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Fertoz Limited

ACN 145 951 622

Interim Financial Report

For the six months ended 30 June 2022

Fertoz Limited

Six months ended 30 June 2022

Directors

Mr. Patrick Avery - Executive Chairman
Mr. Stuart Richardson – Non-Executive Director
Mr. Greg West – Non-Executive Director (appointed 14/02/2022)
Mr Justyn Stedwell – Non -Executive Director (resigned 14/02/2022)
Mr James Chisholm – Non-Executive Director (resigned 06/04/2022)

Company Secretaries

Ms. Nova Taylor & Mr. Max Crowley

Registered office and Principal Place of business

Level 5, 126 Phillip Street, Sydney NSW 2000

Share Register

Automic Group
www.automicgroup.com.au

Auditor

BDO Audit Pty Ltd
Level 10
12 Creek Street
Brisbane QLD 4000

Stock Exchange Listing

Australian Securities Exchange (FTZ)

Website

www.fertoz.com

Fertoz Limited

Six months ended 30 June 2022

DIRECTORS' REPORT

The directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') 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 six months ended 30 June 2022.

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 - Executive Chairman

Mr. Stuart Richardson – Non-Executive Director

Mr. Greg West – Non-Executive Director (appointed 14/02/2022)

Mr Justyn Stedwell – Non-Executive Director (resigned 14/02/2022)

Mr James Chisholm – Non-Executive Director (resigned 06/04/2022)

Principal activities

The Company's key objective is to become a leading supplier of rock phosphate organic fertilisers in North America and a profitable marketer of organic fertiliser products in Australia and to develop sufficient profits to pay dividends to shareholders. The Company is also developing a carbon projects business focusing on sustainable land management practices.

Financial Review

Financial results

The loss for the consolidated entity after providing for income tax amounted to \$2,156,979 (2021: loss \$576,852).

Financial position

At 30 June 2022, the consolidated entity had cash reserves of \$3,384,897 (31 December 2021: \$5,196,846). During the six months ended 30 June 2022, Fertoz Limited issued 656,073 performance shares to staff members (non-directors) and 400,000 shares to two directors in lieu of directors' fees.

Dividends

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

Review of operations

Company Overview

Fertoz is a premium organic certified phosphate sales and development company which is advancing the Wapiti and Fernie (BC and Alberta) deposits in Canada, blending, and selling organically certified natural rock phosphate, including contract operations in the USA, and distributing fused magnesium calcium phosphate in Australia, New Zealand and the Philippines.

Fertoz announced plans during the June 2021 quarter to expand its operations into the development of carbon projects both in land restoration (reforestation) and carbon in soil protocols in North America. The carbon division is advancing rapidly with interest in this service exceeding management's expectations with several reforestation projects advancing (SE Asia and Canada) and farmers in Canada signing to carbon in soil programs developed by Fertoz Carbon and our operating Partners.

The Company also focuses on servicing the regenerative farming market as well as conventional farmers in North America, Australia and New Zealand looking for alternatives to synthetic, high leaching fertilisers that are detrimental to soil health.

Fertoz Limited

Six months ended 30 June 2022

DIRECTORS' REPORT

The Company's key objective is to become a growth-oriented, cash-flow generating agribusiness returning dividends to shareholders by supplying regenerative fertilisers and carbon-based sustainable land management services to customers in North America, Australia, New Zealand and selected countries within Southeast Asia and Pacific who are looking to maximise soil health and sequester significant volumes of carbon dioxide.

Operations Overview

Fertoz is a Regenerative Ag Company and carbon solutions business using years of accumulated organic agriculture and fertilizer experience to improve the management of soil health and crop yields, sequester greenhouse gases and generate additional revenue streams for landowners, whether they be agricultural operations, forestry, or companies looking to rehabilitate abandoned lands.

Climate change is real and current, and to combat this, Fertoz offers private and public landowners a suite of products and services – from the establishment and verification of carbon credit generating projects, calculations of greenhouse gases sequestered in different vegetation types, banking, and trading of carbon credits, blending of low carbon fertilizers to reduce greenhouse gas emissions from farms and the sale and application of organic fertilizers to promote growth and soil health.

