Fertoz Limited

ACN 145 951 622

Annual Report – 30 June 2018

Chairman's Message

Dear Fellow Shareholders,

I am pleased to present the 2018 Annual Report for Fertoz Limited (ASX: FTZ).

The past year has been a formative one for our Company as we began large scale deliveries of our organic rock phosphate to customers in North America, and increased sales of our fertilizer in Australia even under severe drought conditions across all our traditional market areas.

I am proud of what we have achieved over the past year, and that delivering on our goals was reflected in an improvement in our share price. We are continuing to seize the opportunities available to Fertoz to grow the Company further in the coming 12 months.

It is useful to highlight the rapid progress of our Company, as all indications are that this growth will continue in the coming financial year. During this past year we:

- Have achieved contracted sales of over 12,000 tonnes in North America. We have sold to wholesalers, retailers and direct to growers. Additional sales have already been booked for Fall 2018 and Spring 2019
- Progressed the permitting process for our own deposits and increased our holdings in Alberta, ensuring that we can deliver our own and third-party phosphate into our fertilizer blends
- Conducted numerous field trials of our fertilizer blends which have enabled us to show prospective customers the benefits of using our organic fertilizers
- Secured multiple new customers in North America and Australia
- Achieved a repeat purchase rate of 100% from existing customers
- Entered new organic farming areas with foundation customers that have resulted in additional new customers throughout that region
- Established long-term partnerships with logistics companies that enable us to deliver products as and when needed by farmers
- Re-organised our accounting practices to streamline billing and collection processes, ensuring customers are served professionally
- Sourced new supplies of phosphate rock that will ensure we can meet our CY19 target of 30,000 to 50,000t for deliveries in North America.

The global and US organic food markets continues to grow at over 10% pa, and we are supplying fertilizers to organic farmers who are growing crops, vegetables, meat and dairy products to supply that market. Unlike conventional fertilizer producers that are experiencing high competition in contracting markets, organic fertilizer companies like Fertoz are seeing expanding markets and little competition.

Our biggest challenges have been around marketing – letting people know we exist and that we can supply products; and logistics – as available rail wagons and trucks have been tight during harvest time. Interestingly, as the North American economy has picked up and highway regulations have become tougher, there is a serious truck driver shortage. Rigs and equipment are available, but there is a lack of drivers.

As reported throughout the year, our agronomic trials have been successful and we continue to blend our rock phosphate with other products to provide farmers with fertilizers that meet their needs. We mix our phosphate with elemental sulphur, gypsum, compost, Bio-Sul, chicken manure, humates and soon a small amount of silica, all to provide different mixes that suit different crops and varying soil conditions. Our phosphate has been shown to be highly availability to plants, but the addition of sulphur, compost and Bio-Sul have demonstrated an increase of more than six times the available phosphate.

Trials and early planting have shown yield increases of up to 50%, with that uplift remaining consistent over the last six months. We are building credibility with these results, and this is leading to repeat orders.

Our Australian business, Fertoz Agricultural Pty Ltd ("**FertAg**"), has faced a challenging year with much of Australia in drought. In this light, it is pleasing that FertAg achieved an annual increase in its net profit on Australian operations to close the year at an EBIT of approximately $110,000. The drought has not yet broken in Australia, but farmers who have been buying and applying our FertAg products are seeing good pasture growth even in drought conditions.

Since July we have expanded our FertAg business into Western Australia and New Zealand, with first sales in New Zealand in September. New Zealand is a well-known organic food market, not as large as Australia, but at least it is not in drought and we expect to see the results of our market entry strategy bear fruit in the 2019 calendar year.

During the year, we completed a $2.0 million placement to meet our growing demand and pursue opportunities to improve our logistics capability as well as potential joint ventures. We thank our new and existing shareholders for their support in this, and their continued belief that Fertoz can deliver its strategy of becoming a leading organic fertilizer company.

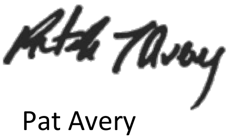
The share price growth we have delivered over the last year indicates that investors are increasingly appreciating our growth. It has been particularly pleasing to see the increase in share price from a low of $0.05 in October 2017 to around $0.20 in September 2018. With continued expansion of sales, new sources of product, new organic fertilizer blends, new markets in New Zealand and an increasing number of US states now served, we look forward to delivering even more value for investors this coming year.

Plans and execution are key to credibility and value. In 2018 and into 2019, our focus remains on:

- Advancing and securing permits in BC and Alberta to meet and allow us to exceed sales projections for CY19 and CY20
- Securing additional stockpiles of ore in the western USA
- Achieving or exceeding our 30,000 – 50,000t of sales in CY19 and 100,000t in CY20
- Improving the efficiency of our operations from crushing, screening, blending through to logistics so that we can reduce costs and maximise profits
- Continuing to grow our Australian and New Zealand operations

I take this opportunity to thank my fellow Directors and Fertoz management and staff for their efforts throughout the last year. In particular, I would like to welcome and thank our new director, Stuart Richardson, who has been instrumental in assisting with the sales strategy and execution. I also thank our Shareholders for your continued support and your belief that we can achieve the goals which we have set out.

With a strong start to the 2019 financial year, I expect the coming 12 months will see Fertoz continue to progress on various fronts in North America, Australia and New Zealand, and I look forward to keeping you informed of our progress in the coming year.



Pat Avery

Executive Chairman

OPERATIONS REPORT

Company Overview

Fertoz is a premium phosphate exploration and development company which is developing the Wapiti and Fernie phosphate deposits in Canada and has gained the rights to an 18,000 ton phosphate stockpile in Montana, USA. The Company also holds the marketing rights for the Krezco phosphate (sourced from Mexico) and is in discussions to secure another 50,000t from a source in Montana.

The Company's focus is servicing the local organic farming market as well as conventional farmers in North America looking for alternatives to standard, high leaching fertilizers. Although focused on the North American organic agriculture market, the Company also sells imported phosphate products to Australian and New Zealand organic and conventional farmers.

Figure 1: Loggers have cleared key areas and built roads, greatly assisting our mining efforts in BC and Alberta

Fertoz had a busy and productive year as it developed its North American operations. The Company achieved orders of approximately 12,000t in the year ending June 2018, with deliveries for these orders mostly occurring in FY19. Management forecasts sales in CY19 of between 30,000 and 50,000t, with 100,000t expected in CY2020.

Figure 2: Processing phosphate for customer deliveries in Canada and the USA

Strategy

The Company's key objective is to become a growth-oriented, cash-flow generating agribusiness returning dividends to shareholders by becoming a leading supplier of organic fertilizers in North America, Australia and New Zealand.

The Company's core fertilizer product is a highly available direct application rock phosphate, sold primarily to organic farmers in North America. Additional products to meet customer demand have been developed through the blending of the rock phosphate with elemental sulphur, manure, humates and other elements. New blends are undergoing trials. The Company is also engaged in "paddock-to-plate" blockchain analysis and is working on developing suitable solutions to provide organic food purchasers with the assurance that the entire production chain has been organic.

Besides the Company's owned phosphate resources at Wapiti and around Fernie in British Columbia, Canada (with the Fernie tenement holdings now stretching into Alberta), a number of marketing agreements with third-party providers have been executed, giving the Company multiple sources of organic phosphate to use in the production of organic fertilizers. The Company has been selling a third-party owned ore located in Butte, Montana, and is in discussions to secure another local source of phosphate rock which will enable the supply of product into CY2020. The Company has also executed a contract with Krezco in Mexico, for exclusive supply of their organic direct application rock phosphate into the United States, with a focus on supplying the south-eastern states.

The Company's marketing strategy is based on direct phone calls to distributers, retailers and farmers, website hits (having seen a pleasing increase in these over the last six months) and presentations and/or attendance at agricultural field days.

Figure 3: Location of Fertoz projects in North America and provinces/states with Fertoz sales (★)

North America

In the year ending June 2018, the Company received orders of just over 12,000t from customers in North America, a significant increase on orders received for the same period in FY17. Orders came from multiple states and provinces as shown in Figure 3.

The Company has made sales to individual farmers, organic farming operations, distributers and wholesalers. Importantly, the Company has established numerous sales partners to help reach farmers looking for high quality organic fertilizers. Limoges Seed Farms, Providence Grain and Ag Unlimited remain key partners, but the Company is in discussions with other major agricultural concerns regarding distribution and marketing of Fertoz products in other parts of the USA and Canada.

Figure 4: Canola trials at Mackenzie Research Station, Canada

Ahead of the legalisation of recreational cannabis in Canada in October 2018, Fertoz has been working with cannabis producers to position the Company as a credible source of reliable agronomic information and a premium supplier of organic fertilisers for cannabis plants. This strategy is bearing fruit with multiple orders now received from two of the largest cannabis plant producers in North America.

Cannabis plant growth is strongly related to phosphate levels in the growing media. In greenhouse production - the most popular method of producing large quantities of cannabis flowers - water feeders are flushed regularly, leading to regular and ongoing use of phosphate. Correct application of phosphate results in stronger, healthy plants, able to withstand many pests and diseases, green, healthy leaf growth, and increased flower yields. To demonstrate the effectiveness of the Company's rock phosphate blends on boosting yields and early growth parameters such as root, stem and leaf development, Fertoz has undertaken various field trials over the past year and a field testing program at the Mackenzie Research Station in Fort Vermillion, Alberta, on several crop types. Further trials are currently underway with the Company's rock phosphate added to humates, sulphur, polymer coatings and soon volcanic rock dust. Field trials have shown a 10 – 50% increase in yield using Fertoz fertilizers. Mixed with other elements such as elemental sulphur, compost and the Bio-Cycle Solutions sulphur product, Bio-Sul, plant-available phosphate increased significantly with up to a 6.5x increase over the control case.

In November 2017, Fertoz signed a distribution agreement with Krezco Fofatos S.A de C.V ("Krezco"), a phosphate mine operator and distributor based in Monterrey, Mexico. This provided Fertoz with another source of organic rock phosphate close to southern markets in the USA. The Krezco rock phosphate resource is strategically located close to the US border, enabling Fertoz to supply organic farmers in the southern USA states at a more competitive price compared to transporting rock phosphate from the Company's other sources at Wapiti, Fernie and Butte.

