Fertoz Limited

ACN 145 951 622

Audited Financial Statements
For the year ended 31 December 2022

Fertoz Limited
Year ended 31 December 2022

Directors	Mr. Stuart Richardson	Non-Executive Chairman (Appointed 2 December 2022)
		Non-Executive Director (Up to 1 December 2022)
	Mr. Patrick Avery	Executive Director (Appointed 2 December 2022)
		Executive Chairman (Up to 1 December 2022)
	Mr. Greg West	Non-Executive Director (Appointed 14 February 2022)
	Mr. Daniel Gleeson	Managing Director (Appointed 2 December 2022)
	Mr. James Chisholm	Non-Executive Director (Resigned 6 April 2022)
	Mr. Justyn Stedwell	Non-Executive Director (Resigned 14 February 2022)

Company Secretary	Mr. Justyn Stedwell (Resigned 4 February 2022) Ms. Nova Taylor (Appointed 4 February 2022) Ms. Rebecca Woodman (Appointed 4 February 2022. Resigned 7 June 2022) Mr. Max Crowley (Appointed 7 June 2022)
Registered office and Principal Place of business	Level 5, 126 Phillip Street Sydney NSW 2000
Share Register	Automic Pty Ltd 477 Collins Street, Melbourne VIC 3000 Australia
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	Delphi Partners Level 23, 307 Queen Street, Brisbane QLD 4000
Banker	Commonwealth Bank of Australia
Stock Exchange Listing	Australian Securities Exchange (FTZ)
Website	www.fertoz.com

Fertoz Limited
Year ended 31 December 2022
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 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. Stuart Richardson
Mr. Patrick Avery
Mr. Greg West (Appointed 14 February 2022)
Mr. Daniel Gleeson (Appointed 2 December 2022)
Mr. James Chisholm (Resigned 6 April 2022)
Mr. Justyn Stedwell (Resigned 14 February 2022)

Principal activities
The Company's key objective is to become a leading provider of sustainable agricultural inputs for North America and Australia, as well a global supplier/developer of nature-based carbon projects.

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

Review of operations
Strategy
Fertoz is a sustainable land management company that works with nature to provide solutions that help feed and improve our planet. Our vision is to become a leading provider of sustainable agricultural inputs for North America and Australasia whilst delivering nature-based carbon projects.

As a premium fertilizer provider that specializes in sustainable phosphate-based products, Fertoz is advancing its mining projects in the Wapiti and Fernie area of Canada, where it holds large, high quality deposits of organic rock phosphate. In addition to this, we continue to secure long-term contracts for rock phosphate mines in the USA (Montana) and Mexico (Monterrey) to ensure consistent, high-quality supply throughout western North America. In addition, distributing fused magnesium calcium phosphate in Australia, New Zealand and the Philippines further supports our mission to provide solutions to regenerative practices being adopted by growers throughout the world.

This foothold in the regenerative agricultural market has led to the creation of our carbon project development division which provides solutions to soil health improvement and the removal of carbon from our atmosphere. Whether that is in the form of agricultural practices in Canada or reforestation in Southeast Asia, our objectives remain the same, which is high quality carbon credits that are measurable, verifiable, permanent, and unique.

Operations review
Under newly appointed CEO Daniel Gleeson (appointed Group Managing Director 2nd December 2022) and the Board of Directors, Fertoz reviewed all aspects of its North American operations in FY2022. Capital was expended to position the business for solid growth in tonnage sales in FY 2023 and beyond. Record inventories (at a cost of $1,226,915 and more than A$6 million in gross sales value) are held on the statement of financial position at year end 2022, positioning the Company for a solid 2023 sales outcome.

The ***Fertify***™ joint arrangement with partner Excel Industries has seen Fertoz invest in a pelleting plant (June 2022) located in Montana, USA. The Company anticipates a strong sales performance from the Fertify venture in 2023 and beyond, with forward order interest from farmers of 18,000 tonnes in 2023. Fertoz sees this as a first step to launching value added inputs to its high grade, low impurity rock phosphate supply and developing higher margin sales. It is also investing in storage facilities and this is part of our strategy which aims to create shareholder value.

Review of operations (continued)

Importantly, people to execute on strategy are the key to ongoing success. Leadership changes included the appointment of CEO Daniel Gleeson (April 2022), CFO Emma Davidson (Sept 2022), a revamped sales organization, appointment of a dedicated permitting and regulatory affairs officer and in February 2023, a newly appointed head of Mining and Operations. Combined with Board changes and a greater focus on shareholder returns gives the Board and management confidence for a strong year ahead.

The Board has prioritised its focus towards positive earnings and cash positive operations from a diverse agribusiness. We aim to ultimately return dividends to shareholders by supplying sustainable fertilisers and carbon-based sustainable land management solutions to customers in North America, Australia, New Zealand, and selected countries within Southeast Asia who are looking for alternatives to standard, high leaching fertilisers and land rehabilitation projects involving carbon credits.