North America

During the first half of 2022, Fertoz continued its rapid growth by increasing fertilizer sales volume and revenue growth +67% in comparison to first half 2021, reflecting the market acceptance and demand for its high-quality product by both growers and manufacturers. This acceleration in demand also reflects the adoption of our products by conventional growers who continue to see the benefits from both a price, yield and soil health perspective. This view is well supported by the fact our forward orders for the coming 12 months are targeting at least 35,000 tonnes, a +100% growth rate year on year. Combined with the global outlook on fertilizer trade, we believe that our locally sourced, high quality organic phosphate will remain in strong demand throughout the near term.

Additionally, our joint venture "Fertify" with Excel Industries that was signed in June 2022 is ahead of schedule with expected completion before the end of this year and with it, confirmed orders for the product. This unique NPK (nitrogen, phosphate, potassium) blend will provide growers an all-in-one organic product at a cost-effective price, unlike many of the existing products in the market today. The ability to leverage existing sales of chicken litter from Excel Industries in the second half of 2022 will certainly help to establish this product in a dominant position across North America in an industry that is growing at a rate of 14% CAGR.¹

This rapid advancement in sales volume has also led to a focus on improved optimization of our mining and operations supply chain. Throughout the first half of 2022 we have been focused on significant improvements towards lowering our cost of goods and improving margins, specifically in storage facilities, improved crushing equipment and finalization of the granulation equipment. These investments that were instigated in the first half are now underway for completion in the second half and with it, an expectation to increase our quality, consistency, and reduction in cost of goods by up to 50% or more in the case of granulation. The ability to granulate will create significantly more market opportunities as growers continue to demand such finished goods for ease of application.



¹ <https://mordorintelligence.com/industry-reports/north-america-organic-fertilizers-market>

Fertoz Limited

Six months ended 30 June 2022

DIRECTORS' REPORT

High-grade rock phosphate discovery in Fernie, British Columbia

Fertoz has secured a new tenement in Canada after discovering high-grade rock phosphate in the Fernie region of British Columbia. The deposit is accessed from the surface, estimated+25km strike length and widths of typical 3-5m. Initial drill holes down to a depth of 3-6m returned field testing grades of +25% P_2O_5 and low impurities (high-grade material). Fertoz expects the new tenement to add easily accessible phosphate material to its future supply capabilities to help meet growing future demand.

Carbon Projects

Fertoz Carbon is focusing on regenerative agricultural opportunities including offering carbon credit programs to farmers in Canada. Farmers are offered 3-to-5-year contracts with Fertoz/Trimble Inc (NASDAQ: TRMB) to measure,



calculate and stack no-till and NERP protocol calculated carbon generation across millions of acres in Canada. Registering and contracting with Fertoz/Trimble will result in a carbon credit income stream to those farmers following the recently registered protocols (No-till and NERP) with carbon credits sold by Trimble to large emitters. Fertoz forecasts meaningful revenue from these programs in CY2022 to both farmers and Fertoz regarding its share of the carbon income stream. This program will continue to advance rapidly with Fertoz/Trimble

targeting a market leading position in North American markets.

Fertoz Carbon continues to invest (more than \$500,000 to date in FY22) in advancing the carbon in soil initiatives and reforestation projects in SE Asia and North America. Registration of these long-term projects involves extensive work up front including technical studies and securing approvals with validation of projects to follow. Large-scale reforestation projects that the group is targeting are capital intensive and discussions with potential partners is progressing positively regarding securing the carbon credits from the projects and providing critical funding as required. Once registered, these reforestation projects are long term assets with generation of carbon credits expected over the next 20-50 years per each project. All Fertoz carbon projects will be focused on meeting the strict standards for the Sustainable Development Goals set up in 2015 by the United Nations General Assembly. These global goals ensure we meet a shared blueprint for a better environment and prosperity for our communities and the planet, now and into the future.



