



**Interim Report**  
**for the financial period ended**  
**31 December 2014**

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### General Information

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

**Corporate Directory**

<b>Directors</b>	Mr James Chisholm (Non-Executive Chairman) Dr Leslie Szonyi (Managing Director) Mr Adrian Byass (Non-executive Director) Mr Stephen Keith (Non-Executive Director) Mr Alex Penha (Alternative Non-Executive Director to Mr Stephen Keith)
<b>Company Secretary</b>	Mr Julien McInally
<b>Registered Office and Principal Place of Business</b>	40 Balgowlah St Wakerley, Qld 4154 T: 07 3396 0024 F: 07 3396 0024
<b>Share Registry</b>	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067
<b>Auditors</b>	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
<b>Canadian Lawyers</b>	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
<b>Australian Lawyers</b>	Delphi Partners Level 23, 307 Queen Street Brisbane, QLD, 4000
<b>Bankers</b>	Commonwealth Bank of Australia Ltd
<b>Stock Exchange Listing</b>	Fertoz Limited shares are listed on the Australian Securities Exchange (ASX code: FTZ)
<b>Website</b>	<a href="http://www.fertoz.com">www.fertoz.com</a>

## Directors' report 31 December 2014

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 2014.

### 1. Directors

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

Mr James Chisholm

Dr Leslie Szonyi

Mr Adrian Byass

Mr Stephen Keith (appointed 29 July 2014)

Mr Alex Penha (Alternative Director to Mr Keith appointed 29 July 2014)

### 2. Principal Activities

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

Fertoz has secured small, high-grade phosphate resources in North America that can be commercialised quickly and inexpensively, with high-grade product sold to organic farms and also in combination with calcium carbonate to conventional farms with acidic soils.

North America (USA and Canada) are both net importers of phosphate rock and are two of the largest agricultural economies in the world. The Company aims to supply direct application phosphate rock with minimal processing to 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.

Fertoz is also currently expanding its business into the Australian fertilizer market through its 50% ownership of the FertAg joint venture with Vast Resources. FertAg sells a fused calcium magnesium phosphate to farmers looking for slow release phosphate combined with numerous beneficial trace minerals.

### 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 2014 amounted to \$551,356 (31 December 2013: \$1,656,639).

The company had cash on hand as at 31 December 2014 of \$897,138 (30 June 2014: \$2,240,672).

### 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

On 8 August, Fertoz announced a maiden Inferred Resource estimate for its Wapiti project, British Columbia, Canada of 1.54 Mt @ 21.6% P<sub>2</sub>O<sub>5</sub> (at a 7% cut-off), calculated to a depth of 30m along a strike length of 12.5km. The Inferred Resource is contained within an Exploration Target of between 2.9 Mt and 3.3 Mt at 20.8% to 22.2% P<sub>2</sub>O<sub>5</sub> which has been estimated to a depth of 30m along a 27km strike length. Mineralisation extends to depths in excess of 90m below surface and there is potential to increase both the resource and exploration target with additional drilling. The Exploration Target is conceptual in nature. N.B. There has been insufficient exploration (drilling) outside the area used to support the Mineral Resource to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource.

Fertoz commenced a second bulk sample collection at its Wapiti project in late August after completion of road works which included the installation of 10 culverts across creeks from the camp and the construction of an access road of approximately 2km to the “North” bulk sample location.

## Directors' report 31 December 2014

The Company has obtained approval to collect a total of 27,500 tonnes of rock phosphate. This material is able to be sourced from two projects, 17,500 tonnes from the Wapiti Project and 10,000 tonnes from Fernie Project. This material will be available for sale whilst awaiting the mining permit at Wapiti. Fertoz had collected approximately 2,700 tonnes of bulk sample in the half year which is being processed ready for sale, product trials and agricultural application in the North American spring.

In November, the Company submitted a Small Mine Application to the British Columbia (B.C.) Ministry of Mines to extract up to 75,000 tonnes per annum of phosphate rock from its Wapiti project. The Company is expecting to receive approval for the small mine at Wapiti in the second half of 2015.