Outlook

The economic outlook for Fertoz remains positive as overall phosphate prices remain high despite decreasing prices for nitrogen and potassium. This is in part due to the ongoing conflict in Ukraine as well as the block on exports from China which has historically traded significantly large volumes. In addition to this, logistics costs remain high, emphasizing how strategic our location in western North America is to fertilizer supply.

Internally a number of steps have been taken to reduce the cost base of goods, starting with the $6 million (gross sales value) of available inventory at our site in Montana, USA. Couple this with strong early demand based around strategic marketing campaigns for our rock phosphate and Fertify™ products and Fertoz is well positioned to start 2023 with record sales.

Board Changes

Mr. Justyn Stedwell and Mr. James Chisholm resigned as directors. Mr. Greg West and Mr. Daniel Gleeson were appointed as directors while Mr. Stuart Richardson transitioned to Non-Executive Chairman with Mr. Patrick Avery stepping down as Executive Chairman to a role of Executive Director. Mr Avery has now shifted to a Non-Executive Director role (February 2023).

Safety

There were no lost time, injuries or environmental incidents recorded during the year ended 31 December 2022.

Financials

The loss for the consolidated entity after providing for income tax amounted to $4,215,190 (2021: $3,752,831).

Sales for the year ended 31 December 2022 were 59% higher than the previous year, up from $2,243,501 to $3,556,807. This does not include receipt from sale of materials removed from the Company's Fernie project in Alberta amounting to $828,627 (2021: $943,450), which are offset against the exploration and evaluation asset. The Group also spent $1,085,989 (2021: $831,555) on exploration expenditure during the year.

Contributing to the loss were additional costs related to processing ore into a state ready for sale. This has been fully reviewed and significant changes have occurred within Fertoz operations to ensure a commercial return is achieved on every tonne of phosphate to be sold in the future. Staff have been replaced and cost savings will occur in staffing benefits in 2023. The statement of financial position reflects this attention to detail in the 2H of 2022 year.

Current assets total approximately $5,967,785 million and include inventory at cost $1,226,915 million. This inventory is expected to have a gross sales value of $6 million and be sold in FY 2023. Current liabilities are $1,265,442 million. Fertoz has a strong working capital position to commence the 2023 year.

Available cash balance at year-end amounted to $2,861,377 (2021: $5,196,848).

Review of operations (continued)

Significant changes in the state of affairs
During the year ended 31 December 2022, the Group:
(a) Appointed Mr. Daniel Gleeson as Managing Director and CEO;
(b) raised $4,850,000 through the issuance of 26,944,455 shares;
(c) issued 2,056,073 ordinary shares to key members of the staff under the Employee Share Plan;
(d) issued 400,000 ordinary shares to directors in lieu of directors fees; and
(e) issued 7,750,000 performance rights to Mr. Daniel Gleeson as part of his remuneration as CEO/MD.

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.

Risk Management
Below summarises the material business risks that the Company considers could impede the achievement of its future operational and financial success, and which are relevant to the expectations of the directors that the Company has adequate financial resources to continue as a going concern.

The Company seeks to manage risk to its business through appropriate risk controls and mitigants, however, if any of the following risks materialize, business, financial condition and operating results are likely to be adversely impacted. The risks set out below do not constitute an exhaustive list of all risks involved with an investment in Fertoz.

Limited Operating History
Fertoz commenced commercial fertiliser operations in 2012. Accordingly, Fertoz has a relatively limited operating history from which an investor can evaluate its business and prospects, particularly with respect to its fertilizer operating segment. Carbon Project development activities are less than two years into the development stage and therefore considered high risk and still at the early scoping stage. The fertiliser operations have generated net losses and negative cash flow from operations since the commencement of operations and Fertoz may continue to incur net losses and negative cash flow from operations for a significant period of time as it expands its operations, streamlines organic fertilizer production and commercialization with the Fertify brand, and applies for regulatory permits and approvals associated with any such expansion. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a nascent business operating in a competitive industry.

Reliance on key personnel
Fertoz is a development company and will be dependent on its directors, managers and consultants to implement its business strategy. A number of factors, including the departure of senior management of Fertoz or a failure to attract or retain suitably qualified key employees, could adversely affect Fertoz's business strategy.

Capitalization
Fertoz had negative operating cash flow on 31 December 2022 and may continue to have negative operating cash flow until revenues increase. The Company currently has adequate funds to fully develop its business, however may require additional financing (which may include the issuance of equity or debt securities) or other capital investment to implement its business plan if budgets are not met. The Company has no assurance that additional funding will be available to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan. If additional funding is required in the future funds that are raised by offering equity securities may result in existing shareholders suffering significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and could also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Risk Management (continued)

Additional Financing
Fertoz will require additional financing in order to make further investments or take advantage of future opportunities and to grow its business. The ability of Fertoz to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Fertoz. There can be no assurance that Fertoz will be successful in its efforts to arrange additional financing on terms satisfactory to Fertoz. If additional financing is raised by the issuance of Common Shares or other forms of convertible securities from treasury, control of Fertoz may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, Fertoz may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business. If Fertoz is unable to generate such revenues or obtain such additional financing, any investment in Fertoz may be lost. In such event, the probability of resale of the securities of Fertoz would be diminished.

