Fertoz Limited

ACN 145 951 622

Audited Financial Statements - 30 June 2015

Fertoz Limited
Corporate directory
30 June 2015

Directors	Mr James Chisholm – Non-Executive Chairman Dr Leslie (Les) Szonyi – Executive Director Mr Adrian Byass – Non-Executive Director Mr Stephen Keith – Managing Director Mr Alex Penha – Non-Executive Alternative Director
Company secretary	Mr Julien McInally
Registered office and Principal Place of Business	40 Balgowlah St Wakerley, Qld 4154
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston St Abbotsford VIC 3067
Auditor	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000
Canadian Lawyers	Ontario Lawyers Petersen Law Professional Corporation 390 Bay Street, Suite 806 Toronto, Ontario, Canada, M5H
Australian Lawyers	Delphi Partners Level 23, 307 Queen St Brisbane, QLD, 4000
Bankers	Commonwealth Bank of Australia
Stock exchange listing	Fertoz Limited shares are listed on the Australian Securities Exchange (ASX code: FTZ)
Website	www.fertoz.com

Fertoz Limited
Directors' report
30 June 2015

The directors present their report, together with the audited 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 at the end of, or during, the year ended 30 June 2015.

Directors

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

Mr James Chisholm
Mr Leslie Szonyi
Mr Adrian Byass
Mr Stephen Keith (appointed 29 July 2014)
Mr Alex Penha *alternate director to Mr Stephen Keith* (appointed 29 July 2014)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of phosphate exploration and development in British Columbia, Canada and Idaho, United States of America and marketing of phosphate based fertilizer in Australia.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,501,340 (30 June 2014: $2,133,636).

A review of operations for the year, and the results of those operations is contained within the Annual report which is a separate document to these Audited Financial Statements and is located on the Company's website www.fertoz.com.

Significant changes in the state of affairs

Other than disclosed in this report, in the opinion of the directors there were no significant changes in the state of affairs of the Company during the financial year under review.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Corporate Governance

The Company's corporate governance statement can be found on the Company's website at:
http://www.fertoz.com/corporate/corporate-governance.html

Information on directors

Name:	**Mr James Chisholm**
Title:	Non-Executive Chairman
Qualifications:	B.Eng, MBA
Experience and expertise:	Mr Chisholm is a qualified engineer, having worked in the engineering, mining, oil and gas sectors for the past 28 years. Mr Chisholm has worked on numerous resource construction and maintenance projects around Australia, primarily covering coal, iron ore, and agricultural mining and processing. Mr Chisholm co-founded The Chairmen1 Pty Ltd which sold its assets to Guildford Coal Ltd (ASX: GUF), becoming its largest shareholder. Mr Chisholm is experienced in start-up exploration and development companies.
Other current directorships:	Executive Chairman of Atrum Coal NL (ASX: ATU)
Former directorships (last 3 years):	None
Special responsibilities:	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares:	5,918,765
Interests in options:	615,384
Contractual rights to shares:	None

Name:	**Mr Stephen Keith** *(appointed as non-executive 29 July 2014)*
Title:	Managing Director *(appointed 31 July 2015)*
Qualifications:	P.Eng, B.Sc Applied Science, MBA
Experience and expertise:	Mr Keith was appointed managing director on 31 July 2015 to focus on commercialising North American assets. Previously he was a non-executive director. Mr Keith is based in Toronto, was President and Chief Executive of Officer (CEO) of Search Minerals Inc. (TSX-V:SMY), a company focused on the exploration and development of strategic metals. Prior to his work with Search Minerals, Mr Keith was founder and President of Rio Verde Minerals Development Corp ("Rio Verde") (TSX: RVD), a phosphate company he took from concept to listing on the TSX-V. Mr Keith led Rio Verde Minerals until its acquisition by B&A Fertilizers Limited on March 13, 2013. In addition Mr Keith sits on the Board of Directors of Aura Minerals (TSX:ORA).
Other current directorships:	Aura Minerals (TSX:ORA)
Former directorships (last 3 years):	Search Minerals Inc. (resigned 28 July 2014), Rio Verde Minerals Development Corp (resigned 13 March 2013)
Special responsibilities:	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares:	None
Interests in options:	450,000
Contractual rights to shares:	None

Name:	**Dr Leslie Szonyi**
Title:	Executive Director *(changed from Managing Director to executive director on 31 July 2015)*
Qualifications:	B. Eng, Ph.D. Chemical Engineering, Member of AICD
Experience and expertise:	Dr Les Szonyi has over 30 years' experience in the chemicals processing industry, including 18 years at Orica (formerly ICI Australia). He spent the five and a half years prior to joining Fertoz based in Central Queensland, leading Queensland Nitrates (QNP), an integrated manufacturer of ammonia, nitric acid and ammonium nitrate. Les has a track record of increasing shareholder value through enhanced commercial performance, contract negotiation, technical excellence, project management and superior operations and safety performance. Dr Szonyi was managing director until 31 July 2015 and continues as director and a consultant reporting to Mr Keith the current managing director.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares:	1,690,438 ordinary shares
Interests in options:	2,461,540
Contractual rights to shares:	None

Name:	**Mr Adrian Byass**
Title:	Independent Non-executive Director
Qualifications:	BSc(Hon), B.Econ, Member of Institute of Geoscientists, Fellow of Society of Economic Geology
Experience and expertise:	Mr Byass has over 18 years' experience in the mining and minerals industry. This experience has principally been gained through mining, resource estimation, mine development and exploration roles for several gold, base metals and specialty metal mining and exploration companies worldwide. Mr Byass is a Competent Person for reporting to the ASX for certain minerals. Mr Byass has also gained experience in corporate finance and financial modelling during his employment with publicly listed mining companies. He is currently managing director of Plymouth Minerals Limited.
Other current directorships:	Ironbark Zinc Limited (ASX: IBG), Corazon Mining Limited (ASX: CZN) and Plymouth Minerals Limited (ASX: PLH).
Former directorships (last 3 years):	Wolf Minerals Ltd (resigned 27 June 2013)
Special responsibilities:	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares:	130,000 ordinary shares
Interests in options:	923,076
Contractual rights to shares:	None

