Fertoz Limited

ACN 145 951 622

Annual Report

For the year ended 31 December 2020

Fertoz Limited
Year ended 31 December 2020

Directors	Mr. Patrick Avery (Executive Chairman) Mr. Adrian Byass – Non-Executive Director *(Resigned on 23 June 2020)* Mr. James Chisholm – Non-Executive Director Mr. Stuart Richardson – Non- Executive Director Mr. Justyn Stedwell – Non-Executive Director *(Appointed on 20 November 2020)* Mr. Ronald Wilkinson – Non-Executive Director *(Resigned on 14 October 2020)*
Company Secretary	Mr. Justyn Stedwell
Registered office and Principal Place of business	Suite 103, Level 1, 2 Queen Street Melbourne, VIC 3000
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 Lawyer	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
Banker	Commonwealth Bank of Australia
Stock Exchange Listing	Australian Securities Exchange (FTZ)
Website	www.fertoz.com

Fertoz Annual Report Commentary – December 2020

- Increased number of partners, distributors, customers
- Review of granulation procedures led to decision to acquire granulator and offer Just-In-Time deliveries
- Review of weather events and related costs led to decision to store ore in warehouses near ore source and also at locations close to farmers
- Reduction in cost of satellite and drone imagery led to new products and services to be introduced in 2021
- Monitoring of the Carbon Revolution resulted in development of additional products and services in relation to carbon trading

ANNUAL REPORT – DECEMBER 2020

Chairman's Message

Dear Fellow Shareholder,

I am pleased to present the 2020 Annual Report for Fertoz Limited (ASX: FTZ) and provide an overview of our achievements for the period. We made significant progress during 2020 in sales, strategy development, marketing reach, joint ventures and product development, all whilst in lockdown due to Covid-19. As well, we conducted a study on the acquisition of a granulator so that we could begin our own granulation and provide a Just-In-Time delivery service on granulated fertilizers, and we started studying the potential for a new division, Fertoz Carbon, that would provide access to the burgeoning carbon credits market. Our Australian operations also made good progress during Covid, with increased sales and customers. And in all our operations, we will be pushing our new tag line – *Fertoz – Reducing Your Carbon Footprint.*

As we noted throughout 2020, phosphate is a key ingredient in the world's growing demand for food, but during the year, food security became an increasingly important issue. With more online orders for food, a huge increase in organic food consumption and the need to verify that foodstuffs were handled according to Covid regulations, we saw rising interest in the development and applications of an organic food blockchain.

Towards year-end with the outcome of the US elections decided but climate-related issues continuing to rise, the Company identified the potential to trade carbon credits and offer additional services in relation to these in the agriculture sector. Linked to this was the increasing visibility of precision farming using digital information sourced from satellites and drones. Some US companies, such as Indigo Ag, were quick to see the trend and are now looking at IPOs with valuations in excess of US$1 billion. While our market cap is well short of this, and our reach much, much smaller than Indigo Ag, we are, nevertheless, moving into 2021 with a clear focus on supplementing our offerings with digital and carbon services.

During 2020, we gained more evidence of the plant growth potential using Fertoz products. In 2020, we were focussed on marketing the 15% growth potential from using our products to organic and conventional farmers. Subsequent to year-end, we have expanded this and are now marketing the 15% growth potential to conventional fertilizer manufacturers, reforestation and timber management corporations. Why? Because 15% growth in plant matter correlates to increased carbon sequestration, and with carbon credits currently trading at US$20/ton, 15% growth across 3,000 acres of timber can equate to an extra 2,700 tons of CO_2e per year. In Canada, carbon credits are trading at approximately C$20/ton but with the increase tax on excess CO_2 announced by the Canadian Government, the price for carbon credits is likely to rise significantly. Some countries in Europe are already seeing prices of over US$100/tonne tax on excess CO_2. We envisage a huge disruption in the ag markets is about to occur due to the carbon revolution. And with our focus on putting carbon back into the soil, we think we can position Fertoz to benefit from this disruption.

We have substantial stockpiles of phosphate ore ready for crushing, screening and sales, exploration and development tenements in good-standing with permits in place, two contract granulators proximate to key organic farming areas, a growing network of distributors and partners, retailers and growers, and a dedicated and committed Fertoz team, who are always going the extra mile, spending extra time outside of work hours and coming up with ideas that lead to increased sales. It is this team that have developed our approach to carbon around four pillars:

- Carbon tracking and trading
- Fertoz products are a way to sequester significant amounts of carbon
- Measurement of soil organic and carbon matter
- Development and distribution of Carbon Trading Certificates, starting 1 May 2021

In 2020, we looked and are continuing to look for additional experienced personnel to join our dynamic team. We need to ensure that sales personnel can sell organic products and commercial phosphate blends, and that they not only generate enough income to cover their costs, but contribute to overall profitability. With Covid-19 restrictions in place, it was very difficult to source the types of people we required. We are hoping to correct that situation in 2021, but, as noted above, also looking to expand our services into carbon and digital.

With more than 200 million people already vaccinated in the USA, we are seeing the economy re-open and people are starting to once again look around for new challenges. The massive stimulus packages available and coming in the USA will certainly help, and with economic growth in the USA expected to be over 5% this year, we are quietly optimistic about our progress.

I would like to thank shareholders for their support over 2020. It was a tougher than expected year due to weather and Covid, but 2021 is shaping up to be a great year for the Company, with some major growth initiatives already underway.

Pat Avery
Executive Chairman
Fertoz Limited

Figure 1: On site ore processing, Butte, Montana

Fertoz

OPERATIONS REVIEW

Company Overview

Fertoz Limited (ASX: FTZ) is a premium phosphate company which mines, manufactures and markets organic phosphate in North America, and markets a fused silica-calcium-phosphate in Australia, Asia and the Pacific. The Company's focus is on providing quality input supplies to organic and conventional farmers looking for alternatives to standard, high-leaching fertilizers. These products are supplied direct to farmers or through numerous distributors across the United States, Canada, Australia, the Pacific and Asia.

In order to reduce costs, the Company has purchased its own granulation facility which is expected to be delivered and commissioned in mid-2021. An in-house facility will also allow the North American operations to offer Just-In-Time deliveries of granulated fertilizer blends to key agricultural corporations in the Pacific North West of USA, a key target market for Fertoz.

With the carbon revolution likely to significantly disrupt the agriculture sector, the Company has increased its range of products and services to cover carbon sequestration activities, facilitated by access to low-cost satellite and drone imagery. Access to this digital data has also allowed the Company to offer additional services to our customers, including offering fertilizer spreading patterns across farms, that reduce costs and increase efficiencies of farming operations.

Fertoz's key objective is to grow operations and profits, and then make dividend payments to shareholders. With the huge growth in organic food orders during Covid, the carbon revolution and focus on climate change now apparent in the USA, and increasing access to low-cost digital data, the Company is well-positioned to capitalise on agricultural market disruptions.

Fertoz ESG Strategy

Governance

- Board Composition
- Ethics
- Risk management

Planet

- Reduction of CO_2
- Water management
- Carbon trading

People

- Reduction in poverty
- Increase in health
- Inclusive

Prosperity

- Share wealth
- Enhance society
- Education

North America

Processing and production

The Company's move towards in-house granulation will significantly reduce costs associated with processing the Company's ore stockpiles but also enable product to be stored under cover in winter. Over the last few years, harsh winter conditions have often led to double-handling of our phosphate ore, a cost that was not able to be recouped from farmers. With the granulator expected to be delivered and operational in Q3, the Company is forecasting a much easier Autumn and Winter period in late 2021 in North America. These facilities will allow the Company to also develop speciality blends for specific customers and have them delivered on a Just-In-Time basis, differentiating us from our competitors.