Fertoz Limited

Six months ended 30 June 2022

DIRECTORS' REPORT



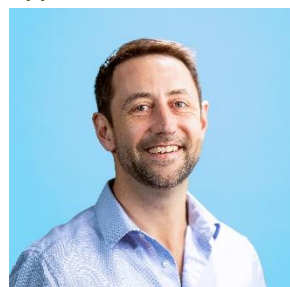
Australia / SE Asian operations

Fertoz Agriculture became a member of Fertiliser Australia and enlisted the peak body's aid in lobbying the Department of Agriculture to address delays in biosecurity clearance of containers on arrival to Australian ports. This has led to some delivery delays in 1H, resulting in a slowing of sales momentum. This initiative has already begun benefiting fertilizer buyers, as the recent shipment of 408 tonnes in early Q3 was processed with no undue delays.

Sales were also impacted in the June quarter due to continued wet weather in Queensland and NSW. Manufacturing costs and logistics costs rose in the quarter. This coupled with the drop in the Australian dollar has prompted another product price increase which will be implemented in the 3rd quarter. Overall, sales are on track to exceed 2021 full year results.

CORPORATE

Appointment of Chief Executive Officer



In April 2022, Fertoz appointed Daniel Gleeson as a Chief Executive Officer. Daniel was formerly the Global Marketing Head of agricultural technology and science company Syngenta Group and held positions at Limagrain including Vice President, Global Portfolio Manager, General Manager and National Sales Manager. Mr Gleeson has more than 20 years experience in the agribusiness sector across Australia, Asia, USA and Europe. Mr Gleeson has managed teams of up to 700 staff and annual revenues of more than US\$700 million. Subsequent to balance date Fertoz has announced appointments in the roles of Group CFO (Chicago based) and Sales Director North America (Idaho, USA).

Fertoz will continue to invest in high quality executives to expand our carbon operations and the regenerative Ag business.

Financial Commentary

First half revenues exceeded 67% growth Year-On-Year reflecting growing demand for the product suite.

Margins are unacceptable and initiatives in the 1H22 included additional capex (approx. US\$150,000) which is committed to storage facilities and finalising the installation of the granulator at Fertoz's partners facility in Butte, Montana USA. The partner is in the process of upgrading crushing and sizing equipment for rock phosphate facilities which will result in meaningful improvements to gross margin beginning 2H22 and into FY23. Note that expenditure for the 1H 2022 includes \$810,821 as a share based payment to executives and directors (a non cash flow item).

Fertoz Limited

Six months ended 30 June 2022

DIRECTORS' REPORT

Continuing investment into Fertoz Carbon programs will generate solid cashflows beginning 2H 2022 from carbon in soil initiatives. Progress continues with the reforestation project in SE Asia of degraded agricultural lands as well new scoping of reforestation projects in Western Canada.

The balance sheet remains well funded to execute the Fertoz strategy. Management and board remain very focused on moving Fertoz into a cashflow positive and profitable operation.

Corporate Other

Safety

There were no lost time, injuries or environmental incidents recorded during the period ended 30 June 2022.

Significant changes in state of affairs

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

Matters subsequent to the end of the financial period

Subsequent to 30 June 2022,

- The group completed tranche 1 of a placement of 26,944,445 ordinary shares at a price of \$0.18 for total proceeds of \$4,850,000. The second tranche of 833,334 shares at the price of \$0.18, will be issued to the directors who subscribed to the placement, subject to shareholders approval. The Group also issued 900,000 options exercisable at \$0.27 before 29 August 2025 as capital raising fee.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors


Patrick Avery

13 September 2022

Fertoz Limited

Six months ended 30 June 2022

AUDITOR'S INDEPENDENCE DECLARATION



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Australia

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

As lead auditor for the review of Fertoz Limited for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'A J Whyte', is written over a faint, circular, dotted background.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 13 September 2022

Fertoz Limited

Six months ended 30 June 2022

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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

Level 5, 126 Phillip St, Sydney NSW 2000

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 13 September 2022. 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 six months ended 30 June 2022