Profitability
There is no assurance that Fertoz will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Fertoz's business development and marketing activities. If Fertoz does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Management of Growth
Fertoz may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Fertoz to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Fertoz to deal with this growth may have a material adverse effect on Fertoz's business, financial condition, results of operations and prospects.

Issuance of Debt
From time to time, Fertoz may enter into transactions to acquire assets or seek to obtain additional working capital. These transactions may be financed in whole or in part with debt, which may increase Fertoz's debt levels. Depending on future plans, Fertoz may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to Fertoz.

Dilution
Fertoz may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Fertoz which may be dilutive to the holdings of existing shareholders.

Price Volatility of Publicly Traded Securities
In recent years, the securities markets globally and specifically Australia where Fertoz is listed (FTZ:ASX) have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of Fertoz in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which, in turn is dependent on the individual decisions of investors over which Fertoz has no control. There can be no assurance that an active trading market in securities of Fertoz will be established and sustained. The market price for Fertoz's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of Fertoz. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the share price may decline.

Risk Management (continued)

Dividends
Fertoz has not paid any dividends on its outstanding shares. Any payments of dividends on the Common Shares will be dependent upon the financial requirements of Fertoz to finance future growth, the financial condition of Fertoz and other factors which Fertoz's board of directors may consider appropriate in the circumstance. It is unlikely that Fertoz will pay dividends in the immediate or foreseeable future.

Markets for Securities
There can be no assurance that an active trading market in the Common Shares will be established and sustained. The market price for the Common Shares could be subject to wide fluctuations. Factors such as agriculture commodity prices, government regulation, the demand for fertilizer, interest rates, share price movements of Fertoz`s peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of Fertoz.

Development of Canadian rock phosphate leases and commercialization of the Fertify pelleting plant
The Company's ability to successfully develop and commercialize key mining leases located in Canada may be affected by numerous factors including but not limited to macro-economic conditions, obtaining required approvals, ability to obtain sufficient funding, customer offtakes, delays in commissioning or ramp up, the mine operations not performing in accordance with expectations and costs overruns.

Fertoz's ability to successfully commercialize the Fertify Pelleting Plant may be affected by numerous factors including but not limited to its ability to secure raw materials and customer offtakes, delays in commissioning or ramp up, the plant not performing in accordance with expectations and costs overruns. If the Company is unable to mitigate these factors and others not listed here, this could result in the Company not realizing its business plan and ultimately, this could have an adverse impact on the share price.

Tenements
Currently, Fertoz wholly licenses all exploration tenements required to operate and develop the said exploration assets in Canada. Renewal of title is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable state or territory mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

Exploration risks
Exploration is a high-risk activity that requires large amounts of expenditure over extended periods of time. Fertoz's exploration activities will also be subject to all the hazards and risks normally encountered in the exploration of minerals, including climatic conditions, hazards of operating vehicles and plant, risks associated with operating in remote areas and other similar considerations. Conclusions drawn during exploration and development are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, drilling, and other data.

Mineral Resource and Ore Reserve Estimates
Mineral Resource and Ore Reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may alter when new information or techniques become available. In addition, by their very nature, Mineral Resource and Ore Reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the Mineral Resource and Ore Reserve estimates may change.

Accordingly, the actual resources and reserves when calculated and reported may materially differ from the existing estimates and assumptions and no assurances can be given that the Mineral Resource and Ore Reserve estimates and the underlying assumptions will be realized. This could result in alterations to development and mining/extraction plans which may in turn affect Fertoz's operations and ultimately Fertoz's financial performance and the value of shares.

Risk Management (continued)

Fertilizer Products and Markets

The market for Fertoz's products is undeveloped and development of such markets will require significant marketing efforts, working capital and increased sales and marketing staff. This may present difficulties due to limited resources as the price at which Fertoz may sell its products in commercial quantities continues to be assessed and is subject to change due to a number of factors. Examples include having to modify its growth strategy as a result of actual or anticipated competition, customer response, lack of resources, regulatory requirements or other reasons. Operating results and the price at which Fertoz will be able to sell its products and services will be highly dependent on the existence of a market for such products and overall farm receipts. Success in marketing and selling products will depend upon multiple factors, including:

- the effectiveness of the products.
- the ability to source ongoing rock phosphate at an acceptable cost and in compliance with regulatory requirements.
- the ability to generate commercial sales of products.
- acceptance of products and services by target markets.
- inherent development risks, such as fertilizer products not having the anticipated effectiveness.
- the ability to develop repeatable processes to manufacture our products in sufficient quantities; and
- general economic conditions.