During the December quarter, the Company secured Marketing & Distribution agreements with three suppliers, Natures Way Farms Ltd, Sunalta Fertilizer Ltd and Enviro Perfect Solutions to sell rock phosphate from Fertoz's Wapiti and Fernie projects in British Columbia, Canada. These agreements cover the rich agricultural regions of western Canada. The Company achieved its first sale of product at the end of the 2014 growing season, selling 26 tonnes of 20% P<sub>2</sub>O<sub>5</sub> rock to a farmer near Stettler in west-central Alberta for use in conventional agriculture trials.

In addition, during the December quarter, the company appointed Eggers Soil Solutions to process rock phosphate in the Grand Prairie agricultural region, approximately 240km from the Wapiti project.

### USA

Fertoz has the right to acquire a 100% interest in the Dry Ridge Phosphate Project in Idaho, USA. Fertoz's geological consultant, World Industrial Minerals ("WIM"), completed field work in July 2014 on the project. Geological interpretations were generated to determine locations for 48 proposed drill sites and 24 trenches along the full 4.8km length of the Fertoz Dry Ridge Lease area. Field work for staking and flagging the proposed Dry Ridge exploration roads, drill pads, and trenches was completed in August 2014. The US Forest Service then performed a "timber cruise" based on the staking. A draft Environmental Assessment (EA) report was submitted to the BLM (Bureau of Land Management) in November 2014.

The Dry Ridge project, which is located in the well-known phosphate region in Idaho, has the potential to be a significant phosphate play. It has 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. The Company believes this project has the potential to realise substantial value in the longer term while the company is focused on its immediate cash generating opportunities in North America and Australia.

### Australia

In November 2014, Fertoz entered into 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.

FertAg has obtained exclusive Australian/New Zealand distribution rights to supply up to 50,000 tpa of a specialty high grade phosphate product that can be used by organic and conventional farmers. The brand name chosen by the joint venture follows the typical nomenclature of conventional fertiliser whereby the macronutrients of Nitrogen (N), Phosphorous (P) and Potassium (K) are provided. Hence, "**FertAg 0-8-0**" being the joint venture's maiden product has 0% nitrogen, 8% Phosphorous and 0% Potassium. This product has shown demonstrated success in Australia before and can assist farmers with reducing unnecessary contamination of creek, river and reef systems due to its low solubility in water.

FertAg products are a substitute to the 700,000 tonnes of single superphosphate sold in Australia each year. FertAg is aiming to capture a share of this market with FertAg 0-8-0 and the granulated form of the same product called FertAg Granular 0-7-0. FertAg 0-8-0 can be spread by conventional spreading equipment on farms, while FertAg Granular 0-7-0 is suitable for use in air seeders and being spread by aircraft.

## Directors' report 31 December 2014

The first 200 tonne shipment of FertAg 0-8-0 arrived in Brisbane on February 2 and due to strong demand a further 600 tonnes was ordered in January 2015.

Subsequent to the end of the reporting period, Fertoz Ltd announced a shareholders discount scheme providing Australian-based Fertoz shareholders a discount on purchases of FertAg products. FertAg representatives are organising meetings at regional centres across Australia to promote sales of FertAg 0-8-0 and FertAg Granular 0-7-0 and the benefits of the discount scheme to farmers.

### 5. Corporate

#### Safety

There were no lost time injuries or environmental incidents recorded during the half ended 31 December 2014.

#### Employee Share Plan

To provide a further incentive to increase the Company's share price for the benefit of all shareholders, Fertoz has implemented an Employee Share Plan Scheme ("**Scheme**") following approval at the Annual General Meeting in November 2014. Under the Scheme, Mr Les Szonyi and employees were issued 1 million and 250,000 fully paid ordinary shares respectively, at 29 cents each (5 day volume weighted average share price prior to the date of issue). Consideration for the shares, which was a total of \$362,500, has been satisfied by a non-recourse zero interest loan from the Company to the Managing Director and employees. The shares will remain in escrow until the following performance hurdles are met:

- 50% of shares released from escrow when Fertoz share price reaches 70 cents over a consecutive 5 day period; and
- 50% of shares released from escrow when Fertoz share price reaches 90 cents over a consecutive 5 day period.