Reports on organic agriculture from the Organic Trade Association identified 225 counties in the USA as organic “hotspots”, and several of these are proximate to Fertoz’s sources of organic fertilizer, including near the Krezco phosphate source.

Fertoz continued to make progress with Krezco during the year and by year-end, the partners were preparing to ramp up production and feed organic fertilizers into the southern US states, which should bode well for stronger sales in FY19.

The Company is now looking to employ additional personnel to help meet the demand for organic fertilizer blends in the southeastern US. Most of the Company’s North American sales team have 20 to 30 years of experience in resources and/or agriculture and this is making a positive difference to sales. However, in order to contact the numerous organic farming groups that are growing at a phenomenal rate across North America, the Company is looking to employ some more junior personnel to make initial contact with potential customers.

Another important agreement in the year was an MoU Fertoz signed with Providence Grain Group (PGG), to use the Company’s organic rock phosphate in PGG’s proprietary fertilizer blends. Providence Grain Group Inc is based in Fort Saskatchewan, Alberta, Canada, with additional offices and facilities in Winnipeg, Gaudin, Crossfield, Marengo, Viking and Stoughton in Canada.

Figure 5: Wheat trials at Mackenzie Research Station, Canada

During the year, the Company also expanded its tenure that is prospective for phosphate by extending the Fernie tenements further into Alberta. The Company now holds more than 1000ha of tenure proximate to power, rail, road and labour in south-western Alberta and south-eastern British Columbia.

Significant progress on bulk sampling has been made in both provinces to meet expected sales for CY19. To provide further support, the Company is in discussions to secure the rights to a large stockpile (approx. 50,000t) in Montana. As the Company’s preferred granulation and bagging company is located close-by, the Board and management is pleased to gain supply flexibility and backup plans as Fertoz advances permitting in BC and AB.

Figure 6: Stockpile management of Fertoz ore

The Company currently produces four basic types of phosphate fertilizer, with various blends utilising humates, sulphur, silica and other elements:

- A 50 – 100 mesh crushed rock phosphate, which is spread by a spin-spreader or lime spreader. This product is also used by third-party fertilizer manufacturers to blend with their own fertilizers.
- A granulated rock phosphate / sulphur blend which is typically placed in air-seeders and dropped into the furrow with seeds when crops are planted.
- A 2.0mm granulated rock phosphate at the size for air machines and spreaders.
- A 325 mesh, very fine ground rock that is mixed in water and used as a liquid fertilizer and for fertigation. This product is also used by other third-party fertilizer manufacturers to blend with their fertilizer products.

The Company is delivering these products in 1 ton bulk bags, truck loads, train wagons and 25kg plastic bags.

Figure 7: Bagged 0-7-0 Fertoz rock phosphate ready for customer delivery

During the year, the Company continued to work on blockchain documentation to enable easy delivery and verification of organic fertilizer products. Blockchain is becoming critical in the organic sector as consumers seek evidence of organic provenance.

In preparation for further growth in CY19, Fertoz expanded its North American team of employees, consultants and representatives, and presented at the BMO Agriculture Conference in New York – one of the major fertilizer conferences of the year, attended by the major farm input groups such as Nutrien (formerly Agrium and Potash Corp), Mosaic, CF Industries, the Anderson Group and large food groups such as Tysons, Pilgrim's Pride, Dean Foods and Sprouts.

Australia / New Zealand

The Australian operations continued to improve in terms of sales, number of repeat customers, number of new customers and number of successful trials, even though most of the country was suffering from a severe drought. The Company has expanded to New Zealand, to source new markets not impacted by drought conditions.

Fertoz secured certification for FertAg 0-8-0 as an allowable input in organic agriculture from Australian Organic Ltd, the largest certifier for organic and biodynamic produce in Australia, in July 2017, allowing Fertoz to market FertAg 0-8-0 for use by Australian organic farms, a sector which saw an increase in certified organic farming land of more than 20% in the previous 12 months. In July 2018, FertAg 0-8-0 was also certified by BioGro NZ as an allowable input for organic agriculture in New Zealand.

Sales revenue dropped slightly in the second half of the year when compared with the corresponding period last year due to the drought. However, sales for the full year of $1.16m were up 23% on 2017 Despite the drought, FertAg sales are forecast to increase in 2019 with the development of new markets in New Zealand, Western Australia, North Queensland and Tasmania.

During the year, the Company demonstrated the effectiveness of the FertAg 0-8-0 fertilizer in a fennel trial. A fennel grower harvested a fennel bulb that was 2.1kg, compared to the average size of 420g each – a yield improvement of nearly 400% (refer Figure 8).

Figure 8: 2.08kg fennel grown with FertAg 0-8-0.

FertAg 0-8-0 was also shown to significantly improve grass growth in drought conditions. Other trials are underway with poppies and soya beans.

Figure 9: Pasture improved through the use of FertAg 0-8-0

Organic Market Update

As noted in earlier announcements, the organic sector in North America is growing, and numerous articles are now starting to show the benefits of organic farming practices. A technical paper published in July 2018 entitled "*Long-Term Rock Phosphate Fertilization Impacts the Microbial Communities of Maize Rhizosphere*", by Silva et al, discussed the benefits of direct application rock phosphate over chemically manufactured phosphates (single super, DAP, MAP) in relation to overall soil health. The article concentrated on corn, one of the main cereal crops produced in North America and the world.

According to a recently released report on organic farming in Australia by Australian Organic Ltd entitled "*The Australian Organic Market Report, 2017*", agricultural land under certified organic management in Australia in 2016 was over 27 million hectares, an increase of 23% since 2015. The number of certified organic farming operations in Australia grew by 5% from 2015 to 2016. There were an estimated 2,075 certified producers and 1,163 certified processors in 2016, with 77% of these located in NSW, Victoria and Queensland, the key Australian target markets for Fertoz.

The market size and growth profile in North America is even more compelling, According to the North American Organic Trade Association, there are more than 24,600 organically certified operations in the US, with over 17,500 organic producers, a 13% increase over 2015. In 2016, US organic food sales reached 5.3% of total food sales in the US, the highest amount of organic food sales since the Association began collecting data. This equated to sales of just under US$50 billion with almost 14% of all fruits and vegetable sales and 8% of all dairy products sales being organic. Organic food sales in the US increased by 8.4% (approx. US$4 billion) in 2016 while the overall food market grew by only 0.6%. Beyond food, cotton is also expanding as an organic product in the US, with record production of over 17,000 bales of organic cotton in 2016. Total US sales of organic non-food products grew by almost 9% in 2016.

According to the Canada Organic Trade Association, there are approximately 4,000 organic farms in Canada with almost all of these operations in the prairies and the western half of Canada, within economic road and rail distances from Fertoz phosphate sites. It is a smaller market than the US at approximately C$4 billion pa in sales, but like the US and Australia, is one that is growing strongly.

The value of the organic food market in Canada has grown more than three-fold since 2006. 66% of people living in British Columbia and 62% of families across Canada with children under 2 years of age buy organic food each week, which bodes well for the future of organic fertilizers, and for Fertoz.

Safety

There were no lost time injuries or environmental incidents recorded during 2018.

CORPORATE

Cash

The Company had A$1.86 million in cash as at 30 June 2018 and no significant loan balances owing. Subsequent to year end, this was supplemented by the conversion of options, as noted below.

Funding

In April, Fertoz announced it had received binding commitments to raise $2.0 million in an oversubscribed placement of 11,764,706 shares to sophisticated and professional investors at $0.17 per share. This placement was completed on 17 April 2018, with 2,309,224 issued pursuant to Listing Rule 7.1 and 9,455,482 were issued pursuant to Listing Rule 7.1A.

Fertoz is using the funds to provide working capital as the Company works to meet the surge in demand for its products in North America, as well as pursue opportunities to enhance its logistics capability, with scope to boost shareholder value through joint ventures and/or vertical integration opportunities.

Subsequent to the year-end, 6,529,379 options at 18c were exercised raising $1,175,288. Another 9,095,240 options at 18c were due to expire on 29 September 2018. The Company is currently awaiting confirmation on the number of options that were exercised prior to expiry.

During the year, Fertoz appointed Stuart Richardson as a non-executive director. Mr Richardson has extensive experience with more than 35 years in capital markets in Australia and overseas in the field of investment banking and stockbroking. He is a founding director of Blackwood Capital Limited, an Australian-based investment bank operating in capital markets, advisory and funds management in equities and private equity. He holds a Bachelor of Business from Swinburne University of Technology, Melbourne Australia and is a CPA. Mr Richardson is a non-executive director of Abundant Produce Ltd (ASX: ABT) and XTD Ltd (ASX: XTD).

During the year, Fertoz entered a new consultancy agreement with Executive Chairman Pat Avery after the previous contract expired as reported on 14 August 2018.

Justyn Stedwell was appointed Company Secretary in December 2017. Mr Stedwell is a professional company secretary with a decade of experience with ASX-listed companies in various industries, including mining and exploration, IT and telecommunications, biotechnology and agriculture. Mr Stedwell's appointment followed the resignation of Julien McInally from the role.