		Six months ended	
		30 June 2022	30 June 2021
		\$	\$
Revenue		1,924,234	1,152,399
Cost of goods sold		(1,700,023)	(917,639)
		224,211	234,760
Other Income		44,976	5,390
Expenses			
Audit & accounting		(140,191)	(90,955)
Consultant fees & employee compensation		(271,494)	(97,687)
Depreciation	7&9	(36,016)	(4,226)
Directors fees (non-executive)		(3,788)	(4,500)
Executive director salary		(279,907)	(97,309)
Insurance		(25,708)	(5,316)
Investor relations		(30,397)	(4,500)
Legal		(54,460)	(3,936)
Listing fees and share registry		(17,883)	(52,134)
Marketing & selling		(667,675)	(343,065)
Provision for impairment of debt	3	(3,515)	-
Share based payment	12	(810,821)	(56,810)
Travel		(34,856)	(1,319)
Other expenses		(51,451)	(44,592)
Total expenses		(2,428,162)	(806,349)
Finance			
Interest income		342	169
Lease charges	9	(2,657)	(3,001)
Realised exchange difference		4,311	(7,821)
		1,996	(10,653)
Loss before income tax expense		(2,156,979)	(576,852)
Income tax expense		-	-
Loss after income tax expense for the period		(2,156,979)	(576,852)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		181,897	362,437
Other comprehensive income for the period, net of tax		181,897	362,437
Total comprehensive income for the period		(1,975,082)	(214,415)
Loss per share for profit attributable to the owners of Fertoz Limited			
Basic loss per share (cents)	11	(0.94)	(0.34)
Diluted loss per share (cents)	11	(0.94)	(0.34)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Fertoz Limited
Consolidated statement of financial position
As at 30 June 2022

	Note	30 June 2022	31 December 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,384,897	5,196,846
Trade and other receivables	3	583,826	753,138
Inventories	5	752,208	395,523
Other current assets	4	492,291	91,360
Total current assets		5,213,222	6,436,867
Non-current assets			
Exploration and evaluation assets	6	6,359,855	5,958,789
Property, plant and equipment	7	498,546	492,522
Right-of-use assets	9	112,795	141,639
Environmental Bonds		332,522	325,410
Total non-current assets		7,303,548	6,918,360
Total assets		12,516,770	13,355,227
Current liabilities			
Trade and other payables	8	1,100,062	745,528
Lease liability	9	53,698	51,915
Total current liabilities		1,153,760	797,443
Non-current liabilities			
Lease liability	9	38,848	64,361
Total non-current liabilities		38,848	64,361
Total liabilities		1,192,608	861,804
Net assets		11,324,162	12,493,423
Equity			
Issued capital	10	29,528,751	29,099,284
Share based payment reserve		3,537,464	3,161,110
Translation reserve		459,438	277,541
Accumulated losses		(22,201,491)	(20,044,512)
Total equity		11,324,162	12,493,423

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 six months ended 30 June 2022

	Issued capital \$	Accumulated losses \$	Share Based Payment Reserve \$	Translation Reserve \$	Total equity \$
Balance at 31 December 2021	29,099,284	(20,044,512)	3,161,110	277,541	12,493,423
Loss after income tax expense for the period	-	(2,156,979)	-	-	(2,156,979)
Other comprehensive income for the period	-	-	-	181,897	181,897
Total comprehensive profit/(loss) for the period	-	(2,156,979)	-	181,897	(1,975,082)
<i>Transaction with owners in their capacity as owners:</i>					
Shares issued (Note 10)	434,467	-	-	-	434,467
Shares issuance costs (Note 10)	(5,000)	-	-	-	(5,000)
Share-based payments (Note 12)	-	-	376,354	-	376,354
At 30 June 2022	29,528,751	(22,201,491)	3,537,464	459,438	11,324,162

	Issued capital \$	Accumulated losses \$	Share Based Payment Reserve \$	Translation Reserve \$	Total equity \$
Balance at 31 December 2020	21,532,474	(16,291,681)	2,136,430	(141,000)	7,236,223
Loss after income tax expense for the period	-	(576,852)	-	-	(576,852)
Other comprehensive income for the period	-	-	-	362,437	362,437
Total comprehensive profit/(loss) for the period	-	(576,852)	-	362,437	(214,415)
<i>Transaction with owners in their capacity as owners:</i>					
Shares issued	1,446,800	-	-	-	1,446,800
Transfer					
Shares issuance costs	(12,000)	-	-	-	(12,000)
Share-based payments	-	-	56,810	-	56,810
At 30 June 2021	22,967,274	(16,868,533)	2,193,240	221,437	8,513,418