Name:	**Mr Alexandre Penha** *(appointed 29 July 2014)*
Title:	Alternative Non-executive Director to Stephen Keith
Qualifications:	BA, B.Sc. Economics, post-degree in Corporate Finance
Experience and expertise:	Mr Penha is based in Toronto and has worked closely with Stephen Keith for a number of years at both Search Minerals (Director and EVP) and Rio Verde Minerals (VP of Corporate Development). Mr Penha has over eight years of experience in mining capital markets, including corporate development, research and investment banking. Mr Penha is a board member of the Brazil-Canada Chamber of Commerce and Chairman of its mining Committee.
Other current directorships:	None
Former directorships (last 3 years):	Search Minerals Inc. (resigned 28 July 2014)
Special responsibilities:	The board carries out the responsibilities of the Nomination and Remuneration and Audit and Risk Committees
Interests in shares:	None
Interests in options:	450,000
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
James Chisholm	7	7
Adrian Byass	7	7
Leslie Szonyi	7	7
Stephen Keith	5	6
Alexandre Penha (alternate director for Stephen Keith)	5	6

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

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

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

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

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

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

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

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

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

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

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

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2015 $	2014 $	2013 $	2012 $	2011 $
Sales revenue	94,179	-	-	-	-
EBITDA	(1,639,854)	(2,132,515)	(1,860,553)	(896,735)	(158,877)
EBIT	(1,640,262)	(2,133,636)	(1,862,095)	(886,540)	(159,382)
Profit after income tax	(1,640,262)	(2,133,636)	(1,867,270)	(884,994)	(164,927)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012
Share price at financial year end ($)	0.22	0.60	n/a*	n/a*
Total dividends declared (cents per share)	-	-	-	-
Basic earnings per share (cents per share)	(3.3)	(5.1)	(5.8)	(0.5)

*The Company listed in September 2013 at 20 cents per share.

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

Use of remuneration consultants
The consolidated entity did not engage remuneration consultants during the financial year ended 30 June 2015.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')
At the 2014 AGM, the remuneration report for the year ended 30 June 2014 was adopted. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Fertoz Limited:
- James Chisholm - Non-Executive Chairman
- Adrian Byass - Non-Executive Director
- Stephen Keith - Non-Executive Director
- Alexandre Penha – Alternative Non-Executive Director
- Leslie Szonyi - Executive Director

	Short-term benefits			Post-employment benefits	Share-based payments		
2015	Cash salary and fees $	Annual leave Accrued $	Non-monetary $	Super-annuation $	Options $	Shares $	Total $
Non-Executive Directors:							
James Chisholm (Chairman)	36,000	-	-	-	-	-	36,000
Adrian Byass	36,000	-	-	-	-	-	36,000
Stephen Keith[1]	16,500	-	-	-	40,455	-	56,955
Alexandre Penha[2]	16,500	-	-	-	40,455	-	56,955
Executive Directors:							
Leslie Szonyi[3]	305,001	16,264	-	24,999	24,531	-	370,795
	410,001	16,264	-	24,999	105,441	-	556,705

	Short-term benefits			Post-employment benefits	Share-based payments		
2014	Cash salary and fees $	Cash Bonus $	Non-monetary $	Super-annuation $	Options $	Shares $	Total $
Non-Executive Directors:							
James Chisholm (Chairman)	30,000	-	-	-	18,529	-	48,529
Adrian Byass	30,000	-	-	-	21,923	-	51,923
Peter Bennetto[4]	8,600	-	-	-	18,529	-	27,129
Executive Directors:							
Leslie Szonyi	304,388	2,266	-	25,612	34,258	-	366,524
	372,988	2,266	-	25,612	93,239	-	494,105

[1] Represents remuneration from 29 July 2014 being the appointment date of Mr Keith. Note Mr Keith became Managing Director on 31 July 2015 after the balance date of this report.
[2] Represents remuneration from 29 July 2014 being the appointment date of Mr Penha.
[3] Mr Szonyi was Managing Director through the full financial year and became an Executive Director reporting to Mr Keith on the 31 July 2015.
[4] Mr Bennetto resigned on 26 November 2013.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2015	2014	2015	2014	2015	2014
Non-Executive Directors:						
James Chisholm	100%	66%	0%	0%	0%	34%
Adrian Byass	100%	58%	0%	0%	0%	42%
Stephen Keith	29%	0%	0%	0%	71%	0%
Alexandre Penha	29%	0%	0%	0%	71%	0%
Peter Bennetto	0%	32%	0%	0%	0%	68%
Executive Directors:						
Les Szonyi	93%	91%	0%	0%	7%	9%

There was no proportion of the cash bonus paid/payable or forfeited in 2015. Mr Keith became managing director on 31 July 2015.

Service agreements

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

Name:	Leslie Szonyi
Title:	Managing Director and Chief Executive Officer (from 31 July 2015 became an executive director)
Agreement commenced:	4 April 2011
Term of agreement:	On-going
Details:	- Base salary is $330,000 inclusive of superannuation. The base salary is reviewed annually in accordance with increases in the Consumer Price Index. - If, with the approval of the Board, Dr Szonyi performs extra services or makes any special exertion for the benefit of the consolidated entity, then the Directors may (in accordance with the Constitution) approve the payment of special and additional remuneration in relation to such services. - Dr Szonyi may terminate the Executive Agreement at any time by giving Fertoz Ltd not less than 6 months written notice. - Fertoz Ltd may terminate the Executive Agreement at any time by giving Dr Szonyi 12 month's written notice, or payment in lieu of that notice and without prior notice in certain prescribed circumstances, including where Dr Szonyi commits a serious or persistent breach of the Executive Agreement.