If any of these factors cannot be overcome, Fertoz may not be able to introduce products to target markets in a timely or cost-effective manner, which could adversely affect future growth and results. Operating results and the price at which Fertoz can sell products will be dependent on demand for products. Demand for products will be affected by a number of factors including weather conditions, commodity prices, and government policies. It is likely that the price at which Fertoz sells its products will fluctuate if there are significant changes in the price and availability of other fertilizer products.

Sales Cycle

Fertoz is affected by seasonality risk due to weather and the potential buying patterns of major customers. Fertoz's revenue may therefore be affected by these buying patterns, notably a potential slowdown in sales over the winter and early spring.

Marketing and Distribution Expertise

Achieving market success will require substantial marketing efforts and the expenditure of funds to inform potential customers of the distinctive benefits and characteristics of our fertilizer. Fertoz's long term success will depend on its ability to expand current marketing capabilities. Fertoz will, among other things, need to attract and retain experienced marketing and sales personnel. No assurance can be given that Fertoz will be able to attract and retain such personnel or that any efforts undertaken by such personnel will be successful.

Commodity prices

Fertoz's future prospects and the share price will be influenced by the prices obtained for the commodities produced and targeted in Fertoz's development and exploration programs. Commodity prices fluctuate and are impacted by factors including the relationship between global supply and demand for fertiliser, forward selling by producers, costs of production, geopolitical factors (including trade tensions), hostilities and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand factors. These factors may have an adverse effect on Fertoz's production and exploration activities and any subsequent development and production activities, as well as its ability to fund its future activities.
There is no guarantee Fertoz will secure sale contracts for fertilizer products on terms favourable to the Company. The market prices for fertilisers have been volatile and are influenced by numerous factors and events beyond the control of the Company.

Risk Management (continued)

Product Price and Margin
Operating results are and will be dependent upon product prices and margins, which are in turn dependent on demand for crop inputs. Demand for crop inputs can be affected by a number of factors including weather conditions, outlook for crop nutrient prices and farmer economics, governmental policies, access of our customers to credit, and build-up of inventories in distribution channels. Product price and margins are also significantly influenced by competitor actions that change overall industry production capacity, such as decisions to build or close production plants, changes in utilization rates and pricing decisions.

Competition
Fertoz's ability to enter into contracts for the supply of products at profitable prices may be adversely affected by the introduction of new suppliers and any increase in competition in the global fertiliser market, either of which could increase the global supply of these products and thereby potentially lower the prices.

Supply chain and counterparty risk
The development and commercialization of Fertoz`s fertilizer operations will involve a complex supply chain. Fertoz will depend on suppliers of raw materials, services, equipment and infrastructure to develop the operations, and on providers of logistics to ensure products are delivered. Failure of significant components of this supply chain due to strategic factors such as business failure or serious operational factors could have an adverse effect on the Company's business and results of operations.

Government Regulation
Fertoz's operations will be subject to a variety of federal, provincial, state and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, fertiliser management, production and sale of fertilizers, including for organic farming use, the conduct of operations, the protection of the environment, the operation of equipment used in operations, the transportation and the import and export of products. Fertoz believes that it is currently in compliance with such laws and regulations. Fertoz intends to invest financial and managerial resources to ensure such compliance in the future. Although such expenditures historically have not been material, such laws or regulations are subject to change. Accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations. If Fertoz is unable to comply with current or future government regulations of its products and production activities, Fertoz may be forced to discontinue production of current or future products. Each product that is developed, produced, marketed, or licensed presents unique regulatory problems and risks. The problems and risks depend on the product type, its uses, and method of manufacture. For products used in human nutrition, Fertoz will be required to adhere to requirements published by the CFIA, USDA, the International Organization for Standardization ("ISO"), and other applicable standards.

Operating Risks and Insurance
Fertoz's operations will be subject to hazards inherent in the fertilizer manufacturing and sale of products, such as labour disruptions and unscheduled downtime, equipment defects, malfunctions and failures, loss of product in processing, and natural disasters, that can cause personal injury, loss of life, suspension of operations, damage to plants, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Fertoz to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages and the imposition of civil or criminal penalties. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In the event of equipment defects, malfunctions or failures, there can be no assurance that supplier warranties will be effective to compensate us for any losses. Fertoz will continuously monitor its activities for quality control and safety. However, there are no assurances that safety procedures will always prevent the damages described above. Although Fertoz will maintain insurance coverage that it believes to be adequate and customary in the industries in which it operates, there are no assurances that such insurance will be adequate to cover all liabilities. In addition, there are no assurances that Fertoz will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits, or a claim at a time when Fertoz is not able to obtain liability insurance, could have a material adverse effect on its ability to conduct normal business operations.

Risk Management (continued)

Environmental and Regulatory Risk

Fertoz's operations are subject to environmental risks and regulatory compliance and there are no assurances that Fertoz operations will be in compliance with all regulatory requirements. New or amended environmental laws and regulations may require Fertoz to curtail or stop operations at one or more sites or may require expenditures by us to install environmental control equipment or modify operations. Failure to comply could subject Fertoz to fines or penalties. There can be no assurances that Fertoz will not experience difficulties in its efforts to comply with such laws and regulations in future years, or that the costs associated with Fertoz's continued compliance efforts will not have a material adverse effect on its business and financial condition. The ability to use its product in organic agriculture is a key component to the marketability of such product. Should any regulatory body prohibit organic matter fertilizers for use in organic agriculture it would materially adversely affect the marketability of the products of Fertoz.