As shown in the attached tenement listing, our tenements are still in good standing, as are our bulk sample permits, and contract supply agreements in Montana and Mexico. With increasing sales in the southern Alberta area over the last year, we expect to be accessing some of our Fernie ore in 2021, rather than truck it from Montana. With Covid impacting everything in 2020, we placed our bulk sampling at Fernie on hold, but, as noted above, the permit is valid and we expect to access that ore in 2021.

Sales and Partnerships

Despite Covid, we increased our partnerships and distributorships in 2020, and now have more than two dozen agreements in place, covering a number of states and organic farming regions in the USA and all key ag provinces in Canada. Next on our list is to establish warehouse /storage facilities across the USA and Canada so that farmers can get access to product from local sites, rather than have to truck or rail them from production facilities in Montana or Alberta. Once we have our own granulation facilities operational, we are expecting to deliver some product to key distributors on consignment and this, alone, is expected to increase sales. At this stage, we are investigating consignment of our key powders and granules, but as we secure suitable sites for distribution, we plan to add the broader product suite containing humates, nitrogen, sulfur, gypsum and other inputs.

Some of our distributors failed to reach their goals in 2020 – in terms of production and sales. This prompted a review of our production (leading to our decision to purchase our own granulator to reduce costs) and partnership arrangements (leading to our decision to seek suitable storage and distribution sites across Canada and the USA, and to investigate consignment arrangements). We believe our enhanced strategy combining in-house granulation, Just-In-Time offerings and local storage and consignment will positively impact sales in 2021 and 2022.

As well, with the increased availability of low-cost agricultural digital information, we embarked on some research into potential additional services. These are being rolled out in 2021 and centre around the interpretation of digital data, by satellite and drone, by Fertoz personnel who can then design specific fertilizer spread patterns for our customers. This helps them reduce costs, increase efficiency and produce more with less, and helps to put us into a more valuable position with our customers.

Further partnerships in agriculture were researched in late 2020 – specifically, those related to carbon sequestration and verification and carbon credit trading. The Company's Board and management is of the opinion that carbon sequestration and carbon credit trading is likely to become a major revenue source for farmers. Already, a number of farmers are selling their carbon sequestration potential. Although carbon credits are priced at around US$20/ton at present, this is expected to rise to around US$100/ton over the coming years as the tax for excess CO_2 increases from the current C$40/tonne to C$170/tonne. Indeed, Canada has set a path to C$170/tonne by 2030, and European carbon emitters are already being taxed at over US$60/tonne and in some European areas, over C$170/tonne for excess carbon.

The Company's research into this sector has resulted in the formation of some affiliations and partnerships that are expected to position the Company to capitalise on the carbon revolution. We can gain a leadership advantage in this market through two key factors:

1. The mining, manufacturing, and delivery of our rock phosphate produces just one sixth the amount of CO_2 as that of conventional fertilizer. Using our rock only, or in blends with commercial fertilizer, can greatly aid a buyer in reducing their carbon footprint; and

2. Field trials have consistently shown application of Fertoz products can lead to a 15% increase in crop growth, and thus in sequestration of carbon. What is also pertinent is that Fertoz is a very low carbon emitter – the only CO_2 generated is in crushing, granulating and transporting ore – whereas conventional fertilizer manufacturers are significant emitters of CO_2. Indeed, every major conventional fertilizer manufacturing site in Canada emits more than 50,000tpa of CO_2. It would make sense for conventional fertilizer manufacturers to buy organic fertilizers and mix it with their own products, just to cut down their CO_2 emissions. Based on the forecast tax for excess CO_2 of C$170/tonne by 2030 and the government reducing the cap on CO_2 production each year in Canada, major fertilizer manufacturers will be looking for any way to reduce their CO_2.

Both of these factors can lead to strong relationships with all buyers, organic and conventional and yield significant credits and income for the dealer and growers.

We will build out a comprehensive carbon program based on the following four pillars:

1. Carbon tracking and trading
2. Sequestering carbon through our fertilizers
3. Measuring soil organic and carbon matter for farmers
4. Providing Carbon Trading Certificates beginning 1 May 2021 for potential future trading

Figure 2: Processing ore in Montana

Australia and New Zealand

Fertoz's operation in Australia and the Asia-Pacific is known as Fertoz Agricultural Pty Ltd (FertAg).

Despite Covid, 2020 was a good year for these operations, with recurring sales and an increase in the number of clients serviced by the Company. The FertAg team also trialled product on different crops, all of which were successful. 2021 is shaping up to be a strong year as well, with increased orders, even though prices have had to be increased to cover the increased freight rates due to Covid.

South East Asia

In 2019, FertAg was approved for import and sale in the Philippines by the Fertilizer and Pesticide Authority and the first container of FertAg 0-15-0 was despatched to the Philippines. Sales have been encouraging, and the Company has recently acquired a small delivery vehicle to distribute product to farmers. Other distribution arrangements in PNG and NZ continue to be developed.

Figure 3: Local FertAg transport, Philippines

SAFETY

There were no lost time injuries or environmental incidents recorded during the 12 months ending 31 December 2020.

OUTLOOK

2021 is shaping up to be a good year for the Company, with the in-house granulator expected to significantly reduce costs, and the digital offerings expected to drive more sales of our fertilizer blends. As well, there is strong potential to increase revenues due to services related to the carbon market. With on-site storage associated with our granulation facility in Butte, Montana, we will be able to avoid the costs associated with frozen ore. With consignment inventory and/or remote storage facilities across Canada and the USA to allow local deliveries, we think 2021 should be a good year for the Company. As in the past, we will continue to extend our distribution network and sign up more partners.

With Covid restrictions easing in the USA (but not Canada, yet) we are hoping to finally secure some additional sales personnel to focus on California and potentially Texas, where we have experienced some growing orders for our Krezco ore.

Updates to the Fertoz website and our Google presence are planned in 2021, to market our increased services offerings in digital and carbon. We expect to continue with product development to meet our customers' needs and also continue with trials on different crops. Both of these are serious competitive advantages for the Company and also represent substantial entry barriers to new players. Additional marketing campaigns in Australia and Asia are also planned to benefit from the strong rebound in economies post-Covid. As noted above, the USA, in particular, is forecast to experience very strong economic growth in 2021 and 2022, and this should translate into higher demand for fertilizers.

Since 1770, world carbon dioxide levels have increased from approximately 280ppm to 417ppm, a rise equating to approximately 1 trillion additional tons of CO_2 in the atmosphere.

