Fertoz Ltd (ABN 86 145 951 622)

and its controlled entities

Interim Report

for the financial period ended 31 December 2015

Contents

General Information

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

Corporate Directory

Directors	Mr James Chisholm (Non-Executive Chairman) Mr Stephen Keith (Managing Director) Mr Adrian Byass (Non-executive Director) Mr Patrick Avery (Non-executive Director)
Company Secretary	Mr Julien McInally
Registered Office and Principal Place of Business	40 Balgowlah St Wakerley, Qld 4154 T: 07 3396 0024 F: 07 3396 0024
Share Registry	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067
Auditors	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Canadian Lawyers	Ontario Lawyers Peterson Law Professional Corporation 390 Bay Street, Suite 806 Toronto, Ontario, Canada, M5H British Columbia Lawyers Anfield Sujir Kennedy & Durno LLP (ASKD Law) 1600 - 609 Granville Street Vancouver, British Columbia, Canada, V7Y 1C3
Australian Lawyers	Delphi Partners Level 23, 307 Queen Street Brisbane, QLD, 4000
Bankers	Commonwealth Bank of Australia Ltd
Stock Exchange Listing	Fertoz Limited shares are listed on the Australian Securities Exchange (ASX code: FTZ)
Website	**www.fertoz.com**

Directors' report
31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "**Consolidated Entity**") consisting of Fertoz Limited (referred to hereafter as the "**Company**" or "**Parent entity**") and the entities it controlled for the half-year ended 31 December 2015.

1. Directors

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

Mr James Chisholm
Mr Stephen Keith
Mr Adrian Byass
Mr Patrick Avery (appointed 18 February 2016)
Dr Leslie Szonyi (resigned 27 November 2015)
Mr Alex Penha (resigned 3 February 2016)

2. Principal Activities

During the half-year the principal activities of the consolidated entity was the development of cash flow generating fertilizer businesses in North America and Australia which are focused on producing and supplying phosphate related products to the agricultural sector.

The Company's main efforts are on the development and commercialisation of its high-grade phosphate resources in North America (see figure 1), which can supply high-grade rock phosphate to organic farms and conventional farms that are seeking low-leaching phosphate products.