Taxation

In all places where Fertoz has operations, in addition to the normal level of income tax imposed on all industries, Fertoz may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

Foreign exchange

Foreign exchange rates fluctuate over time. Fluctuating exchange rates have a direct effect on Fertoz`s operating costs and cash flows expressed in Australian dollars.

Occupational health and safety

Exploration and production activities may expose Fertoz's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Company's employees or contractors suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a license or permit required to carry on the business. Such an incident may also have an adverse effect on the Company's business and reputation.

Economic factors

The operating and financial performance of Fertoz is influenced by a variety of general economic and business conditions, including levels of consumer spending, energy prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position. The Company's future possible revenues and share price can be affected by these factors, which are beyond the control of Fertoz.

Weather and Climate

Adverse weather conditions represent a very significant operating risk affecting Fertoz operations and customers demand for products. Weather conditions affect the types of crops grown, the quality and quantity of production and the levels of farm inputs which, in turn, will affect demand for Fertoz products. The impacts of climate change may affect Fertoz operations and the markets in which Fertoz sell its products. Regulatory changes aimed at reducing the impact of, or addressing climate change, including reducing or limiting carbon emissions may impact negatively Fertoz`s operations, customers operations and supply chains globally. Climate change may also result in adverse weather conditions, such as drought or excessive rains, which can directly impact farmers resulting in both reduced demand for fertilisers and/or reduced crop production by farmers resulting in less demand for Fertoz products. Such adverse weather conditions could have a material adverse effect on operating results and the financial condition of Fertoz.

Risk Management (continued)

Political risk and instability
Fertoz's operations are located in Australia, USA, Canada and Asia. Fertoz is subject to the risk that it may not be able to carry out its activities as it intends, including because of a change in government, legislation, regulation or policy.

International conflicts risk
The current evolving conflict between Russia and Ukraine (**Russia-Ukraine Conflict**) is having a material effect on the global economy. These hostilities have created uncertainty for capital markets around the world, and this uncertainty may lead to adverse consequences for the Company’s business operations. Further, various governments and industries have taken measures and imposed sanctions in response to the Russia-Ukraine Conflict (such as changes to import/export restrictions and other economic sanctions). Whist Fertoz does not have a relationship with any party domiciled in Russia, such measures and sanctions may cause disruptions to the Company’s supply chains and adversely impact commodity prices such as has occurred in global fertilizer markets. Such events may affect the financial performance of Fertoz. Given the Russia-Ukraine Conflict is continually evolving, the consequences are inherently uncertain. Further, there is no certainty that similar conflicts which impact global markets will not arise in the future.

Litigation risks
Fertoz is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute, if proven, may impact adversely on the Company's operations, financial performance and financial position.

Force Majeure
Fertoz’s operations now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, pandemics (i.e., COVID-19), explosions or other catastrophes, epidemics or quarantine restrictions.

Risk Management
Fertoz seeks to manage enterprise-wide risk through a number of risk controls and mitigants. Specific risk controls and mitigants include but are not limited to:

- Board risk oversight and routine Risk Committees
- Implementation and adoption of Company policies and standards
- Adoption of a group risk procedures document (under development)
- Implementation of compliant Occupational Health and Safety processes and procedures at all operations (under development)
- Insuring business activities and operations in accordance with industry practice
- Implementing measures to minimize the impact of COVID to staff and the Company’s business.
- Engaging appropriate tax, finance, accounting and legal advisors.

Matters subsequent to the end of the financial year
Mr. Patrick Avery stepped down as Executive Director of the Company but remains on the Board as a Non-Executive Director, effective 10 February 2023.

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 expand further services in relation to carbon trading, and to implement the Company’s ESG policies to become at least carbon neutral from operations.

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

Fertoz'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. Stuart Richardson BBA, CPA
Non-executive Chairman (appointed 2 December 2022)
Mr Richardson has extensive experience over 36 years in capital markets both in Australia and overseas in 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 has not been a director of any other listed company in the last three years.

Interests in shares:	13,770,000
Interests in options:	None
Contractual rights to shares:	None

Mr. Daniel Gleeson
Managing Director (appointed 2 December 2022)
Mr. Gleeson has more than 20 years' experience in the agribusiness sector and was formerly the Global Marketing Head of global agricultural technology and science company Syngenta Group, based in Chicago, USA.

Prior to his role at Syngenta, he held various positions at Limagrain, an international agricultural co-operative group based in France, which specialises in field seeds, vegetable seeds and cereal products. These roles included Vice President, Global Portfolio Manager, General Manager and National Sales Manager, based in locations including Thailand, USA, Australia, and France. In his roles he has managed teams of up to 700 staff and revenues of more than USD $700 million and has gained experience in M&A including due diligence and integration, research and development, portfolio, and geographical expansion, introducing new operating models and talent acquisition. Mr Gleeson has not been a director of any other listed company in the last three years.