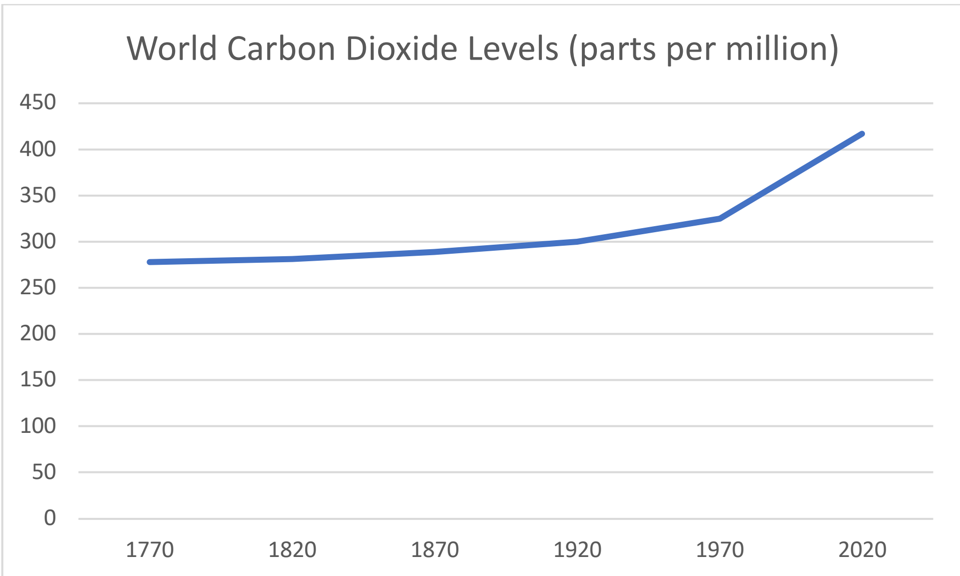

Figure 4: Rise in worldwide atmospheric carbon dioxide

Plants can sequester much of this CO_2, whether they be crops such as corn, wheat and millet, cover crops such as legumes, grasslands, or forests. Addition of organic fertilizers such as Fertoz rock phosphate powder increases plant growth and thus sequestration of carbon. Addition of Fertoz products to forests can also significantly increase growth, and with approximately 6t/acre of CO_2 sequestered in forests, and potentially 15% additional growth, the economics are compelling. Under US carbon rules, owners of existing forests can accelerate their CO_2 carbon credits in the first five years, leading to even more compelling economics.

Based on the research summarised above, Fertoz plans to market the potential carbon offsets available to forest owners and reforestation groups during 2021.

Cover cropping, no-till practices, reforestation can all increase the amount of carbon credits available to farmers

Production of Fertoz products is low carbon intensity, allowing farmers to secure more carbon credits for their crops

Fertoz products enhance growth leading to more sequestration of carbon

CORPORATE

Board appointment

During the year, Ron Wilkinson tendered his resignation to take up a position on the Board of a much larger fertilizer business. Justyn Stedwell, the Company's secretary, has filled the role vacated by Ron. The Board is seeking an Australian-based director, with experience in the fertilizer market, but with the Company's move to carbon and digital, the search criteria has expanded to include people who may not have the fertilizer experience, but do have experience in carbon markets and/or precision farming.

Cash

The Company had $1.156 million in cash as at 31 December 2020 and no significant loan balances owing. Cash and inventory (valued at cost) held by Fertoz at year end 2020 is estimated to be valued at approximately $1.377 million. Subsequent to year-end, the Company undertook a Rights Offering, raising $1.519 million.

Fertoz

APPENDIX 1 - TENEMENT

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	4/21/22	Fertoz International
WK-2	851948	100%	451.02	4/21/22	Fertoz International
WK-3	851952	100%	375.66	4/21/22	Fertoz International
WK-4	851958	100%	451.2	4/21/22	Fertoz International
WK-5	941760	100%	450.83	4/21/22	Fertoz International
WK-6	941761	100%	469.87	4/21/22	Fertoz International
WK-7	941762	100%	432.07	4/21/22	Fertoz International
WK-8	941763	100%	413.49	4/21/22	Fertoz International
WK-9	941764	100%	451.33	4/21/22	Fertoz International
WK-10	941769	100%	432.53	4/21/22	Fertoz International
WK-11	955278	100%	470.31	4/21/22	Fertoz International
WK-12	956829	100%	37.56	4/21/22	Fertoz International
WK-One	982744	100%	18.8	4/21/22	Fertoz International
Wapiti NE	1015556	100%	375.54	4/21/22	Fertoz International
Wapiti Two	1015557	100%	168.93	4/21/22	Fertoz International
Wapiti South	1015558	100%	376.35	4/21/22	Fertoz International
WAP S2	1018104	100%	451.82	4/21/22	Fertoz International
WAP S3	1018106	100%	451.75	4/21/22	Fertoz International
WAP S4	1018107	100%	451.93	4/21/22	Fertoz International
WAP S5	1018108	100%	452.09	4/21/22	Fertoz International
WAP S6	1018109	100%	452.3	4/21/22	Fertoz International
Red Deer 1	1023921	100%	150.2	4/21/22	Fertoz International
Red Deer 2	1023922	100%	206.3	4/21/22	Fertoz International
Red Deer 3	1023923	100%	150.1	4/21/22	Fertoz International
Munok	1029417	100%	207.38	4/21/22	Fertoz International
Munok 1	1015626	100%	169.58	4/21/22	Fertoz International
Belcourt 1	1015627	100%	113.27	4/21/22	Fertoz International
Munok 2	1024783	100%	603.05	4/21/22	Fertoz International
Belcourt 2	1024803	100%	301.76	4/21/22	Fertoz International
Belcourt 3	1024806	100%	188.7	4/21/22	Fertoz International
Belcourt 4	1024805	100%	339.78	4/21/22	Fertoz International
Belcourt Link	1027037	100%	282.59	4/21/22	Fertoz International
WAP 11	1027038	100%	168.94	4/21/22	Fertoz International
South 1	1029488	100%	112.64	4/21/22	Fertoz International

South 2	1029489	100%	376.16	4/21/22	Fertoz International
South Road 2	1030777	100%	413.66	4/21/22	Fertoz International
Wapiti Project total			**11,870.32**		
Project Name	**Tenement Number**	**Ownership**	**Approx. Area (ha)**	**Expiry Date**	**Registered Holder**
Fernie Project					
Barnes (formerly Barnes Lake)					
Barnes Lake	1011319	100%	608.98	5/19/22	Fertoz International
BL 2	1020873	100%	629.88	4/18/22	Fertoz International
BL 3	1046619	100%	524.89	1/12/22	Fertoz International
Barnes Lk West	1055454	100%	83.97	10/09/22	Fertoz International
South of Alberta 1	1059393	100%	309.31	3/17/22	Fertoz International
Barnes 5	1059412	100%	104.96	3/18/22	Fertoz International
Coal Mountain 1	1059422	100%	230.78	3/19/22	Fertoz International
Barnes Subtotal			**2,492.77**		
Pump Station (formerly known as Crows Nest)					
Crows Nest	1023062	100%	1450.89	10/15/2021	Fertoz International
Crows 2	1023064	100%	38.67	10/15/2021	Fertoz International
Pump Station Subtotal			**1,489.56**		
Marten					
Marten 1	1024365	100%	754.32	6/29/21	Fertoz International
Marten 2	1025533	100%	460.86	6/28/21	Fertoz International
Marten Nth	1029979	100%	334.99	8/01/21	Fertoz International
Marten E	1031107	100%	188.48	9/23/21	Fertoz International
Marten Subtotal			**1,738.65**		
Graves Lake					
Graves Lake 1	1046685	100%	499.54	10/14/22	Fertoz International
Graves 2	1058774	100%	208.29	10/22/22	Fertoz International
Graves 5	1063603	100%	208.42	10/04/21	Fertoz International
Graves 5	1063646	100%	83.38	10/06/21	Fertoz International
Graves 6	1063647	100%	228.87	10/06/21	Fertoz International
Graves 7	1063598	100%	166.44	10/04/21	Fertoz International
Graves 8	1063648	100%	41.60	10/06/21	Fertoz International
Graves 9	1063655	100%	41.61	10/07/21	Fertoz International
Graves 10	1063656	100%	41.66	10/07/21	Fertoz International
Graves Subtotal			**1,519.81**		
Big Horn					
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	3/10/21	Fertoz International
RAM 5	1050661	100%	295.58	3/10/21	Fertoz International
RAM 6	1050662	100%	253.5	3/10/21	Fertoz International
BIGHORN 7	1050686	100%	211.28	3/10/21	Fertoz International
Bighorn Southwest	1057281	100%	211.28	10/29/21	Fertoz International
BIG HORN Subtotal			**1,626.39**		
Fernie Project Total			**8,908.75**		
Crowsnest, Alberta, Canada					
TWP	9318030431	100%			Fertoz International
TWP	9318100162	100%			Fertoz International
Alberta Subtotal					
Canada Total			**20,737.50**		

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 31 December 2020.