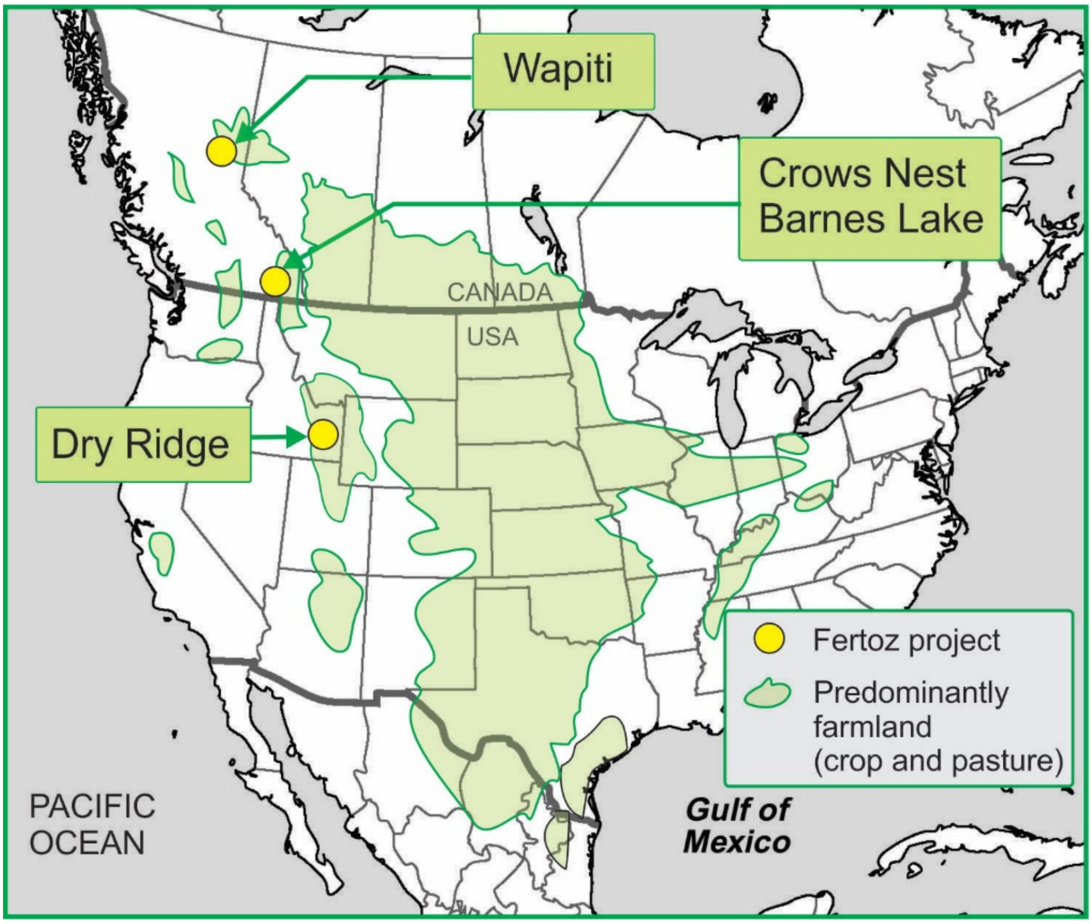

Figure 1: Fertoz's North American project locations and proximity to Canadian agriculture areas

Directors' report
31 December 2015

3. Results of Operations

The Directors of the Company advise the consolidated loss of the Consolidated Entity after providing for income tax for the half year to 31 December 2015 was $667,709 (31 December 2014: $551,356).

The company had cash on hand as at 31 December 2015 of $1,355,401 (30 June 2015: $82,831).

4. Review of Operations

The Company has made some significant progress in the half year towards its vision of becoming a producer and supplier of fertilizer products.

Canada

Following the completion of the Company's updated scoping study on Wapiti which highlighted a low capital cost, high return project with a net present value C$20 million (announced 28 May 2015), the Company has been focused on a number of low cost activities while it awaited completion of its funding activities, being:

- progressing discussions with potential parties to secure access to sales channels to the organic and conventional markets which resulted in the Company agreeing a partnership with a well-recognised group of agronomy, sales and marketing professionals as announced on 24 February 2016,
- optimising the project design at Wapiti with the view to selecting equipment and sourcing options of equipment including the low cost option of renting equipment to crush and screen the Wapiti and Fernie rock;
- progressing the Company's small mine application at Wapiti for 75,000 tonnes of rock phosphate per annum;
- progressed discussions with First Nations around Wapiti which resulted in a protocol agreement being signed in the first quarter of 2016;
- start discussions on potential sales of product which resulted in the Company's first order for 2,000 tonnes of product on 25 February 2016; and
- progress new acquisition and partnering opportunities;

The Company is focused on achieving its minimum sales target of 10,000 tonnes in the 2016 Calendar year. Approvals to remove up to 27,500 tonnes (remaining 25,000 tonnes) are currently in place to supply to organic and conventional farms.

Farm trials have been underway in the half year to assist the Company in marketing its products to the north-western farming region of Alberta close to the Company's Wapiti project and the south western extent of the Alberta farming region close to the Company's Fernie Project. The on-going farm trials of the Company's phosphate mixed with other nutrients under a precision agriculture approach have been very encouraging with improved crop yields. Although the Company's products are classified as acceptable to organic markets due the material being an unprocessed rock phosphate, the Company will be undertaking further trails to provide data for its application for organic certification in this calendar year.

USA

Fertoz has the option to acquire a 100% interest in the Dry Ridge Phosphate Project in Idaho, USA. The project, which is located in the well-known phosphate region in Idaho close to three phosphate processing plants in the area, which provides the project with a clear low-cost pathway to development should exploration in this highly prospective area be successful and the project move to development. Fertoz is currently in negotiation with the owners to extend the option to acquire the Idaho project.

In July 2015, Fertoz obtained approvals for a drill program which allows for up to 48 drill sites and 24 trenches along the full 4.8km length of the lease. After completion of the approvals the Company down scaled activity on the project due to funding constraints and while it reviews opportunities to joint venture the project. Fertoz will continue to seek joint venture partners to advance this project forward.