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

Fertoz Limited
Consolidated statement of cash flows
For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 \$	Six months ended 30 June 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,097,574	1,008,368
Other income		20,031	35,614
Payments to suppliers and employees (inclusive of GST)		(3,291,877)	(1,810,984)
Interest received		-	48
Net cash inflow / (outflow) from operating activities		(1,174,267)	(766,954)
Cash flows from investing activities			
Property, plant and equipment	4	(355,467)	(279,053)
Payment for exploration and evaluation assets	6	(321,777)	(44,749)
Net cash inflow / (outflow) from investing activities		(677,244)	(323,802)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,446,800
Payments for equity raising costs	10	(5,000)	(12,000)
Lease payments	9	(28,477)	-
Net cash inflow / (outflow) from financing activities		(33,477)	1,434,800
Net increase/(decrease) in cash and cash equivalents		(1,884,990)	344,044
Foreign exchange difference		73,041	10,675
Cash and cash equivalents at the beginning of the financial period		5,196,846	1,156,678
Cash and cash equivalents at the end of the financial period		3,384,897	1,511,397

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

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 1. Significant accounting policies

Corporate Information

Fertoz Limited (the Company) is a public company limited by shares incorporated and domiciled in Australia. The Company's registered office is located at Level 5, 126 Phillip Street, Sydney NSW 2000.

The financial report of Fertoz Limited for the six months ended 30 June 2022 comprises the Company and its controlled entities together ("Consolidated Entity" or "the Group").

A copy of the consolidated audited financial report of the Consolidated Entity as at and for the year ended 31 December 2021 is available upon request from the Company's registered office or at www.fertoz.com.

Basis of preparation

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, and the Corporations Act 2001.

The consolidated interim financial report does not include full disclosures of the type normally included in the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the audited financial report of the Group for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 13 September 2022.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in preparing this consolidated interim financial report, including the key sources of estimation uncertainty, were consistent with those applied in the Company's audited financial report for the year ended 31 December 2021.

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 incurred a net loss of \$2,156,979 and net operating cash outflows of \$1,174,267 for the period ended 30 June 2022. As at 30 June 2022 the Group has cash of \$3,384,897.

Subsequent to balance date the Company raised \$4,850,000 from a first tranche of a share issuance.

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

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- proven ability of the Group to raise the necessary funding or settle debts via the issuance of shares; and
- the group is 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.

Change in Accounting Policies and Accounting Standards

The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated audited financial report for the year ended 31 December 2021.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments taking into consideration geographical location and the product being sold. These operating segments are based on the internal reports that are reviewed and used by the board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

Where applicable, corporate costs, finance costs, interest revenue, tax, creditors, debtors and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a consolidated entity basis. These items are presented as "Unallocated items" in the table below.

Consolidated – 30 June 2022	Fertilizer Australia \$	Fertilizer North America \$	Carbon	Unallocated \$	Total \$
<i>Income</i>					
Sales of phosphate fertilizer – external sales	746,351	1,177,883	-	-	1,924,234
Other income	44,976	-	-	-	44,976
Total income	791,327	1,177,883	-	-	1,969,210
Profit/(Loss) before income tax expense	(8,099)	(669,263)	(174,024)	(1,305,593)	(2,156,979)
Income tax expense	-	-	-	-	-
Profit/(Loss) after income tax expense	(8,099)	(669,263)	(174,024)	(1,305,593)	(2,156,979)
<i>Assets</i>					
Segment assets	756,714	8,648,819	-	3,111,237	12,516,770
Segment liabilities	(168,474)	(822,774)	-	(201,360)	(1,192,608)
Segment net assets	588,240	7,826,045	-	2,909,877	11,324,162