Directors

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

Mr. Patrick Avery
Mr. Adrian Byass (Resigned on 23 June 2020)
Mr. James Chisholm
Mr. Stuart Richardson
Mr. Justyn Stedwell (Appointed on 20 November 2020)
Mr. Ronald Wilkinson (Resigned on 14 October 2020)

Principal activities

The Company's key objective is to become a leading supplier of rock phosphate organic fertilizers in North America and a profitable marketer of organic fertilizer products in Australia and develop sufficient profits to pay dividends to shareholders.

Dividends

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

Review of operations

Strategy

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, retailers and farms that are seeking low-leaching phosphate products.

Board Changes

During the year ended 31 December 2020, Mr. Adrian Byass and Mr. Ronald Wilkinson resigned as directors and Mr Justyn Stedwell was appointed as director.

Safety

There were no lost time, injuries or environmental incidents recorded during the period ended 31 December 2020.

Financials

The loss for the consolidated entity after providing for income tax amounted to $1,535,715 (2019: $1, 808,232).

Sales for the year ended 31 December 2020 were 53% higher than the previous year despite the restrictions due to COVID 19 in North America. The Group also spent $134,800 (2019: $554,339) on exploration expenditure during the year.

The Group impaired its inventory of phosphate materials in North America by an amount of $344,052. The impairment was necessary given that further works required to be carried out on the materials before sales was considered too expensive.

Available cash balance at year-end amounted to $1,156,678 (2019: $452,138).

Significant changes in the state of affairs

During the year ended 31 December 2020, the Group

(a) raised $2,000,000 through the issuance of 25,000,000 shares
(b) issued 922,500 ordinary shares to key members of the staff under the Employee Share Plan.

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 period under review.

Matters subsequent to the end of the financial year

On 8 March 2021, the Company announced a proposed capital raising of approximately $1,109,440 by way of a non-renounceable pro-rata rights issue of 1 new share for every 7 shares held.

Likely developments and expected results of operations

The consolidated entity intends to continue its fertilizer development and production activities, to acquire further suitable fertilizer projects as opportunities arise, to add more services in relation to carbon trading, and to implement the Company's ESG policies to become at least carbon neutral.

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 period 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: https://www.fertoz.com/company/corporate-governance/

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:	2,107,143
Interests in options:	None
Contractual rights to shares:	4,000,000 *(see below)*

a) 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.
b) 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.
c) 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.
d) 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.

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 35 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: TER);Ebony Iron Pty Ltd, which sold its assets to Strategic Minerals (AIM: SML); and hydrogen development company, Ebony Energy Ltd, which was recently acquired by Hexagon Energy Materials Ltd (ASX: HXG). Mr. Chisholm is experienced in start-up exploration and development companies.

He was also a director of Atrum Coal Ltd until mid-2019 (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:	10,235,564
Interests in options:	None
Contractual rights to shares:	None

Mr. Stuart Richardson BBA, CPA
Non-executive Director

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 former director of Abundant Produce Limited (ASX:ABT) (resigned on 24 April 2019) and former director of XTD Limited (ASX:XTD) (resigned 1 November 2018)

Interests in shares:	9,559,460
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.

Mr. Justyn Stedwell
Non-executive Director/Company Secretary

Mr. Stedwell is a professional company secretary with over 14 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), and Broo Ltd (ASX:BEE).

Interests in shares:	350,000
Interests in options:	None
Contractual rights to shares:	None

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 31 December 2020, and the number of meetings attended by each director were:

	Year ended 31 December 2020 Board of Directors	
	Number eligible to attend*	Number attended
Mr. Patrick Avery	4	4
Mr. Adrian Byass[1]	2	2
Mr. James Chisholm	4	3
Mr. Stuart Richardson	4	4
Mr. Justyn Stewell[2]	1	1
Mr. Ronald Wilkinson[3]	2	2

**Represents the number of meetings held during the time the director held office or was a member of the relevant committee*.
[1] *Resigned on 23 June 2020*
[2] *Appointed on 20 November 2020*
[3] *Resigned on 14 October 2020*

The Board of the Company undertakes 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.

REMUNERATION REPORT (audited) (continued)

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.

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 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

REMUNERATION REPORT (audited) (continued)

Consolidated entity performance and link to remuneration
The consolidated entity's remuneration framework is designed to attract, retain and motivate those people who can drive Fertoz' culture and deliver its business strategy and supports alignment to long term overall company performance and creation of shareholder value. Remuneration packages are structured that rewards meeting individual, business unit and the entity's targets and objectives, including maximising returns for shareholders.

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

The earnings of the consolidated entity for the two years to 30 June 2018, six months ended 31 December 2018 and years ended 31 December 2019 and 2020 are summarised below:

	2020[3] $	2019[3] $	2018[2] $	2018[1] $	2017[1] $
Sales revenue	2,035,125	1,326,264	1,458,596	1,486,285	943,696
EBITDA	(1,525,380)	(1,793,485)	(1,246,690)	(1,432,712)	(1,185,315)
EBIT	(1,535,715)	(1,808,232)	(1,246,690)	(1,432,712)	(1,185,640)
(Loss) after income tax	(1,535,715)	(1,808,232)	(1,246,690)	(1,432,712)	(1,185,640)

[1]*Years ended 30 June*
[2]*Six months ended 31 December*
[3] *Year ended 31 December*

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

	2020[3] $	2019[3] $	2018[2] $	2018[1] $	2017[1] $
Share price at financial year end ($)	0.05	0.08	0.20	0.175	0.075
Total dividends declared *(cents per share)*	-	-	-	-	-
Basic earnings per share *(cents per share)*	(1.01)	(1.41)	(1.05)	(1.5)	(1.3)

[1]*At 30 June*
[2]*At 31 December*
[3] *Year ended 31 December*

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 year ended 31 December 2020.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')
At the 2020 AGM, the remuneration report for the year ended 31 December 2019 was adopted. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT (audited) (continued)

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:

- Mr. Patrick Avery
- Mr. Adrian Byass (resigned on 23 June 2020)
- Mr. James Chisholm
- Mr. Stuart Richardson
- Mr. Justyn Stedwell (appointed on 20 November 2020)
- Mr. Ronald Wilkinson (resigned on 14 October 2020)

For the year ended 31 December 2020

	Short Term Benefits	Post Employment	Share Based Payments				Proportion of remuneration performance related
Director	**Salary and fees $**	**Superannuation $**	**Options $**	**Shares $**	**Total $**	**Fixed (%)**	**LTI (%)**
Patrick Avery (Executive Chairman)	241,161	-	142,936	-	**384,097**	63%	37%
Adrian Byass[1]	9,000	-	-	-	**9,000**	100%	-
James Chisholm	12,000	-	-	-	**12,000**	100%	-
Stuart Richardson[3]	12,000	-	-	-	**12,000**	100%	-
Justyn Stedwell[1,2]	-	-	-	-	**-**	-	-
Ronald Wilkinson[1]	27,000	-	-	-	**27,000**	100%	-
Total	**301,161**	**-**	**142,936**	**-**	**435,097**	**100%**	**33%**

[1] See resignation and appointment dates as per above

[2] Since his appointment as Director on 20 November 2020, Mr. Stedwell received $5,500 through an entity controlled by him as his capacity as Corporate Secretary.

