escrow when the Share price reached 70 cents and 500,000 Performance Shares to be released from escrow when the Share price reaches 90 cents. Mr Szonyi will forfeit the 1 million performance shares on retirement as a Director of Fertoz.

Directors are also entitled to be reimbursed for reasonable expenses incurred by them in providing their services to the Company.

10.14 Directors' and Officers' indemnities

The Company has entered into a binding Deed of Access, Indemnity and Insurance with each Director of the Company. The material terms of each Deed are as follows:

Indemnification: The Company indemnifies each Director to the full extent permitted by law against any liabilities, damages, costs or expenses (including legal costs on a full indemnity basis) each Director incurs:

- (a) in connection with any claim, demand, inquiry, investigation, action or proceeding, that is made, commenced or threatened against the Director as a direct or indirect result of, or in connection with, the Director being or having been a director of the Company or any subsidiary (**Relevant Proceedings**); or
- (b) otherwise as an officer of the Company or any subsidiary.

Funding and control of litigation: If the Company acknowledges that it is liable to indemnify the Director under the deed in respect of any Relevant Proceedings (and if the Company satisfies certain other conditions) then the Company may assume the conduct of the defence of the Relevant Proceedings.

Access: The deed confirms each Director's right of access to certain records of the Company for a period of 7 years after the Director ceases to hold office, for the purpose of any Relevant Proceedings. The 7 year period can be extended where certain proceedings commence before the 7 year period expires.

Insurance: The Company must maintain a policy of insurance to insure the Director against liability as a director and officer of the Company and its subsidiaries.

10.15 Interests of other persons

Other than as set out below or elsewhere in this Prospectus, no adviser involved in the preparation of this Prospectus (nor any firm in which any adviser is a partner), has held at any time in the past two years any Shares or others securities of Fertoz.

In addition, other than as set out below, no amounts (whether in cash, New Shares, New Options or otherwise) have been paid or agreed to be paid and no benefits have been given or agreed to be given to any adviser (or any firm in which the adviser is a partner) for services rendered by the adviser, or the adviser's firm in connection with the promotion or formation of the Company or in connection with the Entitlement Offer or the Discretionary Placement (or any component of it):

- (a) Blackwood Capital Pty Limited has acted as underwriter to the Entitlement Offer and manager of the Discretionary Placement. In relation to these services, the Company has agreed to pay the Underwriter gross proceeds of approximately \$60,473 and issue the Underwriter 2,000,000 Underwriter Options. The Underwriter is not a related party of Fertoz. The Underwriter holds 4,000,000 Options. Stuart Richardson, a director of the Underwriter has an indirect interest in 813,776 Shares. Francis Harper, a director of the Underwriter has an indirect interest in 131,410 Shares; and
- (b) Delphi Partners has acted as legal adviser to the Company in relation to this Prospectus and the Entitlement Offer. In doing so, Delphi Partners have placed reasonable reliance upon information provided to them by the Company. Delphi Partners does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay (in aggregate) approximately \$35,000 (plus GST and disbursements) to Delphi Partners. Further amounts may be paid to Delphi Partners in accordance with their usual time based charge out rates.

10.16 Costs of the Issue

The expenses connected to the Offer payable by the Company are estimated at approximately \$112,000. These estimated expenses include fees to be paid to the Underwriter, legal fees, ASX and ASIC fees and other miscellaneous expenses directly attributable to the Offer but do not include the market value of Underwriter Options

10.17 Privacy Disclosure

Fertoz, the Underwriter and the Share Registry collect, hold and use certain personal information to assess your application, service your needs as a Shareholder and provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your application for New Shares and New Options may not be able to be processed efficiently, if at all.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by or on behalf of Fertoz. You can request access to your personal information or obtain further information about Fertoz's management practices by contacting the Share Registry or Fertoz. If the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact Fertoz or the Share Registry do that records can be corrected.

10.18 Consents

Blackwood Capital Pty Ltd has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to be named in this Prospectus as the Underwriter of the Offer and manager of the Discretionary Placement (if any) in the form and context in which it is named.