Name:	Stephen Keith
Title:	Managing Director and Chief Executive Officer (from 31 July 2015)
Agreement commenced:	31 July 2015
Term of agreement:	On-going
Details:	- Base salary is C$250,000 plus 3% superannuation reviewed annually. - On termination, except for termination by the Company for cause and other conditions, Mr Keith will be paid (i) the equivalent of 4 month's salary, (ii) an additional one month's salary for every year of employment and (iii) a further sum being 15% of (i) and (ii). - Subject to shareholder approval the following option performance rights package: o 100,000 options at A$0.15 vesting after 6 months in the role expiring 12 months from issue. o 1,000,000 options as below: ▪ 250,000 unquoted options at A$0.20 vesting when the WVAP of the Company's shares exceeds A$0.25 for 21 consecutive days trading day expiring 12 months from issue; ▪ 250,000 unquoted options at A$0.30 vesting when the WVAP of the Company's shares exceeds A$0.40 for 21 consecutive days trading days expiring 18 months from issue; ▪ 250,000 unquoted options at A$0.40 for 24 months vesting when the WVAP of the Company's shares exceeds A$0.50 for 21 consecutive days trading days expiring 24 months from issue; and ▪ 250,000 unquoted options at A$0.50 vesting when the WVAP of the Company's shares exceeds A$0.65 for 21 consecutive days trading days expiring 30 months from issue. o 1,000,000 Performance Rights, converting to fully paid ordinary shares, with hurdles as below: ▪ 500,000 Performance Rights converting to fully paid ordinary shares once the share price has exceeded A$0.50 for at least 21 consecutive trading days expiring 24 months from issue; ▪ 250,000 Performance Rights converting to fully paid ordinary shares on completion of a A$2m minimum capital raise expiring 18 months from issue; and ▪ 250,000 Performance Rights converting to fully paid ordinary shares on signing of a 10,000tpa offtake agreement from any of the Company's wholly-owned or joint ventured projects expiring 18 months from issue..

Key management personnel have no additional entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares under a non-recourse loan arrangement
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below.

Name	Grant Date	No of shares	Issue price	$
Leslie Szonyi	28 November 2014	1,000,000	$0.29	290,000

These 1,000,000 fully paid ordinary shares together with a further 250,000 fully paid ordinary shares issued to employees have been funded by way of non-recourse loan provided by the consolidated entity and will remain in escrow until performance hurdles are met. Hence, these arrangements are in-substance options. Accordingly, these shares have not been recognized as issued capital nor the non-recourse loan recognized as a loan in the financial statements. If the performance hurdles are not met by 27 November 2017 the shares will be returned to the consolidated entity. The performance hurdles to be met which releases these shares from escrow are:

- 500,000 shares released from escrow upon a 70 cent share price over a consecutive 5 day period
- 500,000 shares released from escrow upon a 90 cent share price over a consecutive 5 day period

See note 14 issued capital for further detail on these shares.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
28 November 2014	28 November 2014	27 November 2017	$0.65	$0.0988
28 November 2014	28 November 2014	27 November 2017	$0.75	$0.0894
28 November 2014	28 November 2014	27 November 2017	$0.85	$0.0815
* 28 November 2014	28 November 2014	27 November 2017	$0.29	$0.1322
* 28 November 2014	28 November 2014	27 November 2017	$0.29	$0.1191

* These are in-substance options issued to Mr Leslie Szonyi as described above.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	**Number of options granted during the year 2015**	**Number of options granted during the year 2014**	**Number of Options Vested during the Year 2015**	**Number of options vested during the year 2014**
James Chisholm	-	-	-	1,230,769
Adrian Byass	-	-	-	923,076
Stephen Keith	450,000	-	450,000	-
Alex Penha	450,000	-	450,000	-
Leslie Szonyi	* 1,000,000	-	-	2,461,540

* These are in-substance options issued to Mr Leslie Szonyi as described above.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of Options Lapsed during the Year $	Remuneration consisting of options for the year %
James Chisholm	-	94,000	-	0%
Stephen Keith	40,455	-	-	71%
Alex Penha	40,455	-	-	71%
Leslie Szonyi	125,650	-	-	7%

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
James Chisholm	5,303,380	-	615,385	-	5,918,765
Adrian Byass	130,000	-	-	-	130,000
Leslie Szonyi	690,438	*1,000,000	-	-	1,690,438
	6,123,818	1,000,000	615,385	-	7,739,203

* Shares issued to Mr Leslie Szonyi which are treated as in-substance options.

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
James Chisholm	1,230,769	-	(615,385)	-	615,384
Adrian Byass	923,076	-	-	-	923,076
* Leslie Szonyi	2,461,540	-	-	-	2,461,540
Stephen Keith	-	450,000	-	-	450,000
Alex Penha	-	450,000	-	-	450,000
	4,615,385	900,000	(615,385)	-	4,900,000

** excludes in-substance options issued to Mr Leslie Szonyi and which are shown above in shareholding.*

Other transactions with key management personnel and their related parties
During the financial year, the Company entered into a loan agreement with Lenark Pty Ltd (director-related entity of Mr James Chisholm) which incurred interest of $7,512 which was made on normal commercial terms and conditions and at market rates. The related party loan has $1,250,000 drawn down limit and can be drawn on up to $100,000 a month. As at 30 June 2015 $300,000 had been drawn down and was outstanding (2014: $nil). 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% per annum.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
29 May 2012	1 September 2017	$0.25	1,230,770
29 May 2012	1 September 2017	$0.35	1,230,769
29 May 2012	1 September 2017	$0.45	1,230,769
29 May 2012	1 September 2017	$0.55	615,385
6 July 2012	1 September 2017	$0.25	307,692
3 September 2012	1 September 2017	$0.25	307,692
3 September 2012	1 September 2017	$0.35	307,692
3 September 2012	1 September 2017	$0.45	307,692
24 April 2013	1 September 2017	$0.25	4,000,000
1 May 2013	1 September 2017	$0.25	461,538
28 November 2014	27 November 2017	$0.65	300,000
28 November 2014	27 November 2017	$0.75	300,000
28 November 2014	27 November 2017	$0.85	300,000
Total			10,899,999

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

Shares issued on the exercise of options

The following ordinary shares of Fertoz Limited were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
29 May 2012	$0.25	615,385

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor related to preparation of the tax return and taxation advice of $19,920 (2014: $5,414).