Interests in shares:	1,000,000
Interests in options:	None
Contractual rights to shares:	6,750,000 performance rights subject to various KPI`s

Mr. Patrick Avery, MBA
Non-Executive Director (appointed 10 February 2023)
Mr. Avery has more than 30 years of experience working in the industries of fertilizer, mining, speciality 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 speciality 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:	6,408,164 Limited
Interests in options:	None
Contractual rights to shares:	None. Performance shares forfeited when Pat Avery ceased to be Executive Chairman (2 December 2022) as per consulting agreement.

Information on directors (continued)

Mr. Greg West
Non-executive Director (appointed 14 February 2022)

Mr. Greg West is a Chartered Accountant and an experienced ASX Non-Executive director with a background in the education sector, investment banking and financial services. Mr. West was appointed as a Non-Executive Director of ASX listed IDP Education in 2006, now a top 100 ASX company and remains a non-executive director. He is on the Council of the University of Wollongong and a Director of UOWGE Limited, a business arm of the University of Wollongong with universities in Dubai, Hong Kong and Malaysia. Mr. West is also a Director and Chair of Education Australia Limited, an investment company owned by the Australian universities.

Previously, Mr. West was Chief Executive Officer of a dual listed ASX biotech company. He has worked at Price Waterhouse and has held senior finance executive roles in investment banking with Bankers Trust, Deutsche Bank, NZI and other financial institutions. He is a Director of the St James Foundation Limited.

Interests in shares:	250,000
Interests in options:	None
Contractual rights to shares:	None

Mr. James Chisholm
Non-executive Director (Resigned 6 April 2022)
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:	13,202,726
Interests in options:	None
Contractual rights to shares:	None

Mr. Chisholm resigned as director of the Company on 6 April 2022.

Mr. Justyn Stedwell
Non-executive Director (resigned 14 February 2022)
Mr. Stedwell is a professional company secretary with over 12 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.

Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

Mr. Stedwell resigned as director of the Company on 14 February 2022.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2022, and the number of meetings attended by each director were:

	Year ended 31 December 2022 Board of Directors	
	Number eligible to attend*	**Number attended**
Mr. Patrick Avery	**10**	**10**
Mr. Stuart Richardson	**10**	**10**
Mr. Justyn Stedwell[1]	**0**	**0**
Mr. Greg West[2]	**10**	**10**
Mr. James Chisholm[3]	**3**	**2**
Mr. Daniel Gleeson[4]	**1**	**1**

**Represents the number of meetings held during the time the director held office*
[1] *Resigned on 14 February 2022*
[2] *Appointed on 14 February 2022*
[3] *Resigned on 6 April 2022*
[4] *Appointed Managing Director on 2 December 2022*

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.

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 no greater than $50,000 per annum by way of either cash payments and/or shares issued in lieu (refer details of Directors remuneration table).

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 May 2022, 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.

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.

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 to reward 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 years ended 31 December 2018, 2019, 2020, 2021 and 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Sales revenue	3,556,807[1]	2,243,501[1]	2,035,125	1,326,264	1,458,596
EBITDA	(4,132,228)	(3,733,438)	(1,525,380)	(1,793,485)	(1,246,690)
EBIT	(4,215,190)	(3,752,831)	(1,535,715)	(1,808,232)	(1,246,690)
(Loss) after income tax	(4,215,190)	(3,752,831)	(1,535,715)	(1,808,232)	(1,246,690)

[1] This does not include receipt from sale of materials removed from the Company's Fernie Project in Alberta to $828,627 (2021:$943,450)

The factors that are considered to affect total shareholders return ('TSR') for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Share price at financial year end ($)	0.17	0.25	0.05	0.08	0.20
Total dividends declared *(cents per share)*	-	-	-	-	-
Basic earnings per share *(cents per share)*	(1.73)	(1.94)	(1.01)	(1.41)	(1.05)

Use of remuneration consultants

The consolidated entity did not engage remuneration consultants during the year ended 31 December 2022.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2022 AGM, the remuneration report for the year ended 31 December 2021 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 for the year ended 31 December 2022 are set out in the following tables. The key management personnel of the consolidated entity consisted of the following directors of Fertoz Limited:

- Mr. Daniel Gleeson - Managing Director and CEO
- Mr. Patrick Avery – Executive Director
- Mr. Stuart Richardson – Non-Executive Chairman
- Mr. Greg West - Non-Executive Director

For the year ended 31 December 2022

	Short Term Benefits	Post Employment	Share Based Payments				Proportion of remuneration performance related
Director	**Salary and fees $**	**Superannuation $**	**Options / Perf Shares $**	**Shares $**	**Total $**	**Fixed (%)**	**LTI (%)**
Patrick Avery	229,553	-	(7,295)	-	**222,258**	100%	-
Gregory West[3]	-	-	-	50,000	**50,000**	100%	-
James Chisholm[1]	-	-	-	-	**-**	-	-
Stuart Richardson[3]	-	-	-	30,000	**30,000**	100%	-
Justyn Stedwell[1]	-	-	-	-	**-**	-	-
Daniel Gleeson[2]	367,161	-	319,517	200,000	**886,678**	41%	59%
Total	**596,714**	**-**	**312,222**	**280,000**	**1,188,936**		

[1] See resignation date as per above

[2] Remuneration in shares includes 1,000,000 performance shares issued when the market price was $0.20. Commenced April 2022.