Directors' report
31 December 2015

Australia

Fertoz has a 50/50 joint venture with Vast Resources Pty Ltd to import and market a proven specialty phosphate fertiliser into Australia and New Zealand. The joint venture is controlled by Fertoz Ltd through the trustee company Fertoz Agriculture Pty Ltd ("FertAg") which is owned 51% by Fertoz Ltd and 49% by Vast Resources Ltd. The joint venture provides Fertoz with an additional revenue stream in a market that is counter seasonal to the markets in North America.

Sales initiatives, which started early in 2015, are starting to produce results with revenue for the half year of $141,510 with the majority, being $104,000, of these sales occurring in the December quarter. The Fertag business was self-sufficient for the half year and no funds were required by Fertoz to continue operations.

5. Corporate

Safety
There were no lost time injuries or environmental incidents recorded during the half ended 31 December 2015.

Board Changes

Mr Stephen Keith was appointed to Managing Director (formerly Non-executive Director) to focus on the commercialising the Company's North American assets.

Mr Patrick Avery was appointed as a Non-executive Director on 18 February 2016. Mr Avery has over 30 years of experience working in the industries of fertilizer, mining, specialty chemicals, petroleum, and construction/project management. In the fertilizer industry, he worked for 11 years with JR Simplot, one of the largest privately held food and agribusiness companies in the USA, where he held senior positions across all key business units such as mining, manufacturing, supply chain, wholesale sales and energy management, managing over 1500 employees, three mines (two phosphate and one silica), and five major manufacturing facilities, and several warehouse/distribution locations, making dozens of products from chemical fertilizers, to specialty chemicals for lawns, gardens, and golf courses, industrial products, resins, and water treatment and pollution control products.

Mr Alexandre Penha resigned as an Alternate Non-executive Director on 3 February 2016. Mr Penha will continue to support the company on a consulting basis. In this role, Mr Penha will assist the company as it focuses on developing near term projects, off-takes and on seeking newer long-term opportunities.

On 27 November 2015, Dr Leslie Szonyi retired as a director of the Company. Dr Szonyi has agreed to support the company on a consulting basis going forward where he will focus on developing the FertAg business.

Funding

During the half year, Fertoz completed a non-renounceable rights issue and a private placement which raised a total of $1,847,875 before costs with the issue of 12,319,164 fully paid ordinary shares with one free attaching option per issued share resulting in the issue of12,319,164 options each with a right to one ordinary share at an exercise price of $0.15 expiring on 1 December 2017.

Directors' report
31 December 2015

Post Balance Date Events

After the half year ending 31 December 2015 the Company announced an Extraordinary General Meeting (EGM) to be held on 18 March 2016 which, amongst other things, seeks to further restructure the balance sheet of the Company. The EGM seeks the approval of shareholders to issue shares and an attaching free option, on the same terms as the rights issue, to directors, related parties of directors and former directors for loans or directors fees as provided below.

Party	No of Shares	No of Options	Amount
Lenark Pty Ltd (related party of Mr James Chisholm)	17,333,333	17,333,333	$260,000
Mr Stephen Keith	314,068	314,068	$47,110
Mr Adrian Byass	216,000	216,000	$32,400
Dr Leslie Szonyi (former director)	880,000	880,000	$132,000

The EGM will also seek shareholder approval of 1,100,000 Options and 1,000,000 Performance Shares to Mr Stephen Keith and 500,000 Options to Mr Alexandre Penha, the details of which can be found in note 10 of the financial statements.

In addition, the Company on the 25 February 2016 announced that it had entered into a contract to sell 2,000 tonnes of rock phosphate to a fertilizer manufacturer and distributor. Deliver of the product is expected to occur in the third quarter of 2016.