Change of Registered Office

During the December quarter, Fertoz's registered office changed to:

Unit 1B
205 – 207 Johnston St
Fitzroy Victoria 3065
Australia

TENEMENT LIST

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
Canada					
Wapiti Project - British Columbia, Canada					
Wapiti East					
WK-1	851942	100%	450.83	21/04/2021	Fertoz International
WK-2	851948	100%	451.02	21/04/2021	Fertoz International
WK-3	851952	100%	375.66	21/04/2021	Fertoz International
WK-4	851958	100%	451.2	21/04/2021	Fertoz International
WK-5	941760	100%	450.83	21/04/2021	Fertoz International
WK-6	941761	100%	469.87	21/04/2021	Fertoz International
WK-7	941762	100%	432.07	21/04/2021	Fertoz International
WK-8	941763	100%	413.49	21/04/2021	Fertoz International
WK-9	941764	100%	451.33	21/04/2021	Fertoz International
WK-10	941769	100%	432.53	21/04/2021	Fertoz International
WK-11	955278	100%	470.31	21/04/2021	Fertoz International
WK-12	956829	100%	37.56	21/04/2021	Fertoz International
WK-One	982744	100%	18.8	21/04/2021	Fertoz International
Wapiti NE	1015556	100%	375.54	21/04/2021	Fertoz International
Wapiti Two	1015557	100%	168.93	21/04/2021	Fertoz International
Wapiti South	1015558	100%	376.35	21/04/2021	Fertoz International
WAP S2	1018104	100%	451.82	21/04/2021	Fertoz International
WAP S3	1018106	100%	451.75	21/04/2021	Fertoz International
WAP S4	1018107	100%	451.93	21/04/2021	Fertoz International
WAP S5	1018108	100%	452.09	21/04/2021	Fertoz International
WAP S6	1018109	100%	452.3	21/04/2021	Fertoz International
Red Deer 1	1023921	100%	150.2	21/04/2021	Fertoz International
Red Deer 2	1023922	100%	206.3	21/04/2021	Fertoz International
Red Deer 3	1023923	100%	150.1	21/04/2021	Fertoz International
Munok	1029417	100%	207.38	21/04/2021	Fertoz International
Munok 1	1015626	100%	169.58	21/04/2021	Fertoz International
Belcourt 1	1015627	100%	113.27	21/04/2021	Fertoz International
Munok 2	1024783	100%	603.05	21/04/2021	Fertoz International
Belcourt 2	1024803	100%	301.76	21/04/2021	Fertoz International
Belcourt 3	1024806	100%	188.7	21/04/2021	Fertoz International
Belcourt 4	1024805	100%	339.78	21/04/2021	Fertoz International
Belcourt Link	1027037	100%	282.59	21/04/2021	Fertoz International
WAP 11	1027038	100%	168.94	21/04/2021	Fertoz International
South 1	1029488	100%	112.64	21/04/2021	Fertoz International
South 2	1029489	100%	376.16	21/04/2021	Fertoz International

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
South Road 2	1030777	100%	413.66	21/04/2021	Fertoz International
Wapiti Project total			**11,870.32**		
Fernie Project					
Barnes Lake					
BL 2	1020873	100%	629.00	18/04/2019	Fertoz International
BL 3	1046619	100%	524.89	12/01/2019	Fertoz International
Barnes Lake Subtotal			**1,153.89**		
Crows Nest					
Crows Nest	1023062	100%	1450.89	15/10/2021	Fertoz International
Crows 2	1023064	100%	38.67	15/10/2021	Fertoz International
Crows Nest Subtotal			**1,489.56**		
Marten					
Marten 1	1024365	100%	754.32	29/06/2021	Fertoz International
Marten 2	1025533	100%	460.86	28/06/2021	Fertoz International
Marten Nth	1029979	100%	334.99	1/08/2021	Fertoz International
Marten E	103167	100%	188.48	23/09/2021	Fertoz International
Marten Subtotal			**1,738.65**		
Mt Lyne					
Line 3	1042176	100%	187.0	19/02/2019	Fertoz International
Line 4	1042177	100%	332.8	19/02/2019	Fertoz International
Line 5	1042208	100%	290.7	20/02/2019	Fertoz International
Graves Lake1	1046686	100%	499.5	14/09/2018	Fertoz International
Mt Lyne Subtotal			**1,310.0**		
Mt Lyne					
RAM 1	1047502	100%	126.72	29/10/2021	Fertoz International
RAM 2	1050068	100%	253.48	16/03/2021	Fertoz International
RAM 3	1050069	100%	168.93	16/03/2021	Fertoz International
RAM 4	1050660	100%	105.64	10/03/2021	Fertoz International
RAM 5	1050661	100%	295.58	10/03/2021	Fertoz International
RAM 6	1050662	100%	253.5	10/03/2020	Fertoz International
BIGHORN 7	1050686	100%	211.28	11/03/2020	Fertoz International
BIGHORN Subtotal			**1,415.11**		
Fernie Project Total			**7,716.2**		
CrowsNest, Alberta, Canada					

Project Name	Tenement Number	Ownership	Approx. Area (ha)	Expiry Date	Registered Holder
TWP	9318030431	100%			Fertoz International
BIGHORN Subtotal					
Canada Total			**18,977.62**		

Fertoz Limited
30 June 2018

Directors	Mr. Patrick Avery (Executive Chairman) Mr. Adrian Byass – Non-Executive Director Mr. James Chisholm – Non-Executive Director Mr. Stuart Richardson – Non- Executive Director *(appointed on 29 June 2018)*
Company Secretary	Mr. Justyn Stedwell
Registered office and Principal Place of business	Unit 1B, 205-207 Johnston Street Fitzroy, VIC 3065
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	Sierra Legal Pty Ltd. Level 5, 9 Sherwood Road Toowong QLD 4066
Bankers	Commonwealth Bank of Australia
Stock Exchange Listing	Australian Securities Exchange (FTZ)
Website	www.fertoz.com

DIRECTORS REPORT

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 2018.

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. Patrick Avery
Mr. Adrian Byass
Mr. James Chisholm
Mr. Stuart Richardson (*appointed on 29 June 2018*)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of phosphate exploration and development in British Columbia and Alberta Canada 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

Strategy
The Company's key objective is to become a growth-oriented, cash flow generating agribusiness returning dividends to shareholders by becoming a leading supplier of organic fertilizers in North America and a profitable marketer of organic fertilizer products in Australia.

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

Safety
There were no lost time injuries or environmental incidents recorded during the year ended 30 June 2018.

Financials
The loss for the consolidated entity after providing for income tax (attributable to Fertoz Limited and excluding non-controlling interest) amounted to $1,432,712 (2017: $1,185,640). The increase in loss for the year was mainly attributable an increase in share-based compensation.

During the year the Company completed a private placement of $2,000,000 (before costs) and an exercise of options in the amount of $22,500. Cash balance at year-end amounted to $1,872,566 (30 June 2017: $1,587,877).

<u>North America</u>

- During the year ended 30 June 2018, the Company received orders for over 10,500 tonnes of phosphate fertilizer products. Rains and flooding in parts of North America delayed processing and trucking of product (ore) for part of the last quarter. However, these conditions eased in June, allowing processing and deliveries to catch up. These are on track to boost revenue in the 2018 fall months (September to December).
- With the legalisation of recreational cannabis in Canada planned in October 2018, Fertoz has witnessed growth in both conventional and organic markets and the market is expected to grow at 30% pa.
- Fertoz has been working with cannabis producers to position itself as a credible source of reliable agronomic information and a premium supplier of organic fertilisers for cannabis plants.

- Fertoz has undertaken a field testing program at the Mackenzie Research Station, Fort Vermillion AB, to demonstrate the effectiveness of its rock phosphate blends on boosting yields and early growth parameters such as root, stem and leaf development, on several crop types.
- Fertoz continues to collect field data that farmers require to switch to organic farming. Other trials underway are with humates, sulphur, polymer coatings and soon volcanic rock dust.
- Progress made with Mexican partner Krezco as partnership looks to ramp up production and feed organic fertilisers into the southern US states. We also located, processed and stockpiled for sales more ore at Butte, Montana, US.
- Fertoz traced the Fernie deposit into Alberta and made claims for an additional 700ha of mineral landholding. We recently added more acreage in Alberta.
- Logging company has felled trees at Fernie, Marten Lease, improving access to the phosphate deposit.
- Fertoz expanded its North American team of employees, consultants and representatives, with most of the sales representatives having 20 to 30 years of experience in resources or agriculture
- Fertoz presented at the BMO Agriculture Conference in New York – one of the major fertiliser conferences of the year, attended by the major farm input groups such as Nutrien (formerly Agrium and Potash Corp), Mosaic, CF Industries, the Anderson Group and large food groups such as Tysons, Pilgrim's Pride, Dean Foods and Sprouts.

Australia

- Australian operations continue to improve in terms of sales, number of repeat customers, number of new customers and number of successful trials.
- In a demonstration of FertAg 0-8-0, improved produce size and quality was recorded in numerous tests. For example, a fennel grower harvested a fennel bulb that was 2.1kg, compared to the average size of 420g each – a yield improvement of nearly 400%.

Director Appointment

Fertoz appointed Stuart Richardson as a non-executive director on 29 June 2018. Mr Richardson has extensive experience with more than 35 years in capital markets in Australia and overseas in the field of investment banking and stockbroking. He is a founding director of Blackwood Capital Limited, an Australian-based investment bank operating in capital markets, advisory and funds management in equities and private equity. He holds a Bachelor of Business from Swinburne University of Technology, Melbourne Australia and is a CPA. Mr Richardson is a non-executive director of Abundant Produce Limited (ABT) and XTD Limited (XTD).

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

A total of 6,529,379 unlisted options were exercised at a strike price of $0.18 for total proceeds of $1,175,288. Expenses amounting to $33,795 were incurred in connection to the capital raise and payable to Blackwood Capital Limited, a company whose director is also a director of the Company.

500,406 options with exercise prices of $0.35 and $0.18 expired unexercised.

On 10 September 2018, 6,000,000 shares were issued to the Executive Chairman in furtherance to shareholders approval of his executive contract. Please see note on his remuneration below.

No other matter or circumstance has arisen since 30 June 2018 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, except for the following:

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 British Columbia and Alberta, Canada where it either holds 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 and Appendix 4G can be found on the Company's website at: http://www.fertoz.com/corporate/corporate-governance.html

Information on directors

Mr. Patrick Avery, MBA
Executive Chairman,

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

Mr Avery has not been a director of any other listed company in the last three years.

Interests in shares:	107,143
Interests in options:	53,572
Contractual rights to shares:	6,250,000 *(see below)*

On August 14, 2018, the shareholders approved the issuance to the Executive Chairman of 6,000,000 shares effective from 1 June 2018 as per the following:

a) 2,000,000 fully paid ordinary shares upon signing of consultancy agreement.
b) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 28c or above for 10 consecutive trading days before 1 June 2021.
c) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 38c or above for 10 consecutive trading days before 1 June 2021.
d) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 50c or above for 10 consecutive trading days before 1 June 2021.
e) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 60c or above for 10 consecutive trading days before 1 June 2021.