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

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of BDO Audit Pty Ltd

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

Auditor's independence declaration

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

Auditor

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

James Chisholm
Chairman

30 September 2015
Brisbane

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

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

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2015

Contents

General information

The financial statements cover Fertoz Limited as a consolidated entity consisting of Fertoz Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Fertoz Limited's functional and presentation currency.

Fertoz Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and principal place of business

40 Balgowlah St
Wakerley, Qld 4154

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2015. The directors have the power to amend and reissue the financial statements.

Fertoz Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	Consolidated 2015 $	2014 $
Revenue from continuing operations	4	94,179	-
Other income	4	31,370	74,371
		125,549	74,371
Expenses			
Cost of sales	5	56,735	-
Depreciation and amortisation expense	5	408	1,121
Employee benefits expense		634,771	625,532
Exploration expenditure not capitalized		5,148	38,447
Finance costs		31,062	-
Freight and storage costs		35,664	-
Loss on disposal of exploration and evaluation assets		-	390,738
Listing fees and share registry expenses		51,105	44,379
Professional services		160,158	298,098
Selling expenses		196,633	-
Travel		41,519	48,774
Write off of exploration and evaluation assets	5	387,777	630,632
Other expenses	5	164,831	130,286
Profit before income tax expense from continuing operations		(1,640,262)	(2,133,636)
Income tax expense	6	-	-
Profit after income tax expense for the year		(1,640,262)	(2,133,636)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		124,561	(62,060)
Other comprehensive income for the year, net of tax		124,561	(62,060)
Total comprehensive income for the year		(1,515,701)	(2,195,696)
Profit for the year is attributable to:			
Non-controlling interest		(138,922)	-
Owners of Fertoz Limited		(1,501,340)	(2,133,636)
		(1,640,262)	(2,133,636)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(138,922)	-
Owners of Fertoz Limited		(1,376,779)	(2,195,696)
		(1,515,701)	(2,195,696)

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

Fertoz Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
		cents	**cents**
Earnings per share for profit attributable to the owners of Fertoz Limited			
Basic earnings per share	29	(3.3)	(5.3)
Diluted earnings per share	29	(3.3)	(5.3)

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

Fertoz Limited
Statement of financial position
As at 30 June 2015

	Note	Consolidated 2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	7	82,831	2,240,672
Trade and other receivables	8	127,309	59,216
Inventories		208,696	-
Other current assets	9	10,990	19,100
Total current assets		429,826	2,318,988
Non-current assets			
Property, plant and equipment	10	35,339	27,289
Exploration and evaluation assets	11	3,155,201	1,983,400
Total non-current assets		3,190,540	2,010,689
Total assets		3,620,366	4,329,677
Liabilities			
Current liabilities			
Trade and other payables	12	337,041	153,825
Borrowings	13	307,512	-
Total current liabilities		644,553	153,285
Total liabilities		644,553	153,285
Net assets		2,975,813	4,175,852
Equity			
Issued capital	14	8,524,886	8,320,798
Reserves	15	1,163,575	927,440
Retained profits	16	(6,573,726)	(5,072,386)
Equity attributable to the owners of Fertoz Limited		3,114,735	4,175,852
Non-controlling interest		(138,922)	-
Total equity		2,975,813	4,175,852

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

Fertoz Limited
Statement of changes in equity
For the year ended 30 June 2015

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Total equity attributable to parent $**	**Non-controlling interest $**	**Total Equity $**
Balance at 1 July 2013	4,929,395	867,238	(2,938,750)	2,857,883	-	2,857,883
Profit after income tax expense for the year	-	-	(2,133,636)	(2,133,636)	-	(2,133,636)
Other comprehensive income for the year, net of tax	-	(62,060)	-	(62,060)	-	(62,060)
Total comprehensive income for the year	-	(62,060)	(2,133,636)	(2,195,696)	-	(2,195,696)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 14)	3,391,403	-	-	3,391,403	-	3,391,403
Share-based payments	-	122,262	-	122,262	-	122,262
Balance at 30 June 2014	8,320,798	927,440	(5,072,386)	4,175,852	-	4,175,852

Consolidated	**Issued Capital $**	**Reserves $**	**Retained profits $**	**Total equity attributable to parent $**	**Non-controlling interest $**	**Total Equity $**
Balance at 1 July 2014	8,320,798	927,440	(5,072,386)	4,175,852	-	4,175,852
Profit after income tax expense for the year	-	-	(1,501,340)	(1,501,340)	(138,922)	(1,640,262)
Other comprehensive income for the year, net of tax	-	124,561	-	124,561	-	124,561
Total comprehensive income for the year	-	124,561	(1,501,340)	(1,376,779)	(138,922)	(1,515,701)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 14)	204,088	-	-	204,088	-	204,088
Share-based payments (note 15)	-	111,574	-	111,574	-	111,574
Balance at 30 June 2015	8,524,886	1,163,575	(6,573,726)	3,114,735	(138,922)	2,975,813

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

Fertoz Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts from customers (exclusive of GST)		35,125	-
Payments to suppliers and employees (exclusive of GST)		(1,264,807)	(916,582)
		(1,229,682)	(916,582)
Interest received		26,684	69,544
Other revenue		8,094	500
Interest and other finance costs paid		(31,062)	-
Net cash from operating activities	28	(1,225,966)	(846,538)
Cash flows from investing activities			
Payments for property, plant and equipment		(24,602)	(33,683)
Payments for exploration and evaluation assets		(1,418,873)	(1,364,382)
Proceeds from sale of mining tenements		-	50,000
Net cash used in investing activities		(1,443,475)	(1,348,065)
Cash flows from financing activities			
Proceeds from issue of shares		204,088	4,000,000
Share issue transaction costs		-	(353,033)
Proceeds from borrowings		351,907	-
Repayment of borrowings		(44,395)	-
Net cash used in financing activities		511,600	3,646,967
Net increase/(decrease) in cash and cash equivalents		(2,157,841)	1,452,364
Cash and cash equivalents at the beginning of the financial year		2,240,672	788,308
Cash and cash equivalents at the end of the financial year	7	82,831	2,240,672

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

Note 1. Significant accounting policies

Corporate Information
The financial report of Fertoz Limited for the year ended 30 June 2015 was approved by the board on 30 September 2015.