Delphi Partners has given and, at the time of lodgement of this Prospectus, has not withdrawn their written consent to being named in this Prospectus as legal advisers to Fertoz in respect of the Offer in the form and context in which they are named.

Computershare Investor Services Pty Ltd has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as the share registry to Fertoz in respect of the Offer in the form and context in which it is named.

Each Director has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as a Director of Fertoz, and to the inclusion of any statements made by them, in the form and context in which it is named or in which such statements appear.

Lenark Pty Ltd atf Lenark Investment Trust has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus, and to the inclusion of any statements made by it, in the form and context in which it is named or in which such statements appear.

Terra Capital Pty Ltd has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus, and to the inclusion of any statements made by it, in the form and context in which it is named or in which such statements appear.

Julien McNally has given and, at the time of lodgement of this Prospectus, has not withdrawn his written consent to being named in this Prospectus as Company Secretary of Fertoz, and to the inclusion of any statements made by him, in the form and context in which he is named or in which such statements appear.

Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Prospectus:

- a) does not make, or purport to make, any statement in this Prospectus or any statement on which a statement in this Prospectus is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Prospectus with the consent of that person; and
- b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Prospectus with the consent of that party.

11. GLOSSARY OF TERMS

| | |
|---|---|
| \$ | Australian dollars |
| Additional Securities | Up to a maximum of 5,600,000 New Shares and 5,600,000 New Options that may be issued by Fertoz at the absolute discretion of the Directors to raise up to an additional \$840,000 if the Entitlement Offer is oversubscribed or there is interest from third party investors. |
| AEDT | Australian Eastern Daylight Time. |
| Applicant | An Eligible Shareholder who applies for New Shares and New Options pursuant to the Entitlement Offer, or other party who applies for Shortfall Securities. |
| Application Money | The Issue Price multiplied by the total number of New Shares applied for by an Applicant under an Entitlement and Acceptance Form. |
| ASIC | Australian Securities and Investments Commission. |
| ASTC | ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532. |
| ASTC Settlement Rules | The operating rules of ASTC. |
| ASX | ASX Limited (ACN 008 624 691) and, where the context requires, the Australian Securities Exchange it operates. |
| ASX Listing Rules or Listing Rules | The official listing rules of ASX as amended, varied, modified or waived from time to time. |
| Board or Board of Directors | The board of Directors of Fertoz. |
| Business Day | Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day. |
| CHESS | Clearing House Electronic Subregister System of ASX. |
| Closing Date | 5pm AEDT on 24 November 2015 (unless extended). |
| Constitution | The constitution of the Company. |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |
| Directors | The directors of Fertoz. |
| Discretionary Placement | The offer and issue of Additional Securities that may be made by Fertoz, in its absolute discretion, to investors nominated by the Company in consultation with the Underwriter if there is sufficient demand for such securities. As noted in this Prospectus, any Additional Securities issued under the Discretionary Placement have been offered and will be issued to investors with disclosure under this Prospectus. |

| | |
|--|---|
| Eligible Shareholder | Those Shareholders who satisfy each of the following conditions: <ul style="list-style-type: none"> a) are registered as a holder of Shares as at 5pm AEDT on the Record Date; and b) have an address on the FertoZ share register in Australia or New Zealand or are a Shareholder that FertoZ has otherwise determined (in its sole and absolute discretion) is eligible to participate in the Offer, and c) are not located in the United States and are not US Persons and not acting for the account of or benefit of US Persons; and d) do not hold Shares as a result of post Record Date transactions; and e) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer. |
| Entitlement | The number of New Shares and New Options for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, in each case being 1 New Share for every seven (7) Shares held on the Record Date at an issue price of \$0.15, and 1 New Option free of charge for every 1 New Share subscribed for under the Entitlement Offer (exercisable for 1 Share at an exercise price of \$0.15 per New Option at any time up to and including 5pm AEDT on 1 December 2017). |
| Entitlement & Acceptance Form | The personalized entitlement and acceptance form for each Eligible Shareholder that accompanies this Prospectus, under which an Eligible Shareholder may apply for New Shares and New Options under the Issue. |
| Excluded Shareholder | Shareholders who do not satisfy the criteria of being an Eligible Shareholder. |
| FertoZ or the Company | FertoZ Limited ACN 145 951 622 |
| Issue or Offer or Entitlement Offer | The non-renounceable Entitlement Offer to Eligible Shareholders detailed in this Prospectus being 1 New Share for every seven (7) Shares held on the Record Date at an issue price of \$0.15, and 1 New Option free of charge for every 1 New Share subscribed for under the Entitlement Offer (exercisable for 1 Share at an exercise price of \$0.15 per New Option at any time up to and including 5pm AEDT on 1 December 2017). |
| New Options | The Options offered on the basis of, and under the terms of, this Prospectus. |
| New Shares | The Shares offered on the basis of, and under the terms of, this Prospectus. |
| Official List | The official list of the ASX. |