At 30 June 2018, the 6,000,000 shares were not yet issued.

Information on directors (continued)

Mr. James Chisholm, B.Eng, MBA
Non-executive Director

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.

He is also a director of Atrum Coal Ltd. (ASX: ATU). Other than Atrum Coal Ltd., Mr. Chisholm has not been a director of a listed company for the last three years.

Interests in shares:	9,261,310
Interests in options:	96,429
Contractual rights to shares:	None

Mr. Adrian Byass BSc(Hon), B.Econ, Member of Institute of Geoscientists, Fellow of Society of Economic Geology
Independent Non-executive Director

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.
Mr. Byass is currently an executive director of Infinity Lithium Corporation Limited (ASX: INF). He is also Chairman of Galena Mining Limited (ASX: G1A).

Interests in shares:	615,378
Interests in options:	64,286
Contractual rights to shares:	None

Mr. Stuart Richardson BBA, CPA *(appointed 29 June 2018)*

Mr Richardson has extensive experience over 35 years in capital markets both on Australia and overseas in the field of investment banking and stockbroking. He is a founding director of Blackwood Capital Limited an Australian based investment bank operating in capital markets, advisory and funds, management in equities and private equity.
Mr. Richardson is also a director of Abundant produce Limited (ABT) and XTD Limited (XTD). He was a former director of Search Minerals Inc. (resigned 28 July 2014)

Interests in shares:	6,456,467
Interests in options:	None
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. Stedwell is a professional company secretary with over 11 years' experience as a Secretary of ASX listed companies in various industries, including mining and exploration, IT & telecommunications, biotechnology and agriculture. Mr. Stedwell's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia. He is currently Company Secretary at several ASX-listed companies, including Atrum Coal Ltd (ASX:ATU), Lifespot Health Ltd (ASX: LSH); Cirralto Ltd (ASX:CRO), Imugene Ltd (ASX:IMU), Rectifier Technologies Ltd (ASX:RFT), Golden Mile Resources Ltd (ASX:G88), UltraCharge Ltd (ASX:UTR), WONHE Multimedia Commerce Ltd (ASX:WMC) and Broo Ltd (ASX:BEE).

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 2018, and the number of meetings attended by each director were:

	Year ended 30 June 2018 Board of Directors		Year ended 30 June 2017 Board of Directors	
	Number eligible to attend*	**Number attended**	Number eligible to attend*	Number attended
Mr. Patrick Avery	**4**	**4**	9	9
Mr. Adrian Byass	**4**	**4**	9	9
Mr. James Chisholm	**4**	**3**	9	9
Mr. Stuart Richardson	**N/A**	**N/A**	-	-

**Represents the number of meetings held during the time the director held office or was a member of the relevant committee.*

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

The framework seeks to align performance to shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth as well as focusing the executive on key non-financial drivers of value attracting and retaining high calibre executives

and aligns the program participants' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing 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.

REMUNERATION REPORT (audited) (continued)

Non-executive directors' remuneration (continued)

The chairman's fees, if the role is a non-executive, are determined based 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 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 payable to eligible employees

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.

REMUNERATION REPORT (audited) (continued)

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Sales revenue	1,486,285	943,696	293,149	94,179	-
EBITDA	(1,432,712)	(1,185,315)	(2,360,761)	(1,639,854)	(2,132,515)
EBIT	(1,432,712)	(1,185,640)	(2,361,170)	(1,640,262)	(2,133,636)
(Loss) after income tax	(1,432,712)	(1,185,640)	(2,361,170)	(1,640,262)	(2,133,636)

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

	2018	2017	2016	2015	2014
Share price at financial year end ($)	0.175	0.075	0.15	0.22	0.60
Total dividends declared *(cents per share)*	-	-	-	-	-
Basic earnings per share *(cents per share)*	(1.5)	(1.3)	(4.1)	(3.3)	(5.1)

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 2018.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, the remuneration report for the year ended 30 June 2018 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 ("KMP") 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:

- Patrick Avery – Executive Chairman
- James Chisholm - Non-Executive Director
- Adrian Byass - Non-Executive Director

For the year ended 30 June 2018

	Short Term Benefits	Post Employment	Share Based Payments				
Director	**Salary and fees $**	**Superannuation $**	**Options $**	**Shares $**	**Total $**	**Fixed (%)**	**LTI (%)**
Patrick Avery (Executive Chairman)	268,526	-	3,128	420,705	**692,359**	39%	61%
James Chisholm	37,294	-	-	-	**37,294**	100%	-
Adrian Byass	36,000	-	-	-	**36,000**	100%	-
Stuart Richardson[1]	-	-	-	-	**-**	-	-
Total	**341,820**	**-**	**3,128**	**420,705**	**765,653**	**45%**	**55%**

[1]Mr Richardson was appointed Director on 29 June 2018

REMUNERATION REPORT (audited) (continued)

For the year ended 30 June 2017

	Short Term Benefits	Post Employment	Share Based Payments				
Director	Salary and fees $	Superannuation $	Options $	Shares $	Total $	Fixed (%)	LTI (%)
Patrick Avery[1] (Executive Director)	212,956	-	5,167	26,955	245,078	87%	13%
Stephen Keith[2] (Executive Director)	170,382	-	(98,212)[3]	-	72,170	100%	-
James Chisholm	36,000	-	-	-	36,000	100%	-
Adrian Byass	36,000	-	-	-	36,000	100%	-
Total	**455,338**	**-**	**(93,045)**	**26,955**	**389,248**	**-**	**-**

[1] Mr. Avery became Executive Chairman on 1 November 2016, previously he was a non-executive director.
[1] Mr. Keith resigned as Managing Director on 1 November 2016.
[1] Represents the right back of forfeited options upon Mr Keith's resignation as managing director which had previously expensed

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:	Patrick Avery
Title:	Executive Chairman
Agreement commenced:	1 June 2018
Term of agreement:	3 years
Details:	Current base salary is US$207,000, and effective 1 January 2019, will increase to US$240,000.

On termination, except for termination by the Company for cause and other conditions, Mr. Avery will be given 3 months written notice or if the Company elects not to provide a notice period Mr. Avery will be paid 3 months salary.

Shareholder approval was received for Mr. Avery's previous performance rights package which included the issue of 850,000 options with the following terms:

a) 100,000 options with an exercise price of 20 cents each expiring on 31/8/2017;
b) 250,000 options with an exercise price of 20 cents each vesting upon a Volume Weighted Average Price (VWAP) of the Company's Shares exceeds 25 cents for 21 consecutive trading days and expiring on 31/8/2017;
c) 250,000 options with an exercise price of 30 cents each vesting upon a Volume Weighted Average Price (VWAP) of the Company's Shares exceeds 40 cents for 21 consecutive trading days and expiring on 28/2/2018; and
d) 250,000 options with an exercise price of 40 cents each vesting upon a Volume Weighted Average Price (VWAP) of the Company's Shares exceeds 50 cents for 21 consecutive trading days and expiring on 31/8/2018.

REMUNERATION REPORT (audited) (continued)

Service agreements (continued)

850,000 Performance Shares allocated in accordance with the Company's Employee Share Plan, held in escrow until the following performance hurdles are met:

a) 100,000 Performance Shares released from escrow upon the sale of a total of 10,000t of rock phosphate product from any of the Company's North American operations or joint ventures or projects in which the Company has a majority stake prior to 30 June 2017;
b) 250,000 Performance Shares released from escrow upon the sale of a total of 30,000t of rock phosphate product from any of the Company's North American operations or joint ventures or project in which the Company has a majority stake prior to 30 June 2018;
c) 250,000 Performance Shares released from escrow upon the Company Share price exceeding 35c for 21 consecutive days prior to 28 February 2018; and
d) 250,000 Performance Shares released from escrow upon the Company Share price exceeding 45c for 21 consecutive days prior to 31 August 2018.

On 10 July, 2018 the 250,000 Performance Shares were forfeited under the Employee Share Plan. All other performance rights expired or were forfeited during the year ended 30 June 2018.

With effect to 1 June 2018, and following shareholders' approval at a General Meeting held on 14 August 2018, Mr. Avery received the following performance package:

a) 2,000,000 fully paid ordinary shares upon signing of consultancy agreement.
b) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 28c or above for 10 consecutive trading days before 1 June 2021.
c) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 38c or above for 10 consecutive trading days before 1 June 2021.
d) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 50c or above for 10 consecutive trading days before 1 June 2021.
e) 1,000,000 fully paid ordinary shares upon the Company's share price closing at 60c or above for 10 consecutive trading days before 1 June 2021.
f) US$50,000 cash bonus paid once the Company reaches a minimum of $1m EBIT as shown in audited annual accounts.
g) US$100,000 cash bonus paid once the Company reaches a minimum of $3m EBIT as shown in audited annual accounts.
h) US$200,000 cash bonus paid once the Company reaches a minimum of $5m EBIT as shown in audited annual accounts

The cash bonuses identified in f), g) and h) above remain unused as at 30 June 2018.

The fair values of the performance shares are determined based on the market price of the company's shares at the grant date using an appropriate valuation methodology (ie. Trinomial or Monte Carlo Simulation). The relevant information for the valuation of these performance shares is as follows:

Grant date	Number Issued	Hurdle Price	Estimated vesting date	Grant date value
1 June 2018	2,000,000	Nil	1 June 2018	$0.1800
1 June 2018	1,000,000	$0.28	3 April 2019	$0.1611
1 June 2018	1,000,000	$0.38	28 July 2019	$0.1455
1 June 2018	1,000,000	$0.50	29 October 2019	$0.1293
1 June 2018	1,000,000	$0.60	15 December 2019	$0.1174

Other than the first tranche which have fully vested, no other performance shares have vested as at 30 June 2018.