Fertoz Limited (the Company) is a public company limited by shares incorporated and domiciled in Australia.
The Company's registered office is located at 40 Balgowlah Street, Wakerley, QLD 4154.

The nature of the operations and principal activities of the Company are described in the Director's report.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

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

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Fertoz Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Fertoz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

Sale of phosphate
Sale of phosphate is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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

Rent
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

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

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

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

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

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

Note 1. Significant accounting policies (continued)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Property, plant and equipment
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

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

Plant and equipment	3-8 years

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

Borrowings
Loans and borrowings 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not re-measured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Earnings per share

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

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

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

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

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

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

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

Note 1. Significant accounting policies (continued)

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

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

Consolidation of Fertoz Agriculture Pty Ltd
Fertoz Agriculture Pty Ltd as Trustee for the Fertoz Agriculture Trust has been included as part of the consolidated entity of the Company as Fertoz Ltd has majority control of the board of directors who are the key operating decision makers of the Fertoz Agriculture Pty Ltd being the Trustee company that makes the decisions of Fertoz Agriculture Trust business.

Note 3. Operating segments

Identification of reportable operating segments
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 CODM reviews earnings before and after tax. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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 consolidated entity basis.

Consolidated 30/06/2015	**Australia**	**Canada**	**USA**	**Unallocated**	**Total**
Revenue					
Other revenue	94,179	-	-	31,370	125,549
Total revenue	-	-	-	-	-
Loss before income tax expense	(254,294)	-	-	(1,385,968)	(1,640,262)
Income tax revenue	-	-	-	-	-
Loss after income tax expense	-	-	-	-	-
Assets	**Australia**	**Canada**	**USA**	**Unallocated**	**Total**
Segment assets	272,750	2,758,309	479,054	110,253	3,620,366
Segment liabilities	(59,705)	-	-	(584,848)	(644,553)
Segment net assets	213,045	2,758,309	479,054	(474,595)	2,975,813
Segment additions to non-current assets	4,229	1,202,684	252,706	-	1,459,619

Consolidated 30/06/2014	**Australia**	**Canada**	**USA**	**Unallocated**	**Total**
Revenue					
Other revenue	-	-	-	74,371	74,371
Total revenue	-	-	-	74,371	74,371
Loss before income tax expense	-	-	-	(2,133,636)	(2,133,636)
Income tax revenue	-	-	-	-	-
Loss after income tax expense	-	-	-	(2,133,636)	(2,133,636)
Assets	**Australia**	**Canada**	**USA**	**Unallocated**	**Total**
Segment assets	421,995	1,444,397	226,348	2,236,937	4,329,677
Segment liabilities	-	-	-	(153,824)	(153,824)
Segment net assets	421,995	1,444,397	226,348	2,083,112	4,175,852
Segment additions to non-current assets	11,200	1,127,789	226,348	-	1,365,337

Note 4. Revenue

	Consolidated 2015 $	Consolidated 2014 $
From continuing operations		
Sales revenue		
Sale of phosphate Fertilizer	94,179	-
	94,179	-
Other revenue		
Interest	23,276	73,871
Other revenue	8,094	500
	31,370	74,371
Revenue from continuing operations	125,549	74,371

Note 5. Expenses

	Consolidated 2015 $	Consolidated 2014 $
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales of phosphate fertilizer	56,735	-
Depreciation		
Plant and equipment	408	1,121
Total depreciation	408	1,121
Defined contribution superannuation expense	31,176	38,054
Write off		
Exploration and evaluation assets	387,777	630,632
Share-based payments expense	111,574	122,262

Note 6. Income tax

	Consolidated 2015 $	Consolidated 2014 $
Income tax expense		
Current tax expense	(617,424)	(411,535)
Deferred tax expense	617,424	411,535
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	(1,640,260)	(2,133,636)
Profit before income tax expense from discontinued operations	-	-
	(1,640,260)	(2,133,636)
Tax at the statutory tax rate of 30%	(492,078)	(640,091)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	7	821
Share-based payments	33,472	29,179
	(458,599)	(610,091)
Deferred tax assets derecognized / (recognized)	458,599	610,091
Income tax expense	-	-

	Consolidated 2015 $	Consolidated 2014 $
Deferred tax assets and liabilities		
Recognised deferred tax assets		
Carried forward losses	401,422	270,845
Accruals and provisions	-	36,001
Other deductible temporary differences	-	69,627
Deferred tax asset at 30% (2014: 30%)	401,422	376,473
Recognised deferred tax liabilities		
Assessable temporary differences	-	-
Exploration and evaluation assets	(401,422)	(376,376)
Deferred tax liabilities at 30%: (2014: 30%)	(401,422)	(376,376)
Net deferred tax assets / (liabilities)	-	-

Note 6 – Income tax *(continued)*

	Consolidated	
Unrecogniszed deferred tax assets	**2015 $**	**2014 $**
Unused tax losses	5,452,038	3,880,683
Capital raising costs in equity	185,717	384,633
Accruals and provisions	26,667	-
Other deductible temporary differences	176,153	-
	5,840,575	4,265,316
Deferred Tax Assets not taken up at 30%	1,752,173	1,279,595

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2015 $	**2014 $**
Cash at bank	62,381	130,528
Cash on term deposit	20,000	2,100,000
Restricted cash	-	10,144
	82,381	2,240,672

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	82,381	2,240,672
Balance as per statement of cash flows	82,381	2,240,672

Note 8. Current assets - trade and other receivables

	Consolidated	
	2015 $	**2014 $**
Trade receivables	50,422	-
Other receivables	13,632	4,327
Environmental bond	47,556	44,745
GST receivable	15,699	10,144
	127,309	59,216

Impairment of receivables

There was no impairment of trade receivables during the period ending 30 June 2015 and the 30 June 2014 as the trade receivables were not overdue.