[3] During the year, capital raising fees of $20,000 were paid to a company controlled by Mr. Richardson.

For the year ended 31 December 2019

	Short Term Benefits	Post Employment	Share Based Payments				Proportion of remuneration performance related
Director	**Salary and fees $**	**Superannuation $**	**Options $**	**Shares $**	**Total $**	**Fixed (%)**	**LTI (%)**
Patrick Avery (Executive Chairman)	297,275	-	-	84,202	**381,477**	78%	22%
James Chisholm	42,836	-	-	-	**42,836**	100%	-
Adrian Byass	36,000	-	-	-	**36,000**	100%	-
Stuart Richardson	36,000	-	-	-	**36,000**	100%	-
Ronald Wilkinson[1]	21,000	-	-	-	**21,000**	100%	-
Total	**433,111**	**-**	**-**	**84,202**	**517,313**	**84%**	**16%**

1 Mr. Wilkinson was appointed on 11 June 2019

REMUNERATION REPORT (audited) (continued)

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. Although the shareholders approved an increase in the salary to US$240,000, at Mr Avery's request, the salary remained at US$207,000 per annum for the first three months and was reduced to USD150,000 thereafter.

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 (already issued)
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 2,000,000 shares in (a) above have already been issued.

The cash bonuses identified in f), g) and h) above remain unused as at 31 December 2020.

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	1,000,000	$0.28	30 June 2020	$0.1527
1 June 2018	1,000,000	$0.38	30 September 2020	$0.1361
1 June 2018	1,000,000	$0.50	31 March 2021	$0.1156
1 June 2018	1,000,000	$0.60	30 June 2021	$0.1062

None of the above performance shares have vested as at 31 December 2020. The board has determined that there is low to no probability that the performance shares will vest on or before their expiry date of 30 June 2021.

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

REMUNERATION REPORT (audited) (continued)

Share based compensation

Options

No option over ordinary shares was granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2020.

Shareholding
The number of shares in the company held during the year ended 31 December 2020 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	2,107,143	-	-	-	2,107,143
James Chisholm	9,110,564	-	1,125,000	-	10,235,564
Adrian Byass	679,664	-	-	(679,664) [1]	-
Stuart Richardson	7,032,460	-	2,527,000	-	9,559,460
Justyn Stedwell	-	-	350,000	-	350,000
Ronald Wilkinson	-	-	-	-	-
	18,929,811	**-**	**4,002,000**	**(679,644)**	**22,252,167**

[1] *Adrian Byass resigned on 23 June 2020. Balance at year end is $nil.*

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:

Performance shares	Balance at the start of the year	Additions	Converted to ordinary shares	Disposals/ other	Balance at the end of the year
Patrick Avery	4,000,000	-	-	-	4,000,000
James Chisholm	-	-	-	-	-
Adrian Byass	-	-	-	-	-
Stuart Richardson	-	-	-	-	-
Justyn Stedwell	-	-	-	-	-
Ronald Wilkinson	-	-	-	-	-
	4,000,000	**-**	**-**	**-**	**4,000,000**

Option holding
No options over ordinary shares in the company were held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties'

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

There were no unissued ordinary shares of Fertoz Limited under option at 31 December 2020

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.

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

Fertoz Ltd. issued 25,000,000 ordinary shares pursuant to an underwritten share purchase plan at $0.08 each and 922,000 ordinary shares to employees under the Employee Share Plan during the year ended 31 December 2020 and up to the date of this report.

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 year ended 31 December 2020, 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 period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, 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 year ended 31 December 2020 by the auditor related to preparation of the tax return and taxation advice of $9,457 (2019: $13,685).

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.

Non-audit services

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

Pat Avery

Patrick Avery

30 March 2021

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF FERTOZ LIMITED

As lead auditor of Fertoz Limited for the year ended 31 December 2020 I declare that, to the best of my knowledge and belief, there have been:

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

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

A J Whyte
Director

BDO Australia Ltd

Brisbane

30 March 2021

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 period. 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

Suite 103, Level 1, 2 Queen Street
Melbourne, VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 March, 2021. 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 31 December 2020

	Note	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Revenue from contracts with customers	4	**2,035,125**	1,326,264
Cost of goods sold		**(1,534,843)**	(1,266,897)
		500,282	59,367
Other Income		**70,021**	15,846
Expenses			
Audit & accounting		**169,046**	203,990
Consultant fees & employee Compensation		**182,067**	160,225
Depreciation		**10,335**	14,747
Directors fees (non-executive)		**60,000**	135,836
Executive Director		**241,161**	297,275
Insurance		**74,312**	26,281
Investor relations		**44,100**	48,077
Legal		**-**	(2,917)
Listing fees and share registry		**73,859**	71,318
Marketing & selling		**623,327**	549,909
Office rent	2	**13,421**	41,657
Expected credit loss on receivables	8a	**-**	(27,633)
Provision for impairment of inventory	8b	**344,052**	-
Share based payment	5	**205,666**	236,452
Travel		**-**	44,017
Other expenses		**63,602**	66,566
Total expenses		**2,104,948**	1,865,800
Finance			
Interest income	**4**	**(589)**	(3,237)
Interest paid		**6,003**	6,027
Realized exchange loss/(gain)		**(4,344)**	14,855
		1,070	17,645
Loss before income tax expense		**(1,535,715)**	(1,808,232)
Income tax expense	6	**-**	-
Loss after income tax expense for the year		**(1,535,715)**	(1,808,232)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss)		**(540,682)**	183,216
Other comprehensive income for the year, net of tax		**(540,682)**	183,216
Total comprehensive income for the year		**(2,076,397)**	(1,625,016)
Loss per share for profit attributable to the owners of Fertoz Limited			
Basic loss per share (cents)	27	**(1.01)**	(1.41)
Diluted loss per share (cents)	27	**(1.01)**	(1.41)

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 31 December 2020

	Note	2020	2019
Assets		$	$
Current assets			
Cash and cash equivalents	7	**1,156,678**	452,138
Trade and other receivables	8	**255,183**	249,227
Inventories	8b	**221,032**	622,531
Other current assets	9	**89,407**	15,871
Total current assets		**1,722,300**	1,339,767
Non-current assets			
Exploration and evaluation assets	10	**5,536,663**	5,833,645
Property, plant and equipment	11	**67,121**	82,840
Environmental Bonds	12	**304,604**	328,451
Total non-current assets		**5,908,388**	6,244,936
Total assets		**7,630,688**	7,584,703
Current liabilities			
Trade and other payables	13	**394,466**	340,864
Borrowings	14	**-**	-
Total current liabilities		**394,466**	340,864
Total liabilities		**394,466**	340,864
Net assets		**7,236,222**	7,243,839
Equity			
Issued capital	15	**21,532,474**	19,606,629
Reserves		**2,136,430**	1,993,494
Translation reserve		**(141,000)**	399,682
Retained losses		**(16,291,681)**	(14,755,966)
Total equity		**7,236,222**	7,243,839