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

REMUNERATION REPORT (audited) (continued)

Share based compensation

Performance shares

850,000 performance shares were issued to Mr. Avery on 28 December 2016, held in escrow, in accordance with his service agreement. These are in-substance options with nil exercise price and have been included in share based remuneration. The details of the performance hurdles for these performance shares are included in the detail provided in this Directors' Report for Mr. Avery's service agreement. As there are different performance shares based on different performance hurdles the values of these performance shares on grant range from $0.0237 to $0.10. These performance shares were forfeited subsequent to the year end.

On 12 June 2018, the company announced that it had planned to issue 800,000 performance shares each, subject to shareholder approval, to Mr James Chisholm and Mr Adrian Byass on the following terms (all expiring 1 June 2021):

- 200,000 performance shares when the share price exceeds 28 cents at all times for 10 consecutive trading days
- 200,000 performance shares when the share price exceeds 38 cents at all times for 10 consecutive trading days
- 200,000 performance shares when the share price exceeds 50 cents at all times for 10 consecutive trading days
- 200,000 performance shares when the share price exceeds 60 cents at all times for 10 consecutive trading days

Whilst the company had announced this intention, the company had not made the offer to the 2 relevant directors before or on 30 June 2018. Accordingly, no share-based payment has been recognised.

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	Expiry date	Hurdle price	Exercise price	Fair value per option at grant date
28 December 2016	31 May 2018	31 August 2018	$0.50	$0.30	$0.0118

These options are subject to performance price hurdles being met before they can be exercised. 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 2017 are set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2018	2017	2018	2017
Patrick Avery	-	[2] 1,700,000	-	[3]-100,000
James Chisholm	-	-	-	-
Adrian Byass	-	-	-	-
Stuart Richardson[1]	-	-	-	-

[2] *Includes 850,000 in-substance options being Performance Shares the details of which are provided above.*
[3] *Includes 100,000 performance rights released from escrow upon meeting performance hurdle.*

Some key personal management were issued shares with free attaching listed options, on the same terms as the rights issue completed in December 2016, in settlement of outstanding remuneration fees. These listed options do not appear in the above disclosure as these are not considered to be compensation.

REMUNERATION REPORT (audited) (continued)

Share based compensation (continued)

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					
Patrick Avery	107,143	-	-	-	107,143
James Chisholm	9,014,135	-	247,175	-	9,261,310
Adrian Byass	615,378	-	-	-	615,378
Stuart Richardson[1]	-	-	6,456,467	-	6,456,467
	9,736,656	**-**	**6,703,642**	**-**	**16,440,298**

[1]Mr. Richardson was appointed director of the Company on 29 June 2018

Additional disclosures relating to key management personnel

Performance shares

The number of performance shares which are treated as in-substance options 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	Additions	Converted to ordinary shares	Disposals/ other	Balance at the end of the year
Performance shares					
Patrick Avery	850,000	6,000,000[1]	-	(600,000)	6,250,000
James Chisholm	-	-	-	-	-
Adrian Byass	-	-	-	-	-
Stuart Richardson[1]	-	-	-	-	-
	850,000	**6,000,000**	**-**	**(600,000)**	**6,250,000**

1 See note above on service agreement. Performance rights that were subject to shareholder approval at 30 June 2018.

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 as part of remuneration	Granted as part of capital raising	Expired/ Forfeited	Balance at the end of the year
Options					
Patrick Avery	903,572	-	-	(600,000)	303,572
James Chisholm	3,614,326	-	-	(3,517,897)	96,429
Adrian Byass	1,222,744	-	-	(1,158,458)	64,286
Stuart Richardson[1]	-	-	-	-	-
	5,740,642	**-**	**-**	**(5,276,355)**	**464,287**

There were no options exercised during the year.

REMUNERATION REPORT (audited) (continued)

Share based compensation (continued)

	Vested at the end of the year	Unvested at the end of the year
Options over ordinary shares		
Patrick Avery	2,053,572	4,250,000
James Chisholm	96,429	-
Adrian Byass	64,286	-
Stuart Richardson[1]	-	-
	2,214,287	**4,250,000**

Other transactions with key management personnel and their related parties
There were no other transactions with key management personnel or their related parties.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Fertoz Limited under option at 30 June 2018 are as follows:

Grant date	Expiry date	Exercise price	Number under option
28 December 2016	29 September 2018	$0.18	16,125,025
Total			**16,125,025**

There were no options granted to officers who are among the five highest remunerated officers of the company and the group, but are not key management persons and hence all options issued to key management persons is disclosed in the remuneration report.

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

There were no ordinary shares of Fertoz Limited which were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted.

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 BDO (QLD) Pty Ltd, a related company of 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 $8,400 (2017: $8,000).

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

Patrick Avery

25 September 2018

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

As lead auditor for the audit of Fertoz Limited for the year ended 30 June 2018, 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.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 25 September 2018

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

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

Unit 1B, 205-207 Johnston Street
Fitzroy, VIC 3065

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 25 September 2018. The directors have the power to amend and reissue the financial statements.

Fertoz Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018	2017
		$	$
Revenue from continuing operations	4	**1,486,285**	943,696
Other income	4	**41,395**	34,981
		1,527,680	978,677
Expenses			
Costs of phosphate fertilizer		**1,302,000**	700,336
Depreciation and amortisation expense	5	**-**	325
Consultant fees & employee Compensation		**194,324**	107,179
Directors fees		**341,820**	486,942
Finance costs		**7,890**	9,347
Listing fees and share registry expenses		**49,733**	68,149
Professional services		**233,713**	322,135
Realised foreign currency losses		**7,629**	
Selling expenses		**184,828**	265,239
Share based payment		**445,334**	(49,843)
Travel		**33,411**	75,597
Other expenses		**159,710**	178,911
		2,960,392	2,164,317
Loss before income tax expense from continuing operations		**(1,432,712)**	**(1,185,640)**
Income tax expense	6	**-**	-
Loss after income tax expense for the year		**(1,432,712)**	**(1,185,640)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**118,257**	(101,331)
Other comprehensive income for the year, net of tax		**118,257**	(101,331)
Total comprehensive income for the year		**(1,314,455)**	**(1,286,971)**
Loss for the year is attributable to:			
Non-controlling interest		**-**	(7,565)
Owners of Fertoz Limited		**(1,314,455)**	(1,178,075)
		(1,314,455)	(1,185,640)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		**-**	(7,565)
Owners of Fertoz Limited		**(1,314,455)**	(1,279,406)
		(1,314,455)	**(1,286,971)**
Loss per share for profit attributable to the owners of Fertoz Limited			
Basic loss per share (cents)		**(1.48)**	(1.30)
Diluted loss per share (cents)		**(1.48)**	(1.30)

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

Fertoz Limited
Consolidated statement of financial position
As at 30 June 2018

	Note	2018	2017
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	**1,867,566**	1,587,877
Trade and other receivables	8	**288,371**	223,658
Inventories		**37,193**	34,827
Other current assets	9	**32,560**	50,138
Total current assets		**2,225,690**	1,896,500
Non-current assets			
Exploration and evaluation assets	10	**4,601,467**	4,054,016
Property, plant and equipment	11	**11,799**	19,367
Environmental Bonds	12	**138,745**	75,060
Total non-current assets		**4,752,011**	4,148,443
Total assets		**6,977,701**	**6,044,943**
Current liabilities			
Trade and other payables	13	**265,851**	328,937
Borrowings	14	**(11,974)**	17,095
Total current liabilities		**253,877**	346,032
Total liabilities		**253,877**	346,032
Net assets		**6,723,824**	**5,698,911**
Equity			
Issued capital	15	**16,717,686**	14,823,652
Reserves		**1,679,758**	1,234,424
Translation reserve		**27,423**	(90,834)
Retained losses		**(11,701,043)**	(10,268,331)
Total equity		**6,723,824**	**5,698,911**

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

Fertoz Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

	Issued capital	Retained losses	Share Based Payment Reserve	Translation Reserve	Non-controlling interest	Total equity
	$	$	$	$	$	$
Balance at 1 July 2017	**14,823,652**	**(10,268,331)**	**1,234,424**	**(90,834)**	**-**	**5,698,911**
						-
Loss after income tax expense for the year	**-**	**(1,432,712)**	**-**	**-**		**(1,432,712)**
Other comprehensive income for the year	**-**	**-**	**-**	**118,257**	**-**	**118,257**
Total comprehensive profit/(loss) for the year	**-**	**(1,432,712)**	**-**	**118,257**	**-**	**1,314,455**
Transaction with owners in their capacity as owners:						
Shares issued *(Note 15)*	**2,022,500**	**-**	**-**	**-**	**-**	**2,022,500**
Share issue costs *(Note 15)*	**(128,466)**	**-**	**-**	**-**	**-**	**(128,466)**
Share-based payments *(Note 28)*	**-**	**-**	**445,334**	**-**	**-**	**445,334**
At 30 June 2018	**16,717,686**	**(11,701,043)**	**1,679,758**	**27,423**	**-**	**6,723,824**
Balance at 1 July 2016	10,680,323	(8,827,649)	1,284,267	10,497	(246,169)	2,901,269
Loss after income tax expense for the year	-	(1,178,075)	-	-	(7,565)	(1,185,640)
Other comprehensive loss for the year				(101,331)		(101,331)
Total comprehensive loss for the year	-	(1,178,075)	-	(101,331)	(7,565)	(1,286,971)
Minority interest acquired by parent	-	(262,607)	-	-	253,734	(8,873)
Transaction with owners in their capacity as owners:						
Shares issued *(Note 15)*	4,410,000	-	-	-	-	4,410,000
Share issue costs *(Note 15)*	(266,671)	-	-	-	-	(266,671)
Share-based payments *(Note 28)*	-	-	(49,843)	-	-	(49,843)
At 30 June 2017	14,823,652	(10,268,331)	1,234,424	(90,834)	-	5,698,911

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

Fertoz Limited
Consolidated statement of cashflow
For the year ended 30 June 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers (exclusive of GST)		**1,075,048**	881,413
Payments to suppliers and employees (exclusive of GST)		**(2,183,936)**	(2,350,010)
Interest received		**6,869**	28,931
Interest paid		**7,890**	(9,357)
Net cash inflow / (outflow) from operating activities	26	**(1,093,589)**	(1,449,023)
Cash flows from investing activities			
Environment bonds	12	**(61,422)**	-
Payment for property, plant and equipment		**-**	(10,002)
Payment for exploration and evaluation assets		**(430,265)**	(1,341,378)
Acquisition of non-controlling interest in subsidiary		**-**	(8,873)
Net cash inflow / (outflow) from investing activities		**(491,687)**	(1,360,253)
Cash flows from financing activities			
Proceeds from issue of shares	15	**2,022,500**	4,350,002
Payments for equity raising costs	15	**(128,466)**	(266,673)
Drawdown of borrowings		**(29,069)**	112,511
Repayment of borrowings		**-**	(97,819)
Net cash inflow / (outflow) from financing activities		**1,864,965**	4,098,021
Net increase/(decrease) in cash and cash equivalents		**279,689**	1,288,745
Cash and cash equivalents at the beginning of the financial year		**1,587,877**	299,132
Cash and cash equivalents at the end of the financial year	7	**1,867,566**	1,587,877

The above consolidated statement of changes in equity 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 2018 was approved by the board on 25 September 2018.