Consolidated – 30 June 2021	Fertilizer Australia \$	Fertilizer North America \$	Unallocated \$	Total \$
<i>Income</i>				
Sales of phosphate fertilizer – external sales	605,930	546,469	-	1,152,399
Other income	5,390	-	-	5,390
Total income	611,320	546,469	-	1,157,789
Profit/(Loss) before income tax expense	1,139	(388,851)	(189,140)	(576,852)
Income tax expense	-	-	-	-
Profit/(Loss) after income tax expense	1,139	(388,851)	(189,140)	(576,852)
<i>Assets</i>				
Segment assets	575,894	7,463,877	998,133	9,037,904
Segment liabilities	(95,435)	(333,448)	(95,603)	(524,486)
Segment net assets	480,459	7,130,429	902,530	8,513,418

Consolidated – 31 December 2021	Fertilizer Australia	Fertilizer North America	Unallocated	Total
<i>Assets</i>				
Segment assets	542,635	8,430,888	4,381,704	13,355,227
Segment liabilities	(56,071)	(743,429)	(62,304)	(861,804)
Segment net assets	486,564	7,687,459	4,319,400	12,493,423

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 2. Operating segments (continued)

Consolidated	
30 June 2022	31 December 2021
\$	\$

Non-current assets, excluding financial instruments and deferred tax assets, located in:

Australia

North America

-	-
6,359,855	5,958,789
6,359,855	5,958,789

Note 3. Current assets – Trade and other receivables

Consolidated	
30 June 2022	31 December 2021
\$	\$
456,855	497,254
(14,896)	(11,110)
141,867	266,994
583,826	753,138

Trade receivables
Less: expected credit loss provision
Other receivables and prepayments

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 30 June 2022, further to a re- assessment of the amount trade receivable, credit loss of \$3,515 was recognised.

Note 4. Current assets – Other current assets

Consolidated	
30 June 2022	31 December 2021
\$	\$
136,824	91,360
355,467	-
492,291	91,360

GST receivable
Deposit on pelletising plant

During the period ended June 30, 2022, the Group made a deposit of USD250,000 (AUD355,467) on a fertilizer pelleting plant, costing USD1,248,000 which will be part of its contribution in a joint arrangement with Montana based company Excel Industries Inc. to create an NPK plant for organic and regenerative agriculture market.

Note 5. Current assets – Inventory

Consolidated	
30 June 2022	31 December 2021
\$	\$
466,456	330,909
285,752	64,614
752,208	395,523

Inventory consists of the following
Crushed raw ore
Finished products

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 6. Non-current assets – Exploration and evaluation assets

Consolidated	
30 June 2022 \$	31 December 2021 \$

Exploration and evaluation assets, at cost

6,359,855 5,958,789

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

Movements in exploration and evaluation assets

Carrying amount at beginning of the period	5,958,789	5,536,663
Additions	321,777	988,418
Proceeds from sale of material removed from Fernie	-	(943,450)
Foreign exchange movement	79,289	377,158
Carrying amount at the end of period	6,359,855	5,958,789

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

	Plant & Equipment	Asset under Construction ¹	Total
<i>Cost or valuation</i>	\$	\$	\$
Balance at 1 January 2021	152,702	-	152,702
Additions	-	429,699	429,699
Exchange difference	10,110	-	10,110
Balance at 31 December 2021	162,812	429,699	592,511
Exchange difference	3,375	9,169	12,544
Balance at 30 June 2022	166,187	438,868	605,055
<i>Accumulated depreciation</i>			
Balance at 1 January 2021	85,581	-	85,581
Depreciation for the year	8,678	-	8,678
Exchange difference	5,730	-	5,730
Balance at 31 December 2021	99,989	-	99,989
Depreciation for the period	4,445	-	4,445
Exchange difference	2,075	-	2,075
Balance at 30 June 2022	106,509	-	106,509
Net book value			
At 30 June 2022	59,678	438,868	498,546
At 31 December 2021	62,823	429,699	492,522

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 8. Current liabilities -Trade and other payables

	Consolidated	
	30 June 2022 \$	31 December 2021 \$
Trade creditors	1,009,910	664,211
Accruals & other payables	90,153	81,317
	1,100,063	745,528

Note 9. Right-of-use assets and current liabilities

The group has leased assets – motor vehicle and office during the period ended 30 June 2022. Information about the leases is presented below.