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 31 December 2020

	Issued capital $	Accumulated losses $	Share Based Payment Reserve $	Translation Reserve $	Total equity $
Balance at 1 January 2020	**19,606,629**	**(14,755,966)**	**1,993,494**	**399,682**	**7,243,839**
Loss after income tax expense for the period	**-**	**(1,535,715)**	**-**	**-**	**(1,535,715)**
Other comprehensive income for the period	**-**	**-**	**-**	**(540,682)**	**(540,682)**
Total comprehensive profit/(loss) for the period	**-**	**(1,535,715)**	**-**	**(540,682)**	**(2,076,397)**
Transaction with owners in their capacity as owners:					
Shares issued *(Note 15)*	**2,062,730**	**-**	**-**	**-**	**2,062,730**
Shares issuance costs *(Note 15)*	**(136,885)**	**-**	**-**	**-**	**(136,885)**
Share-based payments *(Note 28)*	**-**	**-**	**142,936**	**-**	**142,936**
At 31 December 2020	**21,532,474**	**(16,291,681)**	**2,136,430**	**(141,000)**	**7,236,223**
Balance at 1 January 2019	19,468,490	(12,947,734)	1,909,292	216,466	8,646,514
					-
Loss after income tax expense for the period	-	(1,808,232)	-	-	(1,808,232)
Other comprehensive income for the period	-	-	-	183,216	183,216
Total comprehensive profit/(loss) for the period	-	(1,808,232)	-	183,216	(1,625,016)
Transaction with owners in their capacity as owners:					
Shares issued	152,250	-	-	-	152,250
Share issue costs	(14,111)	-	-	-	(14,111)
Share-based payments	-	-	84,202	-	84,202
At 31 December 2019	19,606,629	(14,755,966)	1,993,494	399,682	7,243,839

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

Fertoz Limited
Consolidated statement of cashflows
For the year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		**2,001,145**	2,090,841
Payments to suppliers and employees		**(2,967,417)**	(3,840,833)
Interest received		**372**	3,237
Interest paid		**-**	(6,027)
Net cash inflow / (outflow) from operating activities	26	**(965,900)**	(1,752,782)
Cash flows from investing activities			
Purchase of equipment		**-**	(44,758)
Payment for security deposit		**-**	(180,376)
Payment for exploration and evaluation assets		**(134,800)**	(554,339)
Net cash inflow / (outflow) from investing activities		**(134,800)**	(779,473)
Cash flows from financing activities			
Proceeds from issue of shares	15	**2,000,000**	-
Payments for equity raising costs	15	**(136,886)**	(14,111)
Drawdown of borrowings		**-**	27,280
Net cash inflow / (outflow) from financing activities		**1,863,114**	13,169
Net increase/(decrease) in cash and cash equivalents		**762,414**	(2,519,086)
Cash and cash equivalents at the beginning of the financial period		**452,138**	2,930,139
Effects of exchange rate changes on cash and cash equivalents		**(57,874)**	41,085
Cash and cash equivalents at the end of the financial period	7	**1,156,678**	452,138

The above consolidated statement of cashflows 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 31 December 2020 was approved by the board on 30 March 2021.

Fertoz Limited (the Company) is a public company limited by shares incorporated and domiciled in Australia. The Company's registered office is located at Suite 103, Level 1, 2 Queen Street, Melbourne, VIC 3000.

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.

The separate financial statements of the parent entity, Fertoz Ltd., have not been presented within this financial report as permitted by the Corporations Act 2001.

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 31 December 2020 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.

Note 1. Significant accounting policies *(continued)*

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

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.

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.

Note 1. Significant accounting policies *(continued)*

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.

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.

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
Right-of-use assets
A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.
Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.
The group has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.
Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 1. Significant accounting policies *(continued)*

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.

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. 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 corporate bond rate 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.

Note 1. Significant accounting policies *(continued)*

Employee benefits (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo, Trinomial 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.

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.

The carrying values of financial assets and financial liabilities approximate their fair values due to their short-term nature.

Note 1. Significant accounting policies *(continued)*

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.

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.

Revenue Recognition
Sale of phosphate
Sales of phosphate is recognised when the phosphate is delivered to the customer and there is no unfulfilled obligation that could affect the customers' acceptance of the phosphate. Delivery occurs when the phosphate has been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the phosphate in accordance with the sales contract the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Incremental Costs of obtaining Customer Contracts
Incremental costs incurred in obtaining customer contracts are capitalised and amortised over the term, where the term is greater than 12 months.

Unsatisfied performance obligations
The Group continues to recognise its contract liabilities under AASB 15 in respect of any unsatisfied performance obligations, which are disclosed as Unearned revenue in the Consolidated Statement of Financial Position.

Financing components
The Group does not recognise adjustments to transition prices or Contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed one year.

Loss making contracts
A provision for loss making contracts is recorded for the difference between the expected costs of fulfilling a contract and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits.

Note 1. Significant accounting policies *(continued)*

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.

Trade and other receivables
Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Change in Accounting Policies and Accounting Standards
There were no new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and that had a material impact on the financial statements.

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.

Revenue recognition
The group has recognised revenue net of trade discounts and adjustment for moisture content during the year. The customer is entitled to receive a discount if the moisture contents in the product are above certain levels as specified in the contract. Management have determined that the discount applied as a result of moisture content has been adjusted for when recognising the revenue and a significant reversal in the amount of revenue recognised will not occur, therefore it is appropriate to recognise revenue on the invoiced amount net of discounts upon delivery of the product.

Trade Receivables
The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group has concluded that the expected loss rates for trade receivables are a reasonable approximation based on payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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.

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

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 $1,535,715 and net operating cash outflows of $965,900 for the year ended 31 December 2020. As at 31 December 2020 the Group had cash of $1,156,678 .

Subsequent to balance date the Company announced a non-renounceable rights offer to raise up to approximately $1,100,000. This offer is expected to close on 30 March 2021.

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. However, the directors highlight that the Company has a proven ability to raise the necessary funding or settle debts via the issuance of shares, as evidenced by the raising of $2,000,000 during the year; and further, that the Company is already operating an expanding rock phosphate and organic fertilizer business and plans to continue to expand this business in the coming year.

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.

Short term lease
The Group has short-term office lease arrangement that are month-to-month lease. The lease arrangement is such that, either party to the contract can give notice to terminate the arrangement or the contract does not oblige either party to make a payment on termination. As a result, the Group has assessed the lease arrangement to be non- enforceable, therefore continues to recognise any lease payments as an expense through the profit or loss.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two 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 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 thus disclosed under unallocated category

Consolidated – 31 December 2020	Australia	North America	Unallocated	Total
	$	$	$	$
Revenue				
Sales of phosphate fertilizer	856,594	1,178,531	-	2,035,125
Other income	70,021	-	-	70,021
Total revenue and other income	926,615	1,178,531	-	2,105,146
Profit/(Loss) before income tax expense	79,733	(1,064,705)	(550,743)	(1,535,715)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	79,733	(1,064,705)	(550,743)	(1,535,715)
Assets				
Segment assets	551,881	6,462,104	616,703	7,630,688
Segment liabilities	(84,190)	(212,572)	(97,704)	(394,466)
Segment net assets	471,691	6,249,532	518,999	7,236,222

Note 3. Operating segments *(Continued)*

Consolidated – 31 December 2019	Australia	North America	Unallocated	Total
	$	$	$	$
Revenue				
Sales of phosphate fertilizer	774,333	551,931	-	1,326,264
Other revenue	15,846	-	-	15,846
Total revenue	790,179	551,931	-	1,342,110
Profit/(Loss) before income tax expense	(67,574)	(1,172,790)	(567,868)	(1,808,232)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	(67,574)	(1,172,790)	(567,868)	(1,808,232)
Assets				
Segment assets	297,052	7,029,101	258,550	7,584,703
Segment liabilities	2,523	(252,551)	(90,836)	(340,864)
Segment net assets	299,575	6,776,550	167,714	7,243,839