6. Dividends

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

7. Auditor's Independence Declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001 on 20 February 2015.

On behalf of the directors

________________________________,
James Chisholm
Chairman

15 March 2016

Auditor's Independence Declaration
31 December 2015

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF FERTOZ LIMITED

As lead auditor for the review of Fertoz Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 15 March 2016

Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31/12/2015 $	Consolidated 31/12/2014 $
Revenue from continuing operations		141,510	-
Other income		213	34,326
Expenses			
Cost of sales		102,494	-
Consultant fees		143,399	58,909
Depreciation		205	205
Employee benefits expense		265,084	246,422
Finance costs		44,930	-
Freight and storage costs		40,804	-
Listing fees and share registry expenses		55,882	41,086
Investor relations		15,000	17,682
Professional services		22,078	85,963
Share based expenses		68,025	85,661
Travel		27,866	7,570
Other expenses		23,665	42,184
Loss before income tax benefit from continuing operations		(667,709)	(551,356)
Income tax benefit		-	-
Loss after income tax benefit for the half-year		(667,709)	(551,356)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(187,745)	118,333
Other comprehensive income for the half-year, net of tax		(187,745)	118,333
Total comprehensive loss for the half-year		(855,454)	(433,023)
Loss for the half-year is attributable:			
Non-controlling interest		(42,215)	(26,134)
Owners of Fertoz Limited		(625,494)	(525,222)
		(667,709)	(551,356)
Total comprehensive loss for the half-year is attributable:			
Non-controlling interest		(42,215)	(26,134)
Owners of Fertoz Limited		(813,239)	(406,889)
		(855,454)	(433,023)
Basic earnings per share		(0.013)	(0.012)
Diluted earnings per share		(0.013)	(0.012)

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

Consolidated statement of financial position
As at 31 December 2015

	Note	Consolidated 31/12/2015 $	Consolidated 30/06/2015 $
Assets			
Current assets			
Cash and cash equivalents	3	1,355,401	82,831
Trade and other receivables	4	142,391	127,309
Inventories		106,089	208,696
Other current assets		3,431	10,990
Total current assets		1,607,312	429,826
Non-current assets			
Exploration and evaluation expenditure	5	3,101,577	3,155,201
Property, plant and equipment		25,329	35,339
Total non-current assets		3,126,906	3,190,540
Total assets		4,734,218	3,620,366
Liabilities			
Current liabilities			
Trade and other payables	6	608,844	337,041
Loan - related party	7	288,528	307,512
Total current liabilities		897,372	644,553
Total liabilities		897,372	644,553
Net assets		3,836,846	2,975,813
Equity			
Issued capital	8	10,112,876	8,524,886
Reserves		1,104,327	1,163,575
Retained profits / (losses)		(7,199,220)	(6,573,726)
Equity attributable to the owners of Fertoz Limited		4,017,983	3,114,735
Non-controlling interest		(181,137)	(138,922)
Total Equity		3,836,846	2,975,813

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2015

	Issued capital	Retained profits / (losses)	Share based payment reserve	Translation reserve	Attributable to the owners of Fertoz Limited	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$
Consolidated							
Balance at 1 July 2015	8,524,886	(6,573,726)	1,101,074	62,501	3,114,735	(138,922)	2,975,813
Profit/(loss) after income tax expense for the half-year	-	(625,494)	-	-	(625,494)	(42,215)	(667,709)
Other comprehensive income for half-year, net of tax	-	-	-	(187,745)	(187,745)	-	(187,745)
Total comprehensive income for the half-year	-	(625,494)	-	(187,745)	(813,239)	(42,215)	(855,454)
Transactions with owners in their capacity as owners:							
Shares issued	1,848,090	-	-	-	1,848,090	-	1,848,090
Share issued costs	(260,100)	-	-		(260,100)	-	(260,100)
Share-based payments	-	-	128,497	-	128,497	-	128,497
Balance at 31 December 2015	10,112,876	(7,199,220)	1,229,571	(125,244)	4,017,983	(181,137)	3,836,846

	Issued capital	Retained profits / (losses)	Share based payment reserve	Translation reserve	Attributable to the owners of Fertoz Limited	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$
Consolidated							
Balance at 1 July 2014	8,320,798	(5,072,386)	989,500	(62,060)	4,175,852	-	4,175,852
Profit/(loss) after income tax expense for the half-year	-	(525,222)	-	-	(525,222)	(26,134)	(551,356)
Other comprehensive income for half-year, net of tax	-	-	-	118,333	118,333	-	118,333
Total comprehensive income for the half-year	-	(525,222)	-	118,333	(406,889)	(26,134)	(433,023)
Transactions with owners in their capacity as owners:							
Shares issued	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Share based payments	-	-	85,661	-	85,661	-	85,661
Balance at 31 December 2014	8,320,798	(5,597,608)	1,075,161	56,273	3,854,624	(26,134)	3,828,490