If the performance hurdles are not met by 27 November 2017 the loans are cancelled and the shares are returned to Fertoz.

The nature of the Scheme means that the arrangement is an in-substance option. Hence, the issued equity and the loan are not recognised in the balance sheet of the Company, instead the arrangement is valued as an option using the Black and Sholes model and recognised as remuneration to directors and employees over the vesting period, see note 8 for more details.

### 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



Dr Leslie Szonyi  
Managing Director

20 February 2015

## DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF FERTOZ LIMITED

As lead auditor for the review of Fertoz Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



**A J Whyte**

Director

**BDO Audit Pty Ltd**

Brisbane, 20 February 2015

**Consolidated Statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2014**

	Note	Consolidated 31/12/2014 \$	Consolidated 31/12/2013 \$
<b>Revenue from continuing operations</b>		-	-
<b>Other income</b>		34,326	25,529
<b>Expenses</b>			
Consultant fees		58,909	-
Depreciation		205	1,590
Employee benefits expense		332,083	345,441
Listing fees and share registry expenses		41,086	40,854
Loss on disposal of exploration and evaluation assets		-	390,738
Impairment of exploration and evaluation assets		-	630,632
Investor relations		17,682	10,976
Professional services		85,963	244,093
Tenement costs		-	27,665
Travel		7,570	33,681
Other expenses		<u>42,184</u>	<u>6,572</u>
<b>Loss before income tax benefit from continuing operations</b>		(551,356)	(1,706,713)
Income tax benefit		<u>-</u>	<u>50,074</u>
<b>Loss after income tax benefit for the half-year</b>		(551,356)	(1,656,639)
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		<u>118,333</u>	<u>12,368</u>
Other comprehensive income for the half-year, net of tax		<u>118,333</u>	<u>12,368</u>
<b>Total comprehensive loss for the half-year</b>		<u>(433,023)</u>	<u>(1,644,271)</u>
<b>Loss for the half-year is attributable:</b>			
Non-controlling interest		(26,134)	-
Owners of Fertoz Limited		<u>(525,222)</u>	<u>(1,656,639)</u>
		<u>(551,356)</u>	<u>(1,656,639)</u>
<b>Total comprehensive loss for the half-year is attributable:</b>			
Non-controlling interest		(26,134)	-
Owners of Fertoz Limited		<u>(406,889)</u>	<u>(1,656,639)</u>
		<u>(433,023)</u>	<u>(1,656,639)</u>
Basic earnings per share		(0.012)	(0.043)
Diluted earnings per share		(0.012)	(0.043)

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

**Consolidated statement of financial position**  
**As at 31 December 2014**

	Note	Consolidated 31/12/2014 \$	Consolidated 30/06/2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	897,138	2,240,672
Trade and other receivables	4	86,266	59,216
Prepayments		4,920	19,100
Total current assets		<u>988,324</u>	<u>2,318,988</u>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	5	3,294,466	1,983,400
Property, plant and equipment		44,520	27,289
Total non-current assets		<u>3,338,986</u>	<u>2,010,689</u>
<b>Total assets</b>		<u>4,327,310</u>	<u>4,329,677</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	298,820	153,825
Total current liabilities		<u>298,820</u>	<u>153,825</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities	7	200,000	-
Total non-current liabilities		<u>200,000</u>	<u>-</u>
<b>Total liabilities</b>		<u>498,820</u>	<u>153,825</u>
<b>Net assets</b>		<u>3,828,490</u>	<u>4,175,852</u>
<b>Equity</b>			
Issued capital	8	8,320,798	8,320,798
Reserves		1,131,434	927,440
Retained profits / (losses)		(5,597,608)	(5,072,386)
Equity attributable to the owners of Fertoz Limited		<u>3,854,624</u>	<u>4,175,852</u>
Non-controlling interest		(26,134)	-
<b>Total Equity</b>		<u>3,828,490</u>	<u>4,175,852</u>