[3] Remuneration in shares includes 400,000 shares issued when the market price was $0.20

For the year ended 31 December 2021

	Short Term Benefits	Post Employment	Share Based Payments				Proportion of remuneration performance related
Director	**Salary and fees $**	**Superannuation $**	**Options / Perf Shares $**	**Shares $**	**Total $**	**Fixed (%)**	**LTI (%)**
Patrick Avery [2,3] (Executive Chairman)	216,855	-	64,105[4]	920,000	**1,200,960**	37%	63%
James Chisholm[2]	-	-	-	230,000	**230,000**	100%	-
Stuart Richardson[2]	-	-	-	230,000	**230,000**	100%	-
Justyn Stedwell[1,2]	4,545	-	-	195,500	**200,045**	100%	-
Total	**221,400**	**-**	**64,105**	**1,575,500**	**1,861,005**	**58%**	**42%**

[1] See resignation and appointment dates as per above

[2] Remuneration in shares includes 1,000,000 shares issued when the market price was $0.23

[3]Remuneration in shares includes 3,000,000 performance shares issued when the market price was $0.23

[4]Amount is with respect to previously issued performance shares, which have expired unissued.

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 Director
Agreement commenced:	1 June 2021
Term of agreement:	3 years
Details:	From 1 January 2022 through 31 August 2022, Mr. Avery's fees were $16,000 per month. From 1 September 2022 through 31 December 2022, Mr. Avery's fees were $8,000 per month. If Mr Patrick Avery is required to provide services to the Company on more than 17 days during any month (based on an 8-hour day), a related entity of Mr Patrick Avery is entitled to receive additional fees of up to US$750 for each additional day. This Consultancy Agreement was terminated on 10 February 2023 at which point Mr Avery was appointed as a Non-Executive Director. Upon termination of the Consultancy Agreement, the Board has no obligation to pay the following bonus payments or issue the additional shares which were subject to shareholder approval:

a) US$50,000 cash bonus paid once the Company reaches a minimum of $1m EBIT as shown in audited annual accounts before 1 June 2024;
b) US$100,000 bonus paid once the Company reaches a minimum of $3m EBIT as shown in audited annual accounts before 1 June 2024;
c) US$200,000 cash bonus paid once the Company reaches a minimum of $5m EBIT as shown in audited annual accounts before 1 June 2024;
d) 250,000 Shares on the achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz Carbon before 1 June 2024;
e) 250,000 Shares on the achievement of the sale of $500,000 of Carbon Credits in a project managed by Fertoz Carbon before 1 June 2024;
f) 250,000 Shares on the achievement of 60,000t of fertilizer sales in any one year before 1 June 2024

Name:	Daniel Gleeson
Title:	Managing Director & CEO
Agreement commenced:	26 April 2022
Term of agreement:	The Employment Agreement provides for a base salary of US $300,000 per annum and has the following additional compensation:

a) US $50,000 cash bonus paid on the first day of employment;
b) US $50,000 cash bonus paid once the Company reaches a minimum of $1m EBIT as shown in audited annual consolidated accounts before 31 December 2024;
c) US $100,000 cash bonus paid once the Company reaches a minimum of $3m EBIT as shown in audited annual consolidated accounts before 31 December 2024;
d) US $200,000 cash bonus paid once the Company reaches a minimum of $5m EBIT as shown in audited annual consolidated accounts before 31 December 2024;
e) 3,000,000 performance rights where 1,000,000 vested at commencement of employment. 1,000,000 performance rights will vest at each of the first and second anniversary of continuing employment and in good standing;
f) 1,000,000 performance rights vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.40 for 10 consecutive days;
g) 1,000,000 performance rights vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.50 for 10 consecutive days;

h) 2,000,000 performance rights vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.65 for 10 consecutive days;
i) 250,000 performance rights vest on the achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz before 31 December 2024
j) 250,000 performance rights vest on the achievement of the sale of $500,000 carbon credits in a project managed by Fertoz before 31 December 2024;
k) 250,000 performance rights vest on the achievement of 60,000t of fertilizer sales in any one calendar year on or before 31 December 2024.