Fertoz Limited (the Company) is a public company limited by shares incorporated and domiciled in Australia.
The Company's registered office is located at Unit 1B, 205-207 Johnston Street, Fitzroy, VIC 3065.

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.

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 24.

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 2018 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.

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.

Note 1. Significant accounting policies *(continued)*

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.

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.

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.

Note 1. Significant accounting policies *(continued)*

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 include 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.

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 weighted average 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.

Investments and other financial assets

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.

Note 1. Significant accounting policies *(continued)*

Property, plant and equipment
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.

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.

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.

Note 1. Significant accounting policies *(continued)*

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 and annual 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 long service leaves 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.

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 Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, market based vesting conditions, 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 Monte Carlo 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.

Note 1. Significant accounting policies *(continued)*
Share based payments (continued)

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.

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.

Note 1. Significant accounting policies *(continued)*
Business Combination *(continued)*

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.

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.

Note 1. Significant accounting policies *(continued)*

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.

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 2017. 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 and has assessed that there will be no material impact on adoption.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2018 and has assessed that there will be no material impact on adoption.

AASB 16 Leases
This standard will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
The accounting for lessors will not significantly change.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the consolidated entity does not intend to adopt the standard before its effective date and 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 Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. These models require a number of assumptions to be made including the expected future volatility of the share price, the estimated vesting date and the risk free interest rate. 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.

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

As disclosed in the financial statements, the Group achieved a net loss after tax of $1,432,712 (2017: $1,185,640) and net operating cash outflows of $1,093,589 (2017: $1,449,023) for the year ended 30 June 2018. As at 30 June 2018 the Group had cash of $1,867,566 (2017: $1,587,877).

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

- the ability of the Group to meet its cashflow forecasts;
- the ability of the Group to raise capital, as and when necessary; and
- the ability of the Group to sell non-core assets.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- proven ability of the Group to raise the necessary funding or settle debts via the issuance of shares, as evidenced by the raising of $2,022,500 in capital during the year ended 30 June 2018 and $1,175,288 subsequent to the year end; and
- dedicated plans established to run the rock phosphate operations.

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

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into three operating segments based on geographical location being Australian and Canadian operations, reflected by the subsidiaries in the Group. 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 June 2018	Australia	North America	Unallocated	Total
	$	$	$	$
Revenue				
Sales of phosphate fertilizer	1,133,878	352,407	-	1,486,285
Other revenue	-	-	34,526	34,526
Total revenue	1,133,878	352,407	34,526	1,520,811
Profit/(Loss) before income tax expense	111,422	(550,380)	(993,754)	(1,432,712)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	111,422	(550,380)	(993,754)	(1,432,712)
Assets				
Segment assets	242,521	5,779,796	955,384	6,977,701
Segment liabilities	780	(221,790)	(32,867)	(253,877)
Segment net assets	243,301	5,558,006	922,517	6,723,824

The Group supplies to a number of customers with the largest customer representing 37% of total sales for the Group, followed by one customer representing 8% and the next largest customer represents 7%.

Consolidated – 30 June 2017	Australia	North America	Unallocated	Total
	$	$	$	$
Revenue				
Sales of phosphate fertilizer	943,696	-	-	943,696
Other revenue	-	-	34,981	34,981
Total revenue	943,696	-	34,981	978,677
Profit/(Loss) before income tax expense	74,418	(349,534)	(910,524)	(1,185,640)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	74,418	(349,534)	(910,524)	(1,185,640)
Assets				
Segment assets	284,402	4,312,105	1,448,436	6,044,943
Segment liabilities	(149,503)	(81,145)	(115,384)	(346,032)
Segment net assets	134,899	4,230,960	1,333,052	5,698,911

Note 4. Revenue

	Consolidated 2018 $	Consolidated 2017 $
From continuing operations		
Sales Revenue		
Sale of phosphate fertilizer products	1,486,285	943,696
	1,486,285	**943,696**
Other revenue		
Interest	6,869	34,981
Other income	34,526	-
	41,395	**34,981**

Note 5. Expenses

	Consolidated 2018 $	Consolidated 2017 $
Loss before income tax from continuing operation includes the following specific expenses		
Depreciation	-	325
Share based payments	445,334	(49,843)

Note 6. Income tax

	Consolidated 2018 $	Consolidated 2017 $
Income tax expenses		
Current tax expense	(362,513)	(566,468)
Deferred tax expense	362,513	566,468
Aggregate income tax expenses	-	-
Numerical reconciliation of income tax and tax at statutory rate		
Profit before income tax expenses from continuing operations	(993,752)	(1,185,640)
Profit before income tax expenses from discontinuing operations	-	-
	(993,752)	(1,185,640)
Tax at statutory tax rate of 27.5% (2017: 27.5%)	(273,282)	(326,051)
Tax effect on amounts which are not deductible/(taxable) in calculating income		
Entertainment expenses	505	-
Share-based payments	112,467	(13,707)
	(150,310)	(339,758)
Deferred tax assets derecognised/(recognised)	150,310	339,758
Income tax expense	-	-
Deferred tax assets and liabilities		
Recognised deferred tax assets		
Carried forward losses	624,472	608,102
Accruals and provisions	-	-
Other deductible temporary differences	-	-
Deferred tax asset at 27.5% (2017:15%)	624,472	608,102
Recognised deferred tax liabilities		
Assessable temporary differences	-	-
Exploration and evaluation assets	(624,472)	(608,102)
Deferred tax liability at 27.5% (2017:30%)	(624,472)	(608,102)
Net deferred tax assets/(liabilities)	-	-

Note 6. Income tax (continued)

	Consolidated 2018 $	Consolidated 2017 $
Unrecognised deferred tax assets		
Unused tax losses	8,434,805	8,098,564
Capital raising costs in equity	353,722	382,230
Accruals and provisions	25,000	25,000
Other deductible temporary differences	113,960	205,584
	8,927,487	8,711,379
Deferred tax assets not taken up at 27.5% (2017: 30%)	2,455,059	2,395,629

Note 7. Current assets – Cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank	**390,524**	169,454
Cash on term deposit	**1,477,042**	1,418,423
	1,867,566	1,587,877

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	**1,867,566**	1,587,877
Balance as per statement of cashflows	**1,867,566**	1,587,877

Note 8. Current assets – Trade and other receivables

	Consolidated 2018 $	Consolidated 2017 $
Trade receivables	**288,371**	217,608
Other receivables	**-**	6,050
	288,371	223,658

An aged analysis of the receivables are as follows:

2018	Within terms $	<30 days $	31- 60 days $	61-90 days $	Older $	Total $
Trade receivables	195,949	61,790	-	13,274	17,358	288,371

2017	Within terms $	<30 days $	31- 60 days $	61-90 days $	Older $	Total $
Trade receivables	183,878	9,609	16,441	7,680	-	217,608

There was no impairment of receivable during the years ended 30 June 2018 and 2017.

Note 9. Current assets – Other current assets

	Consolidated 2018 $	Consolidated 2017 $
Prepayments	**-**	32,476
GST receivable	**32,560**	17,662
	32,560	50,138

Note 10. Non-current assets – Exploration and evaluation assets

	Consolidated 2018 $	Consolidated 2017 $
Exploration and evaluation assets, at cost	**4,601,467**	4,054,016

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

	2018	2017
Movements in property, plant and equipment		
Carrying amount at beginning of the year	**4,054,016**	2,933,404
Additions	**438,323**	1,281,129
Disposals	**-**	-
Foreign exchange movement	**109,128**	(160,517)
Carrying amount at the end of period	**4,601,467**	4,054,016

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 11. Non-current assets – Property, plant and equipment

	Consolidated 2018 $	Consolidated 2017 $
Plant and equipment, at cost	**70,454**	68,730
Less: accumulated depreciation	**(58,655)**	(49,363)
	11,799	19,367
Movements in property, plant and equipment		
Carrying amount at beginning of the year	**19,367**	31,727
Additions	**-**	10,002
Disposals	**-**	(12,773)
Depreciation capitalised to exploration and evaluation assets	**(8,058)**	(8,203)
Foreign exchange movement	**490**	(1,061)
Carrying amount at the end of year	**11,799**	19,367

Note 12. Non-current assets – Environmental bonds

	Consolidated 2018 $	Consolidated 2017 $
Movements in Environmental bonds		
Carrying amount at beginning of the year	75,060	77,678
Additions during the year	61,422	-
Redeemed	-	-
Foreign exchange movement	2,263	(2,618)
Carrying amount at the end of the year	**138,745**	**75,060**

Note 13. Current liabilities -Trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade creditors and accruals	**265,851**	328,937
	265,851	328,937

Refer to note 18 for further information on financial instruments.

Note 14. Current liabilities -Borrowings

	Consolidated 2018 $	Consolidated 2017 $
Debtor financing facility	(11,974)	17,095
	(11,974)	**17,095**

The Company has a debtor financing facility arrangement whereby it may drawdown on this facility upon the issuance of an invoice to a customer up to a total facility limit of $1,000,000 with any amount drawn down to be repaid within 90 days of the drawdown.