Note 9. Current assets - other

	Consolidated 2015 $	2014 $
Prepayments	10,990	19,100
	10,990	19,100

Note 10. Non-current assets - property, plant and equipment

	Consolidated 2015 $	2014 $
Plant and equipment - at cost	62,917	38,315
Less: Accumulated depreciation	(27,578)	(11,026)
	35,339	27,289

Movements in property, plant and equipment

Carrying amount at beginning of period	27,289	1,039
Additions	24,602	33,684
Depreciation expensed	(408)	(1,121)
Depreciation capitalized (exploration and evaluation assets)	(16,144)	(6,312)
Carrying amount at end of period	35,339	27,289

Note 11. Non-current assets - exploration and evaluation assets

	Consolidated 2015 $	2014 $
Exploration and evaluation assets - at cost	3,155,201	1,983,400

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**2015 $**	**2014 $**
Carrying amount at beginning of the period	1,983,400	1,728,918
Additions	1,435,017	1,331,653
Disposals	-	(440,738)
Less: write off of exploration and evaluation assets	(387,777)	(630,632)
Foreign exchange movement	124,561	(5,801)
Carrying amount at end of period	3,155,201	1,983,400

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 area of interest.

Note 12. Current liabilities - trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade creditors and accruals	337,041	153,284
	337,041	153,284

Refer to note 18 for further information on financial instruments.

Note 13. Current liabilities - borrowings

	Consolidated 2015 $	Consolidated 2014 $
Loan – related party	307,512	-
	307,512	-

Refer to note 24 for further information on the terms and conditions of the loan.

Note 14. Equity - issued capital

	Consolidated			
	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	47,034,145	45,009,595	8,524,886	8,320,798

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	25,009,595		4,929,395
Issue of shares	2 September 2013	20,000,000	$0.20	4,000,000
Share issue transaction costs		-		(608,597)
Balance	30 June 2014	45,009,595		8,320,798
Issue of shares*	17 December 2014	1,250,000	-	-
Issue of shares on exercise of options	27 February 2015	615,385	$0.25	153,846
Issue of shares	31 March 2015	22,927	$0.5396	12,371
Issue of shares	30 June 2015	40,000	$0.225	9,000
Issue of shares	30 June 2015	96,238	$0.30	28,871
Balance	30 June 2015	47,034,145		8,524,886

Note 14. Equity - issued capital (continued)

* 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 value of the shares have not been recognised in issued capital above nor is the non-recourse loan recognised in the statement of financial position. The 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 $30,664 being recognised in the full-year to 30 June 2015. Refer to note 30 for further details.

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

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

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

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

Note 15. Equity – reserves

	Consolidated 2015 $	Consolidated 2014 $
Foreign currency reserve	62,501	(62,060)
Share based payment reserve	1,101,074	989,500
	1,163,575	927,440

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share based payment reserve
The reserve is used to recognise share based payments made to suppliers and employees.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign Currency Reserve $	Share based Payment reserve $	Total $
Balance at 1 July 2013	-	867,238	867,238
Share based payment	-	122,262	122,262
Foreign currency translation	(62,060)	-	(62,060)
Balance at 30 June 2014	(62,060)	989,500	927,440
Share based payment	-	111,574	111,574
Foreign currency translation	124,561	-	124,561
Balance at 30 June 2015	62,501	1,101,074	1,163,575

Note 16. Equity - retained profits

	Consolidated 2015 $	Consolidated 2014 $
Retained profits/(losses) at the beginning of the financial year	(5,072,386)	(2,938,750)
Profit/(Loss) after income tax expense for the year attributable to the owners of Fertoz Limited	(1,501,340)	(2,133,636)
Retained profits/(losses) at the end of the financial year	(6,573,726)	(5,072,386)

Note 17. Equity - dividends

Dividends
No dividends were paid during the financial year.

Note 18. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by the Chief Financial Officer under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Chief Financial Officer identifies, evaluates and hedges financial risks within the consolidated entity's operating units and reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		**Liabilities**	
Consolidated	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Canadian dollars	70,567	65,572	25,705	19,704
	70,567	65,572	25,705	19,704

The consolidated entity had net financial assets denominated in foreign currencies of $44,862 (financial assets of $70,567 less liabilities of $25,705) as at 30 June 2015 (2014: net financial assets of $45,868 (financial assets of $65,572 less financial liabilities of $19,704)). Based on this exposure, had the Australian dollar weakened by 5% or strengthened by 5% (2014: weakened by 5% or strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's net financial assets would have been $500 lower and $500 higher respectively (2014: $2,300 lower and $2,300 higher respectively). Based on net assets denominated in foreign currency other comprehensive income would have been $275,561 lower and $137,780 higher respectively (2014: $72,355 lower and $72,355 higher respectively).

Price risk
The consolidated entity is exposed to commodity price risk arises from phosphate based fertilizer.

The policy of the consolidated entity is to sell phosphate based fertilizer at the spot price and it has not entered into any hedging contracts. The consolidated entity's revenues were exposed to fluctuation in the price of this commodity. If the average selling price for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase /decrease of $9,417 (2014: Nil).