| | |
|-------------------------------|---|
| Offset Loan Agreement | The loan agreement dated on or about 23 December 2014 between Fertoz and Lenark Pty Ltd atf Lenark Investment Trust (see section 10.10 of this Prospectus for further details). |
| Opening Date | 10 November 2015 |
| Option | An option to acquire a Share. |
| Performance Share | The contractual right to a Share on the achievement of the milestones and on the terms detailed in section 7.1 of this Prospectus. |
| Prospectus | This prospectus dated 30 October 2015 and lodged with ASIC on that date. |
| Record Date | 7.00 pm AEDT on 9 November 2015 being the time and date Fertoz closes its share register to determine the Entitlements of Shareholders to participate in the Issue. |
| Shareholders | Registered holders of Shares in Fertoz |
| Share registry | Computershare Investor Services Pty Ltd. |
| Shares | Fully-paid ordinary shares in the capital of Fertoz |
| Shortfall | New Shares and New Options not taken up by Eligible Shareholders under their Entitlements. |
| Shortfall Securities | The New Shares and New Options not taken up under the Entitlement Offer by Eligible Shareholders. |
| Underwriter | Blackwood Capital Pty Ltd ACN 101 849 110. |
| Underwriter Options | 4,333,333 Options with an exercise price of \$0.18 expiring at 5pm (AEDT) on 1 December 2017 (and otherwise on the same terms and conditions as the Options to be issued under the Offer) to be issued to the Underwriter (or its nominee sub-underwriters) as part of the Underwriting Fee under the Underwriting Agreement. |
| Underwriting Agreement | Has the meaning given to that term in section 4.9(a) of the Prospectus. |
| Underwriting Fee | Has the meaning given to that term in section 4.9(b) of the Prospectus. |
| Underwritten Amount | Has the meaning given to that term in section 4.9(a) of the Prospectus. |
| US Persons | The meaning given to that term by regulations made under the US Securities. |
| US Securities Act | The US Securities Act of 1933, as amended. |

APPROVAL OF PROSPECTUS

This Prospectus is approved by the Company by a resolution of the Fertoz Board on 30 October 2015 and lodged with the ASIC pursuant to section 718 of the Corporations Act.

Each Director has consented to lodgement of this Prospectus with ASIC in accordance with the terms of section 720 of the Corporations Act and has not withdrawn that consent.

Signed for an on behalf of Fertoz:

A handwritten signature in black ink, appearing to read 'James Chisholm', with a long horizontal flourish extending to the right.

James Chisholm
Non-Executive Chairman
Fertoz Limited

Dated: 30 October 2015

CORPORATE DIRECTORY

| | |
|---|--|
| DIRECTORS James Chisholm (Non-Executive Chairman) Adrian Byass (Non-Executive Director) Stephen Keith (Managing Director) Alex Penha (Alternate Director to Mr Stephen Keith) Les Szonyi (Executive Director) | |
| REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS Address: 40 Balgowlah St Wakerley QLD 4154 Phone: +61 7 3396 0024 Fax: +61 7 3396 0024 E-mail: office@ferto.com Homepage: www.ferto.com | |
| UNDERWRITER Blackwood Capital Pty Ltd Level 12, 139 Macquarie St Sydney NSW 2000 | |
| LAWYERS Delphi Partners Level 23, 307 Queen St Brisbane Q 4000 GPO Box 278 Brisbane Q 4001 | |
| SHARE REGISTRY Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067 | |