Note 15. Equity – Issued share capital

	2018 Number of shares	2017 Number of shares	2018 $	2017 $
Ordinary shares – fully paid	**106,444,530**	94,554,824	**16,717,686**	14,823,652

Movements in share capital

Details	Date	No of Shares	Issued Price ($)	Amount ($)
Balance	30 June 2016	62,704,806		10,680,323
Issue of shares – share placement [1]	16 August 2016	10,200,001	$0.14	1,428,000
Issue of shares – share placement [1]	30 September 2016	20,871,446	$0.14	2,922,002
Share issue costs				(266,673)
Issue of shares [2]	28 December 2016	428,571	$0.14	60,000
Issue of shares – employee share plan [3]	28 December 2016	350,000		-
Balance	**30 June 2017**	**94,554,824**		**14,823,652**
Issue of shares – share placement[4]	14 April 2018	11,764,706	$0.17	2,000,000
Share issue costs				(128,466)
Exercise of options[5]	29 June 2018	125,000	$0.18	22,500
Balance	**30 June 2018**	**106,444,530**		**16,717,686**

[1] The Company raised a total of $4,350,002 during the financial year via a private placement with the issue of 10,200,001 shares on 16 August 2016 and 20,871,446 shares on 30 September 2016. The shares were issued at $0.14 per shares with one free attaching unlisted option for each two shares issued at an exercise price of $0.18 exercisable within two years of issue.

[2] On 28 December 2016, the directors where issued 428,571 shares at $0.14 per share in lieu of directors fees worth $60,000 in accordance with the resolutions approved at the Annual General Meeting held on 29 November 2016.

[3] On 28 December 2016, the Company issued 350,000 fully paid ordinary shares ("**Performance Shares**") at a zero issue price to Mr Patrick Avery the Executive Chairman (100,000 shares) and to management (250,000 shares) under the Company's Employee Share Plan ("**ESP**") following the 2016 Annual General Meeting held on 29 November 2016. In addition, a further 750,000 fully paid ordinary shares in escrow were transferred to Mr Patrick Avery which were forfeited under the ESP by a former director and transferred to Mr Avery. These shares are considered to be in-substance options and are recognised as a share-based payment in the financial statements (refer to note 30).

[4] On 14 April 2018, the Company closed a private placement with the issue of 11,764,706 shares at a price of $0.17 per share. Share issuance costs of $128,466 were paid to a party related to a current director (Stuart Richardson). At the time of this transaction, Stuart Richardson was not a director of Fertoz Ltd. and as such this is not a related party transaction.

[5] On 29 June 2018, 125,000 options were exercised at a price of $0.18 per share.

Note 15. Equity – Issued share capital *(continued)*

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 16. Equity – Reserves

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.

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	
	2018 $	2017 $	2018 $	2017 $
US Dollars	**12,899**	7,630	**99,341**	26,732
Canadian Dollars	**1,005,873**	135,329	**122,449**	77,036
	1,018,772	142,959	**221,790**	103,768

Fertoz Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

Note 18. Financial Instruments *(continued)*

Market risk *(continued)*

Foreign currency risk (continued)

The consolidated entity had net financial assets denominated in foreign currencies of $796,982 as at 30 June 2018 (2017: $39,191). Based on this exposure, had the Australian dollar weakened by 5% or strengthened by 5% (2017: 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 $39,850 (2017: $1,960) lower and $39,850 (2017: $1,960) higher respectively.

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 $113,388 (2017: $94,370).

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 $3,719 (2017: $3,483). 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.

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.

The Company has bank deposits with the Commonwealth Bank of Australia and Toronto Dominion Bank which both have a standard and Poors short term credit rating of A-1+.

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	
	2018	2017
	$	$
Debtor financing facility (unused)	**1,000,000**	982,905
	1,000,000	982,905

Note 18. Financial Instruments *(continued)*

Liquidity risk *(continued)*
Financing arrangements (continued)

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflow
Consolidated - 2018	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	265,851	-	-	-	265,851
Interest-bearing						
Debtor financing facility	12.95%	-	-	-	-	-
Total non-derivatives		**265,851**	**-**	**-**	**-**	**265,851**

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflow
Consolidated - 2017	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	328,937	-	-	-	328,937
Interest-bearing						
Debtor financing facility	12.95%	17,095	-	-	-	17,095
Total non-derivatives		346,032	-	-	-	346,032

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Key Management Personnel Compensation

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

	Consolidated	
	2018	**2017**
	$	**$**
Short-term remuneration	**341,820**	455,338
Share-based payment	**423,833**	(66,090)
	765,653	389,248

Note 20. Auditors remuneration

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	
	2018	2017
	$	$
Audit services – BDO Audit Pty Ltd.	**35,019**	40,768
Other services – BDO(QLD) Pty Ltd	**8,400**	8,000
	43,419	48,768

Note 21. Contingency

There were no contingent assets or liabilities at balance date.

Note 22. Commitments

Exploration

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 (C$5 – C$20 per hectare) or to incur exploration expenditures in lieu (C$10 -C$40 per hectare). These work requirement outlays which arise in relation to granted tenements are as follows:

	Consolidated	
	2018	2017
	$	$
Due within one year	**31,797**	12,208
Due after one year and within five years	**878,198**	310,186
Due after five years	**-**	-

Note 23. Related Party transactions

Parent entity
Fertoz Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

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

Note 24. 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	
	2018	2017
	$	$
Loss after income tax	**(2,242,978)**	(2,110,524)
Total comprehensive loss	**(2,242,978)**	(2,110,524)

Note 24. Parent entity information *(continued)*

Statement of financial position

	Parent	
	2018 $	2017 $
Total current assets	**960,384**	941,511
Total assets	**5,747,468**	5,728,595
Total Current liabilities	**37,867**	115,384
Total liabilities	**37,867**	115,384
Equity		
Issued Share capital	**16,717,686**	14,823,652
Share based payment reserve	**1,679,758**	1,234,424
Accumulated loss	**(12,687,843)**	(10,444,865)
Total equity	**5,709,601**	5,613,211

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 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

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 25. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2018 %	2017 %
Fertoz International Inc.	Canada	100%	100%
Fertoz Agriculture Pty Ltd.	Australia	100%	100%

Note 26. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2018 $	2017 $
Loss after income tax expense for the year	**(1,432,712)**	(1,185,640)
Adjustments for:		
Depreciation	**-**	325
Share-based payments	**445,334**	(49,843)
Non-cash operating costs settled with equity	**-**	60,000
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(47,135)**	(111,471)
(Increase)/decrease in inventories	**(2,366)**	22,492
Increase/(decrease) in trade and other payables	**(56,710)**	(184,886)
Net cash used in operating activities	**(1,093,589)**	(1,449,023)
Non-cash financing and investing activities		
Settlement of liabilities with equity	-	60,000

Note 27. Earnings per share

	Consolidated	
	2018 $	2017 $
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax expense for the year	**(1,432,712)**	(1,185,640)
Non-controlling interest	-	7,565
Loss after income tax attributable to owners of Fertoz Limited	**(1,432,712)**	(1,178,075)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	**96,940,340**	87,681,826
Weighted average number of shares used in calculating diluted earnings per share	**96,940,340**	87,681,826
	Cents	Cents
Basic earnings per share	**1.48**	1.30
Diluted earnings per share	**1.48**	1.30

At 30 June 2018, 16,125,025 (2017: 46,769,492) 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 28. Share-based payments

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employment benefit expenses and project generation and business development expenses in terms of options and shares issued to directors, employees and consultants were $445,334 (2017: ($49,843))

Note 28. Share-based payments *(continued)*

At 30 June 2018, the following In-Substance options were outstanding and remain in escrow until the relative performance huddles are met as per below:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised / vested	Expired/ forfeited/ other	Balance at the end of the year
28/12/16	31/08/2017	$0.00	100,000	-	-	(100,000)	-
28/12/2016	30/06/2018	$0.00	250,000	-	-	(250,000)	-
28/12/2016	28/02/2018	$0.00	250,000	-	-	(250,000)	-
28/12/2016	31/08/2018	$0.00	250,000	-	-	-	250,000
28/12/2016	31/08/2017	$0.00	50,000	-	-	(50,000)	-
28/12/2016	31/12/2017	$0.00	75,000	-	-	(75,000)	-
28/12/2016	31/12/2018	$0.00	125,000	-	-	-	125,000
01/06/2018	01/06/2021	$0.00	-	6,000,000			6,000,000
			1,100,000	**6,000,000**	**-**	**(725,000)**	**6,375,000**
Weighted average exercise price			$0.00	$0.00	$0.00	$0.00	$0.00

Performance Shares	Number	Expiry Date	Milestone for release from escrow	Issue Price
Employee Shares	125,000	31/12/2018	The sale of a total of 30,000t of rock phosphate product from any of the Company's North American operations or joint ventures or project in which the Company has a majority stake	Nil
Chairman Shares	250,000	31/08/2018	The Company Share price exceeding 45c for 21 consecutive days	Nil
	2,000,000	-	Upon signing the consulting agreement	Nil
	1,000,000	01/06/2021	The Company's share price closing at 28c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 38c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 50c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 60c or above for 10 consecutive trading days	Nil
	6,375,000			

If the performance hurdles are not met by expiry date the shares will be returned to the Company.

The weighted average remaining contractual life of in-substance options outstanding at 30 June 2018 was 0.28 years. (2017: 0.84 years).