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 2014**

	Issued capital	Retained profits / (losses)	Share based payment reserve	Translation reserve	Attributable to the owners of Fertoz Limited	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
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)
<i>Transactions with owners in their capacity as owners:</i>							
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

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

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 2014**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(543,888)	(414,754)
Other income received	13,558	-
Interest received	23,342	25,029
	<u>                    </u>	<u>                    </u>
Net cash outflow from operating activities	<u>(506,988)</u>	<u>(389,725)</u>
<b>Cash flows from investing activities</b>		
Payment for purchase of tenements	(27,000)	(50,638)
Payments for exploration and evaluation assets	(987,115)	(999,126)
Payments for property, plant and equipment	(22,431)	(34,396)
Proceeds from sale of tenements	-	50,000
	<u>                    </u>	<u>                    </u>
Net cash outflow from investing activities	<u>(1,036,546)</u>	<u>(1,034,160)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	-	4,000,000
Share issue transaction costs	-	(353,033)
Proceeds from loan from related party	200,000	-
	<u>                    </u>	<u>                    </u>
Net cash inflow from financing activities	<u>200,000</u>	<u>3,646,967</u>
Net increase/(decrease) in cash and cash equivalents	(1,343,534)	2,223,082
Cash and cash equivalents at the beginning of the financial half-year	<u>2,240,672</u>	<u>788,308</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>897,138</u></u>	<u><u>3,011,390</u></u>

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

**Notes to the financial statements**  
**31 December 2014****Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 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 2014 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 directors acknowledge that to continue the accelerated growth of the Company's business the budgeted cash flows from operating and investing activities for the future will necessitate further funding. This funding could be provided by sales of agriculture products through its Australian and Canadian Fertilizer businesses. The Company has also put in place a loan facility that is convertible to ordinary shares at the Company's election and is considering a working capital facility to fund the FertAg business. The Company may also undertake a capital raise or rights issue to further support the expansion of its business. In the event that the Group is unable to raise future funding requirements, there exists a material uncertainty regarding the Group's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the classification of liabilities which might be necessary should the Group not be able 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.

**Notes to the financial statements**  
**31 December 2014**

**Note 2. Segment reporting (continued)**

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*

	<b>Australian operations</b>	<b>Canadian operations</b>	<b>USA operations</b>	<b>Unallocated</b>	<b>Total</b>
<b>Consolidated - 31/12/2014</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Other revenue	8,095	5,463	-	20,768	34,326
<b>Total revenue</b>	<b>8,095</b>	<b>5,463</b>	<b>-</b>	<b>20,768</b>	<b>34,326</b>
<b>Loss before income tax benefit</b>	<b>(52,269)</b>	<b>-</b>	<b>-</b>	<b>(499,087)</b>	<b>(551,356)</b>
Income tax benefit	-	-	-	-	-
<b>Loss after income tax benefit</b>	<b>(52,269)</b>	<b>-</b>	<b>-</b>	<b>(499,087)</b>	<b>(551,356)</b>
Segment assets	396,489	2,517,004	537,204	876,613	4,327,310
Segment liabilities	(6,476)	(129,124)	(55,638)	(307,582)	(498,820)
<b>Consolidated - 31/12/2013</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Other revenue	-	-	-	25,529	25,529
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,529</b>	<b>25,529</b>
<b>Loss before income tax benefit</b>	<b>(1,021,370)</b>	<b>-</b>	<b>-</b>	<b>(685,343)</b>	<b>(1,706,713)</b>
Income tax benefit	-	-	-	50,074	50,074
<b>Loss after income tax benefit</b>	<b>(1,021,370)</b>	<b>-</b>	<b>-</b>	<b>(635,269)</b>	<b>(1,666,639)</b>

Notes to the financial statements  
31 December 2014

Note 2. Segment reporting (continued)

	Australian operations	Canadian operations	USA operations	Unallocated	Total
Consolidated - 30/06/2014	\$	\$	\$	\$	\$
Segment Assets	421,995	1,444,397	226,348	2,236,936	4,329,676
Segment Liabilities	-	-	-	(153,824)	(153,824)