Right-of-use assets

	Motor Vehicle	Office Building	Total
	\$	\$	\$
At 1 January 2022	81,086	60,553	141,639
Amortisation	(14,065)	(17,506)	(31,571)
Exchange difference	1,599	1,128	2,727
Balance at 30 June 2022	68,620	44,175	112,795

Lease liabilities

	Motor Vehicle	Office Building	Total
	\$	\$	\$
At 1 January 2022	55,188	61,089	116,277
Interest expenses	1,564	1,093	2,657
Lease payments	(10,455)	(18,022)	(28,477)
Foreign exchange movement	1,074	1,015	2,089
Balance at 30 June 2022	47,371	45,175	92,546
Lease liability within one year	16,612	37,086	53,698
Lease liability between 1-5 years	30,759	8,089	38,848

Interest expense (lease charges) amounting to \$2,657 has been recognised in the profit or loss for the period ended 30 June 2022. Amount of payment of principal portion of lease liability recognised in the statement of cashflows is \$28,477.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 10. Equity – Issued share capital

	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	Number of shares	Number of shares	\$	\$
Ordinary shares – fully paid	229,057,033	227,600,960	29,528,751	29,099,284

Movements in share capital

Details	Date	No of Shares	Issued Price (\$)	Amount (\$)
Balance	31 December 2020	155,321,628		21,532,474
Rights issue	9 April 2021	30,395,999	0.05	1,519,800
Placement	14 July/7 September 2021	33,333,333	0.15	5,000,000
Performance shares released	5 August 2021	3,000,000	0.23	690,000
Shares in lieu of directors' fees	5 August 2021	3,500,000	0.23	805,000
Shares in lieu of director's fees	5 November 2021	350,000	0.23	80,500
Shares issued under ESOP	5 November 2021	1,700,000	0.365	620,500
Share issuance costs		-	-	(1,148,990)
Balance at 31 December 2021		227,600,960		29,099,284
Performance shares released ¹	18 January 2022	656,073	0.365	239,467
Shares issued under ESOP ¹	18 January 2022	400,000	0.288	115,000
Shares in lieu of directors fees ²	22 January 2022	400,000	0.20	80,000
Share issuance costs		-	-	(5,000)
Balance at 30 June 2022		229,057,033		29,528,751

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 22 January 2022, the Company issued 400,000 shares to Directors in settlement of unpaid directors' fees. The shares were valued at the fair value of the shares at the date of the general meeting where they were approved.

Note 11. Loss per share

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<i>Earnings per share for profit/(loss)</i>		
Loss after income tax expense for the period	(2,156,979)	(576,852)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	228,575,071	168,569,728
Weighted average number of shares used in calculating diluted earnings per share	228,575,071	168,569,728
	Cents	Cents
Basic loss per share	0.94	0.34
Diluted loss per share	0.94	0.34

At 30 June 2022, there were 5,000,000 (2021: nil) options outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss after income tax for the period, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 12. 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 for services in terms of options and shares issued to directors, employees and consultants were \$810,821 (2021: \$56,810).

For the reporting period, movement in performance rights are as per below:

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
01/06/2021	01/06/2024	\$0.00	750,000	-	-	-	750,000
17/09/2021	-	\$0.00	1,600,000	-	(656,073)	-	943,927
26/04/2022	-	\$0.00	-	7,750,000	-	-	7,750,000
			2,350,000	7,750,000	(656,073)	-	9,443,927
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Performance Rights	Number	Expiry Date	Milestone for release from escrow	Issue Price
Chairman Rights	250,000	01/06/2024	Achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz Carbon before 1 June 2024	Nil
	250,000	01/06/2024	Sale of \$500,000 of Carbon Credits in a project managed by Fertoz Carbon before 1 June 2024	Nil
	250,000	01/06/2024	Achievement of 60,000t of fertilizer sales in any one year before 1 June 2024	Nil
	750,000			

It has been assumed that the performance hurdles for the above performance rights will not be met by 1 June 2024.