If there was a 10% increase or decrease in market price of inventory, the net realizable value of inventory on hand would increase/(decrease) by $35,000 (2014: Nil). As the phosphate based fertilizer on hand are held at cost there would be no impact on profit or loss.

Interest rate risk
The consolidated entity's has no interest rate risk as its only borrowing is a related party short term borrowing repayable is fixed.

Note 18. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2015 $	Consolidated 2014 $
Related party short term loan	950,000	-
	950,000	-

The related party short term loan has $1,250,000 limit and can be drawn on up to $100,000 a month. This facility is required to be repaid at the earlier of a liquidity event (capital raising or take over) or 30 June 2016.

Consolidated - 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	337,041	-	-	-	-
Interest-bearing - fixed						
Related party short term loan	6%	307,512	-	-	-	-
Total non-derivatives		644,553	-	-	-	-

Consolidated - 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-%	153,824	-	-	-	-
Total non-derivatives		153,824	-	-	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Key management personnel disclosures

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

	Consolidated 2015 $	Consolidated 2014 $
Short-term employee benefits	426,265	375,254
Post-employment benefits	24,999	25,612
Share-based payments	105,441	93,239
	556,705	494,105

Note 20. Remuneration of auditors

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

	Consolidated 2015 $	Consolidated 2014 $
Audit services – BDO Audit Pty Ltd		
Audit or review of the financial statements	37,927	26,480
Other services – BDO		
Preparation of the tax return and taxation advice	19,920	5,414
	57,847	31,894

Note 21. Contingent assets

There were no contingent assets at balance date.

Note 22. Contingent liabilities

There were no contingent liabilities at balance date.

Note 23. Commitments

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

	Consolidated 2015 $	Consolidated 2014 $
- due within one year	976,687	211,000
- due after one year and within five years	495,867	1,354,000
- due after five years	-	-
	1,472,554	1,565,000

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

Note 24. Related party transactions

Parent entity
Fertoz Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2015	**2014**
	$	**$**
Interest on Loan from Lenark Pty Ltd (director-related entity of Mr James Chisholm)	7,512	-

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2015	**2014**
	$	**$**
Loan from Lenark Pty Ltd (director-related entity of Mr James Chisholm)	307,512	-

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. The related party loan has $1,250,000 drawn down limit and can be drawn on up to $100,000 a month. 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%.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity, Fertoz Limited.

Statement of profit or loss and other comprehensive income

	Parent	
	2015	**2014**
	$	**$**
Profit after income tax	(1,362,353)	(2,133,636)
Total comprehensive income	(1,362,353)	(2,133,636)

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2015 $	Parent 2014 $
Total current assets	3,750,569	3,987,278
Total assets	3,751,302	4,371,967
Total current liabilities	560,146	134,120
Total liabilities	560,146	134,120
Equity		
Issued capital	8,524,886	8,524,886
Revaluation surplus reserve	1,101,074	989,500
Accumulated loss	(6,434,804)	(5,072,451)
Total equity	3,191,156	4,237,847

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 and 30 June 2014.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Fertoz International Inc.	Canada	100.00%	100.00%
Fertoz USA LLC	USA	100.00%	100.00%
Fertoz Agriculture Pty Ltd *	Australia	50%	n/a

* Fertoz Agriculture Pty Ltd was incorporated during the 2015 financial year. Fertoz Agriculture Pty Ltd is the trustee of the Fertoz Agriculture Trust which Fertoz has a 50% interest in.

Note 27. Events after the reporting period

Mr Stephen Keith who is based in Canada was appointed managing director on 31 July 2015 to provide focus to the development of the Canadian projects. Dr Les Szonyi continues as an executive director and reports to Mr Keith.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2015 $	Consolidated 2014 $
Profit/(Loss) after income tax expense for the year	(1,640,262)	(2,133,636)
Adjustments for:		
Depreciation and amortisation	408	1,121
Share-based payments	111,574	97,263
Write off of exploration and evaluation assets	387,777	630,632
Loss on disposal of exploration and evaluation assets	-	390,738
Capital raising costs expensed	-	180,469
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(59,984)	(41,458)
(Increase)/decrease in inventories	(208,696)	-
Increase/(decrease) in trade and other payables	183,217	28,333
Net cash from operating activities	(1,225,996)	(846,538)

Note 29. Earnings per share

	Consolidated 2015 $	Consolidated 2014 $
Earnings per share for profit from continuing operations		
Profit after income tax	(1,640,262)	(2,195,696)
Non-controlling interest	138,922	-
Profit after income tax attributable to the owners of Fertoz Limited	(1,501,340)	(2,195,696)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	45,890,496	41,502,746
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,890,496	41,502,746

	cents	cents
Basic earnings per share	(3.3)	(5.3)
Diluted earnings per share	(3.3)	(5.3)

At 30 June 2015 10,899,999 (2014: 10,615,384) options were outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss from continuing operations, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

Note 30. Share-based payments

On 16 December 2014 1,250,000 fully paid ordinary shares, which are considered to be in-substance options, were issued to directors and employees as approved at the 2014 Annual General Meeting. 1,000,000 of these in-substance options were issued to key management personnel. Please refer to note 14 and the remuneration report in the director's report for details of the in-substance options.

The in-substance options outstanding at year ended 30 June 2015 are as follows:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/11/2014	27/11/2017	$0.29	-	1,250,000	-	-	1,250,000
			-	1,250,000	-	-	1,250,000
Weighted average exercise price			$0.00	$0.29	$0.00	$0.00	$0.29

The weighted average remaining contractual life of in-substance options outstanding at 30 June 2015 was 2.4 years. (2014: 0 years).

In addition, on the 16 December 2014, 900,000 options were issued to Non-executive Directors as approved by shareholders at the 2014 Annual General Meeting.