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

Consolidated statement of cash flows
For the half-year ended 31 December 2015

	Consolidated	
	31/12/2015	31/12/2014
	$	$
Cash flows from operating activities		
Receipts from customers	128,038	-
Payments to suppliers and employees	(432,180)	(543,888)
Interest and other finance costs	(16,775)	-
Other income received	-	13,558
Interest received	213	23,342
Net cash outflow from operating activities	(320,704)	(506,988)
Cash flows from investing activities		
Payment for purchase of tenements	(34,000)	(27,000)
Payments for exploration and evaluation assets	(84,391)	(987,115)
Payments for property, plant and equipment	-	(22,431)
Proceeds from sale of tenements	-	-
Net cash outflow from investing activities	(118,391)	(1,036,546)
Cash flows from financing activities		
Proceeds from the issue of shares	1,848,090	-
Share issue transaction costs	(124,627)	-
Repayment of loans	(177,798)	-
Proceeds from loans	166,000	200,000
Net cash inflow from financing activities	1,711,665	200,000
Net increase/(decrease) in cash and cash equivalents	1,272,570	(1,343,534)
Cash and cash equivalents at the beginning of period	82,831	2,240,672
Cash and cash equivalents at the end of the period	1,355,401	897,138

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

Notes to the financial statements
31 December 2015

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting, as appropriate for for-profit orientated entities. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34: 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Fertoz Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies and methods of computation are consistent with those applied in the most recent annual financial statements, unless otherwise stated.

(a) Reporting basis and conventions

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

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

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

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

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

(c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group achieved a net loss of $667,709 (31 December 2014: loss $551,356) and net operating cash outflows of $320,704 (31 December 2014 outflow: $506,988) for the half year ended 31 December 2015. As at 31 December 2015 the Group has cash of $1,355,401 (30 June 2015: $82,831).

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- the ability of the Group to meet its cashflow forecasts;
- shareholders' approval of the proposed resolutions at the Extraordinary General Meeting on 18 March 2016 which will convert $471,510 of interest and non-interest bearing debt into equity;
- the ability of the Group to raise capital, as and when necessary; and
- the ability of the Group to sell non-core assets.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the recent sales order received for 2,000 tonne of rock phosphate after balance date;
- dedicated plans established to run those operations;
- the recent rights issue which raised $1,847,875 before costs; and
- the Extraordinary General Meeting is booked and it is anticipated that shareholders will approve the proposed resolutions that stabilise the financial position of the Group.

Notes to the financial statements
31 December 2015

Note 1. Significant accounting policies (continued)

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the interim financial report. This interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

(d) Interest bearing liabilities

Interest bearing liabilities are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the liability is classified as non-current.

Note 2. Segment reporting

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

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

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

Operating segment information

Consolidated - 31/12/2015	Australian operations $	Canadian operations $	USA operations $	Unallocated $	Total $
Revenue					
Revenue	141,510	-	-	-	141,510
Other revenue	-	-	-	213	213
Total revenue	141,510	-	-	213	141,723
Loss before income tax benefit	(84,317)	-	-	(583,392)	(667,709)
Income tax benefit	-	-	-	-	-
Loss after income tax benefit	(84,317)	-	-	(583,392)	(667,709)
Segment assets	174,983	2,654,516	514,246	1,390,473	4,734,218
Segment liabilities	(53,703)	(16,654)	-	(827,015)	(897,372)
Segment net assets	121,280	2,637,862	514,246	563,458	3,836,846
Segment additions to non-current assets	-	83,199	35,192	-	118,391

Notes to the financial statements
31 December 2015

Note 2. Segment reporting (continued)

Consolidated - 31/12/2014	Australian operations $	Canadian operations $	USA operations $	Unallocated $	Total $
Revenue					
Other revenue	8,095	5,463	-	20,768	34,326
Total revenue	8,095	5,463	-	20,768	34,326
Loss before income tax benefit	(52,269)	-	-	(499,087)	(551,356)
Income tax benefit	-	-	-	-	-
Loss after income tax benefit	(52,269)	-	-	(499,087)	(551,356)