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised / vested	Expired/ forfeited/ other	Balance at the end of the year
28/11/2014	27/11/2017	$0.29	[1] 250,000	-	-	-	[1] 250,000
22/03/2016	18/02/2018	$0.00	500,000	-	-	(500,000)	-
22/03/2016	19/08/2017	$0.00	500,000	-	(250,000)	(250,000)	-
28/12/2016	30/06/2017	$0.00	-	100,000	-	(100,000)	-
28/12/2016	30/06/2018	$0.00	-	250,000	-	-	250,000
28/12/2016	28/02/2018	$0.00	-	250,000	-	-	250,000
28/12/2016	31/08/2018	$0.00	-	250,000	-	-	250,000
28/12/2016	31/08/2017	$0.00	-	50,000	-	-	50,000
28/12/2016	31/12/2017	$0.00	-	75,000	-	-	75,000
28/12/2016	31/12/2018	$0.00	-	125,000	-	-	125,000
			1,250,000	1,100,000	(250,000)	(850,000)	1,000,000
Weighted average exercise price			$0.058	$0.00	$0.00	$0.00	$0.058

Note 28. Share-based payments *(continued)*

The options outstanding at the year ended 30 June 2018 are as follows

2018

Grant date	Expiry date	Exercise price	Outstanding Balance at the beginning of the year	Granted	Exercised	Expired/ Forfeited	Outstanding Balance at the end of the year
29/05/2012	01/09/2017	$0.25	1,230,769	-	-	(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	461,538	-	-	(461,538)	-
03/12/2015	01/12/2017	$0.15	6,717,735	-	-	(6,717,735)	-
16/12/2015	01/12/2017	$0.15	5,600,000	-	-	(5,600,000)	-
03/12/2015	01/12/2017	$0.18	2,000,000	-	-	(2,000,000)	-
22/03/2016	01/12/2017	$0.18	2,333,333	-	-	(2,333,333)	-
22/03/2016	01/12/2017	$0.15	3,143,401	-	-	(3,143,401)	-
22/03/2016	29/08/2018	$0.25	125,000	-	-	-	125,000
22/03/2016	28/02/2018	$0.30	125,000	-	-	(125,000)	-
22/03/2016	29/08/2018	$0.35	125,000	-	-		125,000
08/08/2016	07/08/2018	$0.18	5,100,002	-	(125,000)		4,975,002
30/09/2016	29/09/2018	$0.18	10,435,736	-	-	-	10,435,736
28/12/2016	29/09/2018	$0.18	214,287	-	-	-	214,287
28/12/2016	31/08/2017	$0.20	350,000	-	-	(350,000)	-
28/12/2016	28/02/2018	$0.30	250,000	-	-	(250,000)	-
28/12/2016	31/08/2018	$0.40	250,000	-	-	-	250,000
			46,769,492	**-**	**(125,000)**	**(30,519,467)**	**16,125,025**
Weighted average exercise price			**$0.20**	**-**	**$0.18**	**$0.21**	**$0.19**

At 30 June 2018, none of the 16,125,025 (2017: 15,461,136) options were listed. The weighted average remaining contractual life of options outstanding at 30 June 2018 was 0.20 years. (2016: 0.64 years)

Note 28. Share-based payments *(continued)*

2017 Grant date	Expiry date	Exercise price	Outstanding balance at the start of the year	Granted	Exercised	Expired/ forfeited	Outstanding and exercisable balance at the end of the year
29/05/2012	01/09/2017	$0.25	1,230,769	-	-	-	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	461,538	-	-	-	461,538
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)	-
03/12/2015	01/12/2017	$0.15	6,717,735	- [1]	-	-	6,717,735
16/12/2015	01/12/2017	$0.15	5,600,000	- [1]	-	-	5,600,000
03/12/2015	01/12/2017	$0.18	2,000,000	-	-	-	2,000,000
22/03/2016	01/12/2017	$0.18	2,333,333	-	-	-	2,333,333
22/03/2016	01/12/2017	$0.15	3,143,401	- [1]	-	-	3,143,401
22/03/2016	18/02/2018	$0.15	100,000	-	-	(100,000)	-
22/03/2016	28/02/2017	$0.20	500,000	-	-	(500,000)	-
22/03/2016	29/08/2018	$0.25	500,000	-	-	(375,000)	125,000
22/03/2016	28/02/2018	$0.30	500,000	-	-	(375,000)	125,000
22/03/2016	29/08/2018	$0.35	500,000	-	-	(375,000)	125,000
08/08/2016	07/08/2018	$0.18	-	5,100,002	-	-	5,100,002
30/09/2016	29/09/2018	$0.18	-	10,435,736	-	-	10,435,736
28/12/2016	29/09/2018	$0.18	-	214,287	-	-	214,287
28/12/2016	31/08/2017	$0.20	-	350,000	-	-	350,000
28/12/2016	28/02/2018	$0.30	-	250,000	-	-	250,000
28/12/2016	31/08/2018	$0.40	-	250,000	-	-	250,000
			32,794,467	16,600,025	-	(2,625,000)	46,769,492
Weighted average exercise price			$0.23	$0.19	-	$0.43	$0.20

[1] *Of the 46,769,492 share options that were outstanding and exercisable at year end 15,461,136 were listed options*

Note 28. Share-based payments *(continued)*

Valuation Model
The fair value of options and in-substance options are determined at grant date, by the Company, using a trinomial option pricing model or probabilistic pricing model that takes into account the share price at grant date, exercise price, performance hurdles prices if any, expected volatility (determined by reference to historical volatility of the share price), option life, the risk free rate, and the fact that the options or in-substance options are not tradeable. The inputs used for the binomial option pricing model and probabilistic pricing model for options granted during the year ended 30 June 2018 were as follows:

Grant date	Expiry date	Number Issued	Share price at grant date	Exercise price	Performance hurdle price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
28/12/2016	31/08/2017	50,000	$0.10	-	Non market	92%	0%	1.95%	$0.1000
28/12/2016	31/12/2017	75,000	$0.10	-	Non market	92%	0%	1.95%	$0.1000
28/12/2016	31/12/2018	125,000	$0.10	-	Non market	92%	0%	1.95%	$0.1000
28/12/2016	30/06/2017	100,000	$0.10	-	Non market	92%	0%	1.95%	$0.1000
28/12/2016	30/06/2018	250,000	$0.10	-	Non market	92%	0%	1.95%	$0.1000
28/12/2016	28/02/2018	250,000	$0.10	-	$0.35	92%	0%	1.95%	$0.0237
28/12/2016	31/08/2018	250,000	$0.10	-	$0.45	92%	0%	1.95%	$0.0276
28/12/2016	31/08/2017	100,000	$0.10	$0.20	Non market	92%	0%	1.95%	$0.0102
28/12/2016	31/08/2017	250,000	$0.10	$0.20	$0.25	92%	0%	1.95%	$0.0078
28/12/2016	28/02/2018	250,000	$0.10	$0.25	$0.40	92%	0%	1.95%	$0.0095
28/12/2016	31/08/2018	250,000	$0.10	$0.30	$0.50	92%	0%	1.95%	$0.0118
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.28	81%	0%	2.06%	$0.1611
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.38	81%	0%	2.06%	$0.1455
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.50	81%	0%	2.06%	$0.1293
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.60	81%	0%	2.06%	$0.1174
01/06/2018	-	2,000,000	$0.18	-	-	-	-	-	$0.1800

Note 29. Matters subsequent to the end of the financial year

Subsequent to the year end, a total of 6,529,379 unlisted options were exercised at a strike price of $0.18 for total proceeds of $1,175,288. Expenses amounting to $33,795 were incurred in connection to the capital raise and payable to Blackwood Capital Limited, a company whose director is also a director of the Company.

500,406 options with exercise prices of $0.35 and $0.18 expired unexercised.

On 10 September 2018, 6,000,000 shares were issued to the Executive Chairman, further to shareholders approval of his executive contract.

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 2018 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

Patrick Avery
Chairman

25 September 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Fertoz Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fertoz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

Key audit matter	***How the matter was addressed in our audit***
Refer to note 10 of the financial report The Group carries exploration and evaluation assets in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to the significance of the total balance as a proportion of total assets and the level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but are not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as licence agreements and also considering whether the Group maintains the tenements in good standing. • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest. • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Fertoz Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 25 September 2018

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The shareholder information set out below was applicable as at 21 September 2018

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	18
1001 to 10,000	112
10,001 to 100,000	260
100,001 to 1,000,000	144
1,000,001 and over	21
Holding less than a marketable parcel	32

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

Rank	Name	Units	% Units
1	MR PATRICK AVERY	6,107,143	5.13
2	BOSTON FIRST CAPITAL PTY LTD	5,221,025	4.39
3	NIREB NOMINEES PTY LTD <NIREB A/C>	5,160,390	4.34
4	MR WILLIAM BOOTH	4,947,272	4.16
5	LENARK PTY LTD <LENARK INVESTMENT A/C>	4,657,824	3.91
6	BUCKET SUPER PTY LIMITED <BUCKET SUPER FUND A/C>	4,102,675	3.45
7	ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	2,963,997	2.49
8	PINNACLE SUPERANNUATION PTY LIMITED <PJF S/F A/C>	2,750,000	2.31
9	WILLSTREET PTY LTD	2,379,631	2.00
10	MR GARY GYNN + MRS BARBARA MARY GYNN <GARY GYNN SUPER FUND A/C>	2,110,000	1.77
11	MR JEFFREY MICHAEL WILSON	2,000,000	1.68
12	ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C>	1,914,286	1.61
13	STRATEGIC DEVELOPMENT PARTNERS (AUST) PTY LTD	1,703,571	1.43
14	MR LESLIE SZONYI	1,558,679	1.31
15	TWO TOPS PTY LTD	1,500,000	1.26
16	MR GREGORY FRANCIS HOGAN <G & M HOGAN SUPER FUND A/C>	1,428,986	1.20
17	ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	1,300,000	1.09
18	BOSTON FIRST CAPITAL PTY LTD	1,205,442	1.01
19	WISEVEST PTY LTD	1,200,000	1.01
20	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	1,114,286	0.94
Totals: Top 20 holders of Issued Capital (Ord and Escrow) (Total)		**55,325,207**	**46.50**
Total Remaining Holders Balance		**63,648,702**	**53.50**

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

	Ordinary shares	
	Number held	% of total shares issued
Boston first Capital	6,456,467	6.07%
Bernard Stephens	6,575,000	6.95%
Mr James Chisholm held in the name of Lenark Pty Ltd <Lenark Investment> and related parties Left brain strategies Pty Ltd <Left brain strategies A/C> and Bucket Super Pty limited <The Bucket Super Fund>	9,014,135	9.53%

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.