Consultants Rights	943,927	01/10/2022	Achievement of operations targets	Nil
	943,927			

It has been assumed that the performance hurdles for the above performance rights will be met by 1 October 2022. The performance rights have been measured at the share price at the date they were granted and are expensed over the period from grant date to the assumed vesting date.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2022

Note 12. Share-based payments (continued)

During the period ended 30 June 2022, the Group agreed to issue 7,750,000 performance rights to the Chief Executive Officer. These are as follows:

Performance Rights	Number	Assumed Vesting Date	Milestone for release from escrow	Issue Price
CEO Rights	3,000,000 ¹	Anniversary dates	1,000,000 vested at commencement of employment. 1,000,000 rights will vest at each of the first and second anniversary of continuing employment and in good standing	Nil
	4,000,000 ²	30 June 2024	1,000,000 rights will vest when shares trading on ASX at a VWAP of \$0.40 for 10 consecutive days	Nil
			1,000,000 rights will vest when shares trading on ASX at a VWAP of \$0.50 for 10 consecutive days	Nil
			2,000,000 rights will vest when shares trading on ASX at a VWAP of \$0.65 for 10 consecutive days	Nil
	250,000	31/12/2024	Achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz Carbon before 1 June 2024	Nil
	250,000	31/12/2024	Sale of \$500,000 of Carbon Credits in a project managed by Fertoz Carbon before 1 June 2024	Nil
	250,000	31/12/2024	Achievement of 60,000t of fertilizer sales in any one year before 1 June 2024	Nil
	7,750,000			

¹ The performance rights were valued at the date of shareholders' approval at the Annual General Meeting held on 30 May 2022 at \$0.20 per right for a total of \$600,000, with a probability of vesting of 100%. Amount recognised during the period to 30 June 2022 was \$229,680

² The fair value of rights are determined at grant date, by the Company, using a Monte Carlo Simulation Methodology (MCSM) that takes into account the share price at grant date, performance hurdles prices, expected volatility (determined by reference to historical volatility of the share price), performance right life based on an assumed tenure of 10 years, the risk free rate, and the fact that the performance rights are not tradeable. The inputs used for the MCSM pricing model for options outstanding during the period ended 30 June 2022 were as follows:

Grant date	Assumed Expiry date	Number Issued	Share price at grant date	Exercise price	Performance hurdle price	Expected volatility	Risk-free Interest rate	Time to achieve hurdle price	Fair value at grant date
04/04/2022	04/04/2032	1,000,000	\$0.20	-	\$0.40	86%	3.25%	6 years	\$0.1922
04/04/2022	04/04/2032	1,000,000	\$0.20	-	\$0.50	86%	3.25%	7 years	\$0.1889
04/04/2022	04/04/2032	2,000,000	\$0.20	-	\$0.65	86%	3.25%	8 years	\$0.1845

An amount of \$48,214 was recognised during the period ended 30 June 2022

³ The performance rights were valued at the date of commencement of employment at \$0.20 per right for a total of \$150,000, with a probability of vesting of 100%. Amount recognised during the period to 30 June 2022 was \$11,480

Note 13. Matters subsequent to the end of the financial period

Subsequent to 30 June 2022,

- The group completed tranche 1 of a placement of 26,944,445 ordinary shares at a price of \$0.18 for total proceeds of \$4,850,000. The second tranche of 833,334 shares at the price of \$0.18, will be issued to the directors who subscribed to the placement, subject to shareholders approval. The Group also issued 900,000 options exercisable at \$0.27 before 29 August 2025 as capital raising fee.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

Fertoz Limited

Directors' Declaration

For the six months ended 30 June 2022

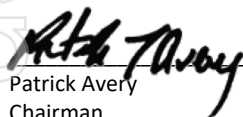
In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001; and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 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 303 (5) (a)A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(c) of the *Corporations Act 2001*.

On behalf of the directors


Patrick Avery
Chairman

13 September 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ferto Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Ferto Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'A J Whyte', is written over a faint, circular BDO logo.

A J Whyte
Director

Brisbane, 13 September 2022