The options outstanding at year ended 30 June 2015 are as follows:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/05/2012	01/09/2017	$0.25	1,846,154	-	(615,385)	-	1,230,769
29/05/2012	01/09/2017	$0.35	1,230,769	-	-	-	1,230,769
29/05/2012	01/09/2017	$0.45	1,230,769	-	-	-	1,230,769
29/05/2012	01/09/2017	$0.55	615,385	-	-	-	615,385
06/07/2012	01/09/2017	$0.25	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.25	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.35	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.45	307,692	-	-	-	307,692
24/04/2013	01/09/2017	$0.25	4,000,000	-	-	-	4,000,000
01/05/2013	01/09/2017	$0.25	307,692	-	-	-	307,692
01/05/2013	01/09/2017	$0.25	153,846	-	-	-	153,846
28/11/2014	27/11/2017	$0.65	-	300,000	-	-	300,000
28/11/2014	27/11/2017	$0.75	-	300,000	-	-	300,000
28/11/2014	27/11/2017	$0.85	-	300,000	-	-	300,000
			10,615,384	900,000	(615,385)	-	10,899,999
Weighted average exercise price			$0.31	$0.75	$0.25	$0.00	$0.35

The weighted average remaining contractual life of options outstanding at 30 June 2015 was 2.2 years. (2014: 3.2 years).

Note 30. Share-based payments (continued)

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/05/2012	01/09/2017	$0.25	1,846,154	-	-	-	1,846,154
29/05/2012	01/09/2017	$0.35	1,230,769	-	-	-	1,230,769
29/05/2012	01/09/2017	$0.45	1,230,769	-	-	-	1,230,769
29/05/2012	01/09/2017	$0.55	615,385	-	-	-	615,385
06/07/2012	01/09/2017	$0.25	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.25	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.35	307,692	-	-	-	307,692
03/09/2012	01/09/2017	$0.45	307,692	-	-	-	307,692
24/04/2013	01/09/2017	$0.25	4,000,000	-	-	-	4,000,000
01/05/2013	01/09/2017	$0.25	307,692	-	-	-	307,692
01/05/2013	01/09/2017	$0.25	153,846	-	-	-	153,846
			10,615,384	-	-	-	10,615,384
Weighted average exercise price			$0.31	$0.00	$0.00	$0.00	$0.31

Valuation Model
The fair value of options and in-substance options are determined at grant date, by the Company, using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, performance hurdles prices if any, expected volatility, option life, the risk free rate, and the fact that the options or in-substance options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2015 were as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Performance hurdle price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/11/2014	27/11/2017	$0.29	$0.29	$0.70 to $0.90	81%	0%	2.4%	$0.119 to $0.132
28/11/2014	27/11/2017	$0.29	$0.65	N/A	81%	0%	2.4%	$0.099
28/11/2014	27/11/2017	$0.29	$0.75	N/A	81%	0%	2.4%	$0.089
28/11/2014	27/11/2017	$0.29	$0.85	N/A	81%	0%	2.4%	$0.082

Fertoz Limited
Directors' declaration
30 June 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

James

James Chisholm
Chairman

30 September 2015
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Fertoz Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Fertoz Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 30 September 2015

Fertoz Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 30 June 2015.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	8
1,001 to 10,000	104
10,001 to 100,000	189
100,001 to 1,000,000	63
1,000,001 and over	6
	370
Holding less than a marketable parcel	20

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Limited	5,887,802	12.52%
Lenark Pty Ltd <Lenark Investment A/C>	5,555,311	11.81%
Ubs Nominees Pty Ltd	2,100,000	4.46%
Mr Leslie Szonyi	1,690,438	3.59%
Willstreet Pty Ltd	1,535,513	3.26%
Mr Gregory Francis Hogan <G & M Hogan Super Fund A/C>	1,428,986	3.04%
Wisevest Pty Ltd	1,000,000	2.13%
Gynn Holdings Pty Ltd <Gynn Family A/C>	933,333	1.98%
Mr Gary Gynn + Mrs Barbara Mary Gynn <Gary Gynn Super Fund A/C>	904,952	1.92%
Boston First Capital Pty Ltd	838,776	1.78%
Six Degrees Corp Pty Ltd	700,855	1.49%
Fernland Holdings Pty Ltd <The Celato A/C>	689,141	1.47%
Bertrams Trading Pty Ltd <Bertrams A/C>	679,308	1.44%
Pinnacle Superannuation Pty Ltd <Pjf Super Fund A/C>	615,385	1.31%
Winiam Pty Ltd	573,932	1.22%
Topsfield Pty Ltd	545,530	1.16%
Moutier Pty Ltd <The Jb Pension Fund A/C>	522,821	1.11%
Ashabia Pty Ltd <Ashabia Super Fund A/C>	500,000	1.06%
Michael John Drapac Super Pty Ltd <Mjd Superannuation Fund A/C>	500,000	1.06%
Mr John Barry Roberts + Mrs Judith Elizabeth Roberts <John Roberts Super Fund A/C>	500,000	1.06%
	27,702,083	58.90%

Unquoted equity securities
There are 3,470,752 unquoted ordinary shares on issue as at 30 June 2015, held by 9 shareholders which subsequently become quoted ordinary securities as at 2 September 2015.

There are 10,899,999 unquoted options on issue as at 30 June 2015, held by 11 option holders. Blackwood Capital Ltd and Dr Leslie Szonyi hold 4,000,000 and 2,461,540 of the unquoted options respectively.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
Mr James Chisholm held in the name of Lenark Pty Ltd <Lenark Investment Trust> and related parties Kifaco Pty Ltd <Kifaco Investment A/C>, Left Brain Strategies Pty Ltd <Left Brain Strategies A/C> and Mr JA Chisholm & Mrs KM Chisholm ATF <Bucket Superfund A/C>	5,918,765	12.58%
Terra Capital Pty Ltd held in the name of J P Morgan Nominees Australia Limited	5,887,802	12.52%

Voting rights
The voting rights attached to ordinary shares are set out below:

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

Options
There are no voting rights attached to the options.