Consolidated – 30/06/2015	Australian operations $	Canadian operations $	USA operations $	Unallocated $	Total $
Segment assets	272,750	2,758,309	479,054	110,253	3,620,366
Segment liabilities	(59,705)	-	-	(584,848)	(644,533)
Segment net assets	213,045	2,758,309	479,054	(474,595)	2,975,813
Segment additions to non-current assets	495	235,462	-	-	235,957

Note 3. Cash and cash equivalents

	Consolidated 31/12/2015 $	Consolidated 30/06/2015 $
Cash at bank	1,354,401	62,381
Cash on deposit	1,000	20,000
	1,355,401	82,381

Note 4. Trade and other receivables

	Consolidated 31/12/2015 $	Consolidated 30/06/2015 $
Trade receivables	63,894	50,422
Other receivables	5,000	13,632
Environmental bond	44,449	47,556
GST receivable	29,048	15,699
	142,391	127,309

Notes to the financial statements
31 December 2015

Note 5. Exploration and evaluation expenditure

	Consolidated	
	31/12/2015	**30/06/2015**
	$	**$**
At cost	3,101,577	3,155,201
Carrying amount as at 30 June	3,155,201	1,983,400
Additions	118,391	1,435,017
Disposals	-	-
Write off of exploration and evaluation assets	-	(387,777)
Foreign exchange movement	(172,015)	124,561
Carrying amount as at 31 December	3,101,577	3,155,201

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

Note 6. Trade and other payables

	Consolidated	
	31/12/2015	**30/06/2015**
	$	**$**
Trade creditors and accruals	608,844	337,041
	608,844	337,041

Note 7. Interest bearing liabilities

	Consolidated	
	31/12/2015	**30/06/2015**
	$	**$**
Working capital facility	28,528	-
Loan from related party	260,000	307,512
	288,528	307,512

The related party loan has $1,250,000 drawn down limit which allows up to $100,000 a month to be drawn down. This facility is required to be repaid at the earlier of a liquidity event (capital raising or take over) or 30 June 2016 and has an interest rate of 6%. The Company is seeking shareholder approval at a general meeting of members to be held on 18 March 2016 to convert this loan to equity at the same terms as the rights issue (completed in 2015) and at this time the loan facility will terminate.

Notes to the financial statements
31 December 2015

Note 8. Issued capital

	Consolidated		Consolidated	
	31/12/2015 Shares	30/06/2015 Shares	31/12/2015 $	30/06/2015 $
Ordinary shares – fully paid	59,354,738	47,034,145	10,112,876	8,524,886

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

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

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

	31/12/2015		31/12/2014	
	Shares	$	Shares	$
Opening balance at 1 July	47,034,145	8,524,886	45,009,595	8,320,798
Shares from rights issue -2 December 2016	6,719,164	1,007,875	-	-
Share placement - 14 December 2016	5,600,000	840,000	-	-
Shares issue costs	-	(260,100)	-	-
Shares issued under scheme	-	-	* 1,250,000	-
Exercise of options	1,429	215	-	-
Closing balance at 31 December	59,354,738	10,112,876	46,259,595	8,320,798

On the 2 December 2015 the Company issued 6,719,164 fully paid ordinary shares in relation to a Non-renounceable Rights Issue. Each share issued in relation to the Rights Issue came with one free attaching option resulting in 6,719,164 options being issued with a right for one share per option at an exercise price of $0.15 expiring on 1 December 2017. The Rights Issue was fully underwritten and the underwriters and sub-underwriters received 4,333,333 options with a right for one share per option at an exercise price of $0.18 expiring on 1 December 2017. A portion of the underwriter options being 2,000,000 were issued on 3 December 2017 with the remainder of the underwriter options (being 2,333,333 underwriter options) being subject to shareholder approval at a general meeting to be held on 18 March 2016.

In addition, on 14 December 2015 the Company undertook a placement at the same terms of the rights issue resulting in the issue of 5,600,000 shares together with 5,600,000 free attaching options with a right for one share per option at an exercise price of $0.15 expiring on 1 December 2017.

