

Chairman's Update 28 January 2012

We have:

Secured the rights to market a calcium bentonite deposit (used mainly as a soil conditioner). Sales have commenced and a distribution centre has been set up at Toowoomba, Queensland.

Received notice of a successful Application Acceptance from the Queensland Government for an exploration tenement at Sherrin Creek, 100km from Mt Isa, which has a historical deposit of 46m tonnes of P₂O₅ at 15.5% and a depth of up to 30m. Technical assessments are complete and environmental assessments and native title searches are underway.

Acquired and been granted a number of exploration tenements prospective for phosphate in the Northern Territory and Queensland (with applications for further exploration tenements pending approval).

Collected more than 2,300 soil and rock chip samples from our granted exploration tenements, the results of which are being used to plan detailed drilling programs.

Amalgamated our Northern Territory exploration tenements into four key projects – Barrow Creek, Barkly, Winnecke and Katherine.

Sold our Roper and Hodgson projects to Strategic Minerals PLC (which already had the iron ore rights) as they appear to be more prospective for iron ore than any fertilizer resources. However, as part of the deal, we retained all fertilizer rights on those exploration tenements.

Currently:

The mine drill plans for the Barrow Creek and Barkly projects have been approved by the Northern Territory Government and we intend to commence drilling these projects at the end of the wet season. Consistent with our overall strategy of retaining our cash for near-term projects and joint venturing grass-roots exploration, our plan is to joint venture our Barkly and Barrow Creek projects with other companies that will take on the costs of drilling and exploration in return for equity in those projects.

We have initiated a pre-feasibility study for the Sherrin Creek deposit to evaluate the economics of two options for monetising this project – the options being a beneficiation plant for Direct Shipping Ore (DSO) of 30% - 32% P₂O₅ or a phosphoric acid plant.

The management and the board are in discussions to secure a project that is already JORC compliant, which will accelerate our progress towards being a producer and enhance our value accordingly.

Throughout the year, we have continued to monitor the relative valuations between fertilizer companies on the ASX as compared to fertilizer companies on other exchanges. Our initial research, that suggested that Australia was not the ideal jurisdiction to list a fertilizer company, has been confirmed by our most recent comparison of market capitalisations of companies in Canada, the UK and Australia with JORC compliant fertilizer resources.

In 2011, we pulled out of a reverse listing on the TSX-V, via a merger with JBZ Capital Inc in Canada. Although it cost us some money and time, we learned a great deal about the Canadian market which can be put to good use if and when future Canadian opportunities arise. We made some good contacts which we have maintained.

Les Szonyi, our Chief Executive Officer, has been working tirelessly to add value to the company and has originated and been integrally involved in our current round of discussions with companies holding JORC compliant resources. In conjunction with the board, Les has prepared an overall business plan for the company which is guiding us in discussions with potential partners. The strategy is a living one

– although it outlines our vision, strategic intent, strengths, weaknesses, opportunities, threats, markets, risks etc, it will be continually assessed and updated in line with changing market conditions. What will remain fixed, though, is our desire to be a diversified fertilizer company with a range of production, near-production and exploration assets around Australia and possibly Canada, the US and the UK (i.e. low sovereign-risk environments), which are relatively low on the cost-production curve, enabling us to make a return throughout the expected fluctuations in fertilizer prices. We will never be able to compete with the larger players like BHP and Vale, but we do not need to – all we need is to be cost effective in our environment, with the resources that we own or manage.

To take advantage of potential growth opportunities in Canada (including public market transactions), we have appointed Peterson Law Corporation as our Canadian legal advisers and BDO as our tax advisers. We plan to appoint financial advisers in the next few weeks and Les has found a CFO to assist him with the business.

In the coming weeks, we intend to undertake another capital raise via an offer under an Information Memorandum made exclusively to sophisticated investors and professional investors that does not require a regulated disclosure document under the Corporations Act. The monies raised will be used to fund the Sherrin Creek pre-feasibility study, ongoing exploration expenditure and working capital requirements.

We expect that 2012 will be a great year for Fertoz and we hope that you can come on the journey with us as we grow. Should you have questions, the best way to contact myself or management is by email at investor@ferto.com

Yours faithfully,

James Chisholm

Chairman