Note 3. Cash and cash equivalents

	Consolidated	
	31/12/2014	30/06/2014
	\$	\$
Cash at bank	397,138	140,672
Cash on deposit	500,000	2,100,000
	<u>897,138</u>	<u>2,240,672</u>

Note 4. Trade and other receivables

	Consolidated	
	31/12/2014	30/06/2014
	\$	\$
Other receivables	1,754	4,327
Environmental bond	47,279	44,745
GST receivable	37,233	10,144
	<u>86,266</u>	<u>59,216</u>

Note 5. Exploration and evaluation expenditure

	Consolidated	
	31/12/2014	30/06/2014
	\$	\$
At cost	<u>3,294,466</u>	<u>1,983,400</u>
Carrying amount as at 30 June	1,983,400	1,728,918
Additions	1,199,060	1,331,653
Disposals	-	(440,738)
Write off of exploration and evaluation assets	-	(630,632)
Foreign exchange movement	112,006	(5,801)
Carrying amount as at 31 December	<u>3,294,466</u>	<u>1,983,400</u>

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

**Notes to the financial statements**  
**31 December 2014**

**Note 6. Trade and other payables**

	Consolidated	
	31/12/2014	30/06/2014
	\$	\$
Trade creditors and accruals	298,820	153,825
	298,820	153,825

**Note 7. Interest bearing liabilities**

	Consolidated	
	31/12/2014	30/06/2014
	\$	\$
Loan from related party	200,000	-
	200,000	-

During the half-year, the Group obtained a new loan from a related party to the amount of \$200,000. The loan bears interest at 6%, is repayable on 30 June 2016, and can be repaid in cash and/or scrip at the election of the Board. The loan is unsecured.

**Note 8. Issued capital**

	Consolidated		Consolidated	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	Shares	Shares	\$	\$
Ordinary shares – fully paid	46,259,595*	45,009,595	8,320,798	8,320,798

**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 vote.

**Share buy-back**

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

**Notes to the financial statements**  
**31 December 2014**

**Note 8. Issued capital (continued)**

	31/12/2014		31/12/2013	
	Shares	\$	Shares	\$
Opening balance at 1 July	45,009,595	8,320,798	25,009,595	4,929,395
Issue of shares – 2 September 2013	-	-	20,000,000	4,000,000
Share issue costs	-	-	-	(608,597)
Shares issued under the Scheme*	1,250,000	-	-	-
Closing balance at 31 December	<u>46,259,595</u>	<u>8,320,798</u>	<u>45,009,595</u>	<u>8,320,798</u>

\* 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 Managing Director (1,000,000 shares) and employees (250,000 shares) of the Company as agreed by shareholders in Resolution 7 and 8 at the 2014 annual general meeting 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. Consideration for the shares has been satisfied by a non-recourse loan of \$362,500 from the Company to the Managing Director and employees with the shares remaining in escrow until 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.. These value of the issued shares will be recognised as the loan is settled i.e. when the in substance options are exercised.

The in-substance options require that the Managing Director and employees remain in service, therefore the options vest over the period to 27 November 2017. The options were valued with reference to a Black Scholes model, taking into account the performance hurdles noted above. The total valuation of the options was \$157,063, which is being spread over the life of the options, with a charge of \$4,900 being recognised in the half-year to 31 December 2014.

**Note 9. Contingencies and commitments**

There are no contingent assets or liabilities in existence at the half year ended 31 December 2014.

**Note 10. Events after the reporting period**

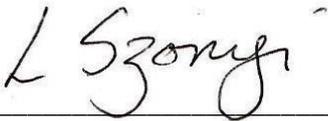
No other matters or circumstances have arisen since the end of the financial year that will significantly affect, or may significantly affect the group's operations, the results of those operations or the group's state of affairs in future financial years.

**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting' 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 2014 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:



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Leslie Szonyi  
Managing Director

20 February 2015

## 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 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2014 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 2014 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 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon securing future funding, either through the sale of agriculture products or capital raisings. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**BDO Audit Pty Ltd**

BDO



**A J Whyte**

Director

Brisbane, 20 February 2015