Segment non-current asset

	Consolidated	
	2020	2019
	$	$
Non-current assets, excluding financial instruments and deferred tax assets, located in:		
Australia	**-**	-
Canada	**5,908,388**	6,244,936
	5,908,388	6,244,936

Note 4. Revenue

	Consolidated	
	2020	2019
	$	$
Sales Revenue		
Sale of phosphate fertilizer products – at point in time	**2,035,125**	1,326,264
	2,035,125	1,326,264
Other income		
Interest	**589**	3,237
Covid 19 cashflow and Jobkeeper funding	**58,250**	-
Other income	**11,771**	15,846
	70,021	15,846

Note 5. Expenses

	Consolidated	
	2020	2019
	$	$
Loss before income tax includes the following specific expenses		
Share based payments	**205,666**	236,452
Impairment of inventory	**344,052**	-

Note 6. Income tax

	Consolidated 2020 $	Consolidated 2019 $
Income tax expenses		
Current tax expense	**(237,398)**	(358,377)
Deferred tax expense	**237,398**	358,377
Aggregate income tax expenses	**-**	-
Numerical reconciliation of income tax and tax at statutory rate		
Profit/ (loss) before income tax expenses from continuing operations	**(1,535,715)**	(1,808,232)
Tax at statutory tax rate of 27.5% (2019: 27.5%)	**(422,322)**	(497,264)
Prior year under/ over provision	**776**	(73,947)
Tax effect on amounts which are not deductible/(taxable) in calculating income		
Tax adjustment for tax rate variance in foreign jurisdictions	**133,088**	146,599
Entertainment expenses	**1**	1,210
Share-based payments	**56,558**	65,024
	(237,398)	(358,377)
Deferred tax assets derecognised/(recognised)	**237,398**	358,377
Income tax expense	-	-
Deferred tax assets and liabilities		
Recognised deferred tax assets		
Carried forward losses	**830,499**	875,047
Accruals and provisions	**-**	-
Other deductible temporary differences	**-**	-
Deferred tax asset at 27.5% (2019:15%)	**830,499**	875,047
Recognised deferred tax liabilities		
Assessable temporary differences	**-**	-
Exploration and evaluation assets	**(830,499)**	(875,047)
Deferred tax liability at 27.5% (2019:30%)	**(830,499)**	(875,047)
Net deferred tax assets/(liabilities)	**-**	-
Unrecognised deferred tax assets		
Unused tax losses	**18,070,971**	10,667,609
Unused capital losses	**10,000**	10,000
Capital raising costs in equity	**229,479**	271,833
Accruals and provisions	**40,070**	51,598
Other deductible temporary differences	**20,981**	1,078
	18,371,502	11,002,748
Deferred tax assets not taken up at 27.5%% (2019: 27.5%)	**5,052,163**	3,025,756

Note 7. Current assets – Cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank	**1,156,678**	452,138
	1,156,678	452,138

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	**1,156,678**	452,138
Balance as per statement of cashflows	**1,156,678**	452,138

Note 8a. Current assets – Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	**255,914**	175,336
Less: expected credit loss provision	**(11,214)**	(11,214)
Other receivables	**10,483**	85,105
	255,183	249,227

Upon initial recognition of the amount receivable, the Group has applied the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognized from initial recognition of the receivable.

Upon initial recognition of the amount receivable, the Group has applied the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognized from initial recognition of the receivable. An allowance for expected loss was recognised based on a probability of default of 5% at the date of subsequent recognition of the receivable. At 31 December 2020, a provision on certain receivables amounting to $11,214 was maintained.

Note 8b. Current assets – Inventory

	Consolidated 2020 $	Consolidated 2019 $
Inventory consists of the following		
Crushed raw ore	**194,038**	510,078
Finished products	**26,994**	112,453
	221,032	622,531

During the year ended 31 December 2020, the company impaired inventory in North America by an amount of $344,052 following deterioration of the fertilizers due weather conditions.

Note 9. Current assets – Other current assets

	Consolidated 2020 $	Consolidated 2019 $
GST receivable	**9,295**	15,871
Other prepayments	**80,112**	-
	89,407	15,871

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

	Consolidated 2020 $	Consolidated 2019 $
Exploration and evaluation assets, at cost	**5,536,663**	5,833,645
Reconciliations of the carrying amounts at the beginning and the end of the current and previous financial year are set out below		
Movements in property, plant and equipment		
Carrying amount at beginning of the period	**5,833,645**	5,142,252
Additions	**134,800**	554,339
Foreign exchange movement	**(431,782)**	137,054
Carrying amount at the end of period	**5,536,663**	5,833,645

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 2020 $	Consolidated 2019 $
Plant and equipment, at cost	**152,702**	164,290
Less: accumulated depreciation	**(85,581)**	(81,450)
	67,121	82,840
Movements in property, plant and equipment		
Carrying amount at beginning of the year	**82,840**	51,256
Additions	**-**	44,758
Depreciation	**(10,335)**	(14,747)
Foreign exchange movement	**(5,384)**	1,573
Carrying amount at the end of year	**67,121**	82,840

Note 12. Non-curent assets – Environmental bonds

	Consolidated 2020 $	Consolidated 2019 $
Movements in Environmental bonds		
Carrying amount at beginning of the year	328,451	144,571
Additions	-	180,376
Foreign exchange movement	(23,847)	3,504
Carrying amount at the end of the year	**304,604**	**328,451**

Note 13. Current liabilities -Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade creditors	**312,848**	291,753
Accruals	**67,657**	49,111
Other payables	**13,961**	-
	394,466	340,864

Refer to note 18 for further information on financial instruments.

Note 14. Current liabilities -Borrowings

	Consolidated 2020 $	Consolidated 2019 $
Debtor financing facility	**-**	-
	-	-

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. No amounts were drawn down at year end.

Note 15. Equity – Issued share capital

	2020 Number of shares	2019 Number of shares	2020 $	2019 $
Ordinary shares – fully paid	**155,321,628**	129,399,128	**21,532,474**	19,606,629

Movements in share capital

Details	Date	No of Shares	Issued Price ($)	Amount ($)
Balance	31 December 2018	128,069,128		19,468,490
Shares[1]	25 June 2019	400,000	0.135	54,000
Shares[1]	1 July 2019	150,000	0.135	20,250
Shares[1]	29 November 2019	780,000	0.10	78,000
Share issuance costs[4]	31 December 2019	-	-	(14,111)
Balance	31 December 2019	129,399,128		19,606,629
Private placement[2]	21 February 2020	25,000,000	0.08	2,000,000
Shares[3]	12 August 2020	922,500	0.068	62,730
Share issuance costs[4]		-	-	(136,885)
Balance at 31 December 2020		**155,321,628**		**21,532,474**

[1] Shares were issued to members of the staff (non-directors) for achieving certain milestones at the discretion of the Board, the fair value of the shares measured based on the share price at grant date.
[2] On 21 February 2020, the Company completed an underwritten share purchase plan of 25,000,000 shares at 0.08 each for a total of $2,000,000.
[3] On 12 August 2020, the Company issued 922,500 shares to staff under the Employee Share Plan, when the shares were traded at $0.068
[4] Share issuance costs were incurred with respect of the share purchase plan, of which $14,111 in legal fees were incurred in the previous year. An amount of $20,000 was paid to a company related to a director during the current year.