* On 16 December 2014 the Company allotted 1,250,000 fully paid ordinary shares at an issue price of $0.29 per share to the then Managing Director, Mr Les Szonyi (1,000,000 shares) (“**Szonyi Shares”**) and employees (250,000 shares) of the Company as agreed by shareholders in Resolution 7 and 8 at the 2014 annual general meeting on 28 November 2014.

The fully paid ordinary shares will remain in escrow until the performance hurdles are met as per below:

- 625,000 shares released from escrow upon a 70 cent share price over a consecutive 5 day period
- 625,000 shares released from escrow upon a 90 cent share price over a consecutive 5 day period

If the performance hurdles are not met by 27 November 2017 the shares will be returned to the Company.

Notes to the financial statements
31 December 2015

Note 8. Issued capital (continued)

Consideration for the shares has been satisfied by a non-recourse loan from the Company to the Director and employees with the shares remaining in escrow until the performance hurdles are met.

This arrangement is an in-substance option and the shares have not been recognised in issued capital above nor is the non-recourse loan recognised in the balance sheet. The value of the issued shares will be recognised as the loan is settled i.e. when the in substance options are exercised.

It addition, if the Director or employee discontinues their role for the Company and the performance hurdles have not been met then that Director or employee will return to the Company the shares. Mr Szonyi resigned as a director on 27 November 2015 hence the Company will, subject to the shareholders approving the issue of 1,000,000 shares to Mr Stephen Keith (current Managing Director) at the general meeting on 18 March 2016, issue the Szonyi Shares to Mr Keith otherwise Mr Szonyi will return his shares to the Company.

Note 9. Contingencies and commitments

There are no contingent assets or liabilities in existence at the half year ended 31 December 2015.

Note 10. Events after the reporting period

After the half year ending 31 December 2015 the Company announced an Extraordinary General Meeting (**EGM**) to be held on 18 March 2016 which, amongst other things, seeks to further restructure the balance sheet of the Company. The EGM seeks the approval of shareholders to issue shares and an attaching free option, on the same terms as the rights issue, to directors, related parties of directors and former directors for loans or directors fees as provided below.

Party	No of Shares	No of Options	Amount
Lenark Pty Ltd (related party of Mr James Chisholm)	17,333,333	17,333,333	$260,000
Mr Stephen Keith	314,068	314,068	$47,110
Mr Adrian Byass	216,000	216,000	$32,400
Dr Leslie Szonyi (former director)	880,000	880,000	$132,000

The EGM will also seek shareholder approval of the 1,100,000 Options and 1,000,000 Performance Shares to Mr Stephen Keith as set out follows:

(a) 100,000 options with an exercise price of 15 cents each;
(b) 250,000 options with an exercise price of 20 cents each;
(c) 250,000 options with an exercise price of 25 cents each;
(d) 250,000 options with an exercise price of 30 cents each;
(e) 250,000 options with an exercise price of 35 cents each;
(f) 1,000,000 Plan Shares pursuant to the Company's Employee Share Plan.

Information of the terms and conditions of the Options and Performance shares being issued to Mr Keith, including the performance hurdles attaching to the Options and Performance Shares, are set out in the Explanatory Memorandum of the EGM.

Notes to the financial statements
31 December 2015

Note 10. Events after the reporting period (continued)

Mr Alexandre Penha will be issued 500,000 options, if approved at the EGM, as follows:

(a) 125,000 options with an exercise price of 20 cents each;
(c) 125,000 options with an exercise price of 25 cents each;
(d) 125,000 options with an exercise price of 30 cents each; and
(e) 125,000 options with an exercise price of 35 cents each."

Information of the terms and conditions of the Options being issued to Mr Penha, including the performance hurdles attaching to the Options, are set out in the Explanatory Memorandum of the EGM.

The Company on the 25 February 2016 announced that it had entered into a contract to sell 2,000 tonnes of rock phosphate to a fertilizer manufacturer and distributor. Deliver of the product is expected to occur in the third quarter of 2016.

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

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

James Chisholm
Chairman

15 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fertoz Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fertoz Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fertoz Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon achieving its forecast cashflows, approval by shareholders for the conversion of debt to equity, the future successful raising of necessary funding through equity and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 15 March 2016