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 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	
	2020 $	2019 $	2020 $	2019 $
US Dollars	**175,031**	58,916	**(116,363)**	(47,631)
Canadian Dollars	**352,404**	337,178	**(68,923)**	(192,290)
	527,435	396,094	**(185,286)**	(239,921)

The consolidated entity had net financial assets denominated in foreign currencies of $342,149 as at 31 December 2020 (2019: $156,474). Based on this exposure, had the Australian dollar 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 $17,107 (2019: $7,809) lower and $17,107 (2019: $7,809) 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 $203,512 (2019: $132,626). 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 $22,103 (2019: ($48,655)). 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 has no interest rate risk.

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+.

Note 18. Financial Instruments *(continued)*

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	
	2020	**2019**
	$	**$**
Debtor financing facility (unused)	**1,000,000**	1,000,000
	1,000,000	1,000,000

	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 – 2020	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	394,466	-	-	-	394,466
Total non-derivatives		**394,466**	**-**	**-**	**-**	**394,466**

	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 – 2019	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	340,684	-	-	-	340,684
Total non-derivatives		**340,684**	**-**	**-**	**-**	**340,684**

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	
	2020	2019
	$	$
Short-term remuneration	**292,161**	433,111
Share-based payment	**142,936**	84,202
	435,097	517,313

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	
	2020 $	2019 $
Audit services – BDO Audit Pty Ltd.	**50,017**	47,500
Tax services – BDO(QLD) Pty Ltd	**9,457**	13,685
	59,474	61,185

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

	Consolidated	
	2020 $	2019 $
Due within one year	**107,071**	415
Due after one year and within five years	**208,995**	386,594
Due after five years	**-**	-

During the year, the Government of British Columbia, Canada, has extended the validity (Good to date) of the tenements to 31 December 2021.

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	
	2020 $	2019 $
Loss after income tax	**(1,383,663)**	(1,665,707)
Total comprehensive loss	**(1,383,663)**	(1,665,707)

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	**598,740**	258,550
Total assets	**5,385,824**	5,045,634
Total current liabilities	**83,743**	90,836
Total liabilities	**83,743**	90,836
Equity		
Issued share capital	**21,532,474**	19,606,629
Share based payment reserve	**1,798,595**	1,993,494
Accumulated loss	**(18,028,988)**	(16,645,325)
Total equity	**5,302,081**	4,954,798

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 31 December 2020 and 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2020 and 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 and 2019.

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.

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	2020 %	2019 %
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 2020 $	2019 $
Loss after income tax expense for the year	**(1,535,715)**	(1,808,232)
Adjustments for:		
Share-based payments	**205,667**	236,452
Depreciation	**10,335**	14,747
Expected credit loss	**-**	(27,633)
Impairment of inventory	**344,052**	-
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	**(79,492)**	649,006
Decrease/(Increase) in inventories	**35,652**	(135,979)
(Decrease)/increase in trade and other payables	**53,601**	(681,143)
Net cash used in operating activities	**(965,900)**	(1,752,782)

Non-cash transactions

During the year ended 31 December 2020, the Company issued 922,500 shares (2019: 1,330,000) to staff members, valued at $62,730 (2019: $152,250).

Note 27. Loss per share

	Consolidated 2020 $	2019 $
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax expense for the period	**(1,535,715)**	(1,808,232)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	**151,262,340**	128,421,347
Weighted average number of shares used in calculating diluted earnings per share	**151,262,340**	128,421,347
	Cents	Cents
Basic loss per share	**1.01**	1.41
Diluted loss per share	**1.01**	1.41

At 31 December 2020, there were Nil (2019: nil) options 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 contract of services in terms of options and shares issued to directors amounting to $(194,899) (2019: $84,202) and to consultants, under the performance scheme, amounting $62,730 (2019: $152,250).

At 31 December 2020, the following In-Substance options were outstanding and remain in escrow until the relative performance huddles are met as per below:

31 December 2020 and 2019

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
01/06/2018	01/06/2021	$0.00	4,000,000	-	-	-	4,000,000
			4,000,000	**-**	**-**	**-**	**4,000,000**
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
Chairman Shares	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
	4,000,000			

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

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 period ended 31 December 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
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.28	81%	0%	2.06%	$0.1527
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.38	81%	0%	2.06%	$0.1361
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.50	81%	0%	2.06%	$0.1156
01/06/2018	01/06/2021	1,000,000	$0.18	-	$0.60	81%	0%	2.06%	$0.1062

Note 29. Events since the end of the financial year

On 8 March 2021, the Company announced a proposed capital raising of approximately $1,109,440 by way of a non-renounceable pro-rata rights issue of 1 new share for every 7 shares held.

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 and Interpretations 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 31 December 2020 and of its performance for the financial period 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

Pat Avery

Patrick Avery
Chairman

30 March 2021

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 31 December 2020, 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 31 December 2020 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 (including Independence Standards)* (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.

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 31 December 2020, 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.

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 (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 4 to 9 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Fertoz Limited, for the year ended 31 December 2020, 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

A J Whyte
Director

Brisbane, 30 March 2021

Fertoz Limited
Shareholder information
31 December 2020

The shareholder information set out below was applicable as at 24 March 2020

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	20
1001 to 10,000	98
10,001 to 100,000	210
100,001 to 1,000,000	136
1,000,001 and over	33
Holding less than a marketable parcel	75

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	LENARK PTY LTD <LENARK INVESTMENT A/C>	9,510,499	6.16
2	TWO TOPS PTY LTD	7,638,393	4.95
3	MR WILLIAM BOOTH	6,252,828	4.05
4	MR PATRICK AVERY	6,107,143	3.96
5	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	5,690,926	3.69
6	BOSTON FIRST CAPITAL PTY LTD	5,596,025	3.62
7	ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	4,911,000	3.18
8	NIREB NOMINEES PTY LTD <NIREB A/C>	4,757,838	3.08
9	PINNACLE SUPERANNUATION PTY LIMITED <PJF S/F A/C>	3,474,393	2.25
10	WISEVEST PTY LTD	2,938,489	1.90
11	PASAGEAN PTY LIMITED	2,637,173	1.71
12	WILLSTREET PTY LTD	2,579,631	1.67
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,453,519	1.59
14	OAK CAPITAL NOMINEES PTY LTD	2,152,500	1.39
15	GUNDY PARK PTY LTD <BRUCE FOYE P/L SUPERFUND A/C>	2,008,199	1.30
16	MR GARY GYNN + MRS BARBARA MARY GYNN <GARY GYNN SUPER FUND A/C>	1,957,000	1.27
17	BOSTON FIRST CAPITAL PTY LTD	1,781,435	1.15
18	HENDERSON INTERNATIONAL PTY LIMITED <HENDERSON SUPER FUND A/C>	1,777,500	1.15
19	STRATEGIC DEVELOPMENT PARTNERS (AUST) PTY LTD	1,703,571	1.10
20	EASTERN UNION INVESTMENTS PTY LTD <EASTERN UNION S/FUND A/C>	1,610,000	1.04
Total		**77,538,062**	**50.22**

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

	Ordinary shares	
	Number held	% of total shares issued*
Boston first Capital	6,456,462	6.07%
Mr James Chisholm held in the name of Lenark Pty Ltd <Lenark Investment> and related party Left Brain Strategies Pty Ltd <Left Brain Strategies A/C>	10,235,564	6.63%
Malcolm John Weber	9,622,489	6.2%
Two Tops Pty Ltd <The John Bond Investment A/C>	8,749,505	5.66%

*% of total shares issued of 128,069,128

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.