Service agreements (continued)

At 31 December 2022, a sign-on cash bonus of US $50,000 was paid to Mr Gleeson. No other cash bonus was made and no provision has been made for further cash bonuses. 7,750,000 performance rights were issued during the year ended 31 December 2022. 1,000,000 performance rights vested following the commencement of Mr Gleeson's employment. These performance rights were exercised and Mr Gleeson was issued 1,000,000 shares. The potential shares that may be issued have been recognised as part of the share-based payment expense.

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

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 2022.

Shareholding

The number of shares in the company held during the year ended 31 December 2022 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	6,408,164	-	-	-	6,408,164
Daniel Gleeson	-	1,000,000	-		1,000,000
James Chisholm	13,202,726	-	-	(13,202,726)[2]	-
Stuart Richardson	13,620,000	150,000	-	-	13,770,000
Greg West	-	250,000	-	-	250,000
Justyn Stedwell	750,000	-	-	(750,000)[1]	-
	33,980,890	**1,400,000**	**-**	**(13,952,726)**	**21,428,164**

[1] Mr Stedwell resigned as a director 14 February 2022.
[2] Mr Chisolm resigned as a director 6 April 2022

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	Expired*	Balance at the end of the year
Patrick Avery	750,000	-	-	(750,000)	-
James Chisholm	-	-	-	-	-
Stuart Richardson	-	-	-	-	-
Justyn Stedwell	-	-	-	-	-
Daniel Gleeson	-	7,750,000	(1,000,000)	-	6,750,000
	750,000	**7,750,000**	**(1,000,000)**	**(750,000)**	**6,750,000**

** Performance shares were forfeited in the case Mr Pat Avery upon no longer holding the position of Executive Chairman (2 December 2022) as per his consulting agreement dated 21 June 2021 with Fertoz Limited.*

For information regarding the fair value of these performance rights, refer to note 28 to the financial statements.

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

The Company conducted a capital raise in August 2022. As part of the placement, Greg West and Stuart Richardson agreed to participate in the second tranche of up to 833,334 Shares at an offer price of $0.18 per Share to raise up to $150,000 (before costs) subject to shareholder approval under Listing Rule 10.11. Further in relation to the capital raise, JP Equity Partners was Lead Manager to the capital raise with Blackwood Capital Pty Ltd acting as Co-Manager. As consideration for acting as Lead Manager to the Placement, the Lead Manager and Co-Manager received a capital raising fee of 6% of the total funds raised ($300,000) and be issued 2,500,000 unlisted options with an exercise price of $0.27, expiring 3 years after issue. Blackwood Capital Pty Ltd is a related entity to Stuart Richardson and although the issue of options to Blackwood Capital Pty Ltd did not require shareholder approval, the Board resolved to seek same prior to issuing the options.

********This concludes the remuneration report, which has been audited.********

Shares under option

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.

During the year ended 31 December 2021, the group issued 5,000,000 options, exercisable at a price of $0.20 before 23 August 2024 with respect to capital raising. During the year ended 31 December 2022 the group issued a further 900,000 options exercisable at a price of $0.27 before 29 August 2025 with respect to a capital raising. The Company intends to issue 1,600,000 options to Blackwood Capital Pty Ltd, subject to shareholder approval, with an exercise price of $0.27, expiring 3 years after issue.

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 26,944,455 ordinary shares pursuant to a placement at $0.18, 1,056,073 ordinary shares to employees under the Employee Share Plan and 400,000 shares as directors fees during the year ended 31 December 2022 and up to the date of this report. In addition, the Fertoz issued 1,000,000 performance shares to the Managing Director.

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 2022, the company paid a premium in respect of a contract to ensure 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 Services Pty Ltd, a related company of the auditor, for non-audit services provided during the year ended 31 December 2022 by the auditor related to preparation of the tax return and taxation advice of $13,540 (2021: $8,100)

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

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

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

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

Auditor's independence declaration

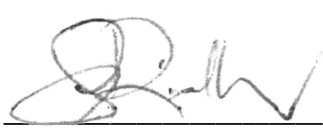
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

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

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

On behalf of the directors



Stuart Richardson

31 March 2023

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

Level 10, 12 Creek Street
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 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 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.

Anthony Whyte
Director

BDO Audit Pty Ltd

Brisbane, 31 March 2023

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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 is:

Registered office and principal place of business

Level 5, 126 Phillip Street, 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 31 March, 2023. 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 2022

	Note	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Revenue from contracts with customers	4	**3,556,807**	2,243,501
Cost of goods sold		**(3,394,589)**	(1,703,820)
		162,218	539,681
Other Income	4	**35,628**	12,898
Expenses			
Audit & accounting		**207,800**	161,253
Carbon project expenditure		**537,387**	-
Consultant fees & employee compensation		**742,161**	314,097
Depreciation & amortisation		**82,962**	19,393
Directors' fees (non-executive)		**-**	4,545
Executive chairman compensation		**222,258**	216,855
Insurance		**65,360**	25,174
Investor relations		**62,569**	25,600
Legal		**80,595**	9,137
Listing fees and share registry		**83,218**	133,380
Marketing & selling		**1,274,366**	919,860
Provision for impairment of debt	8a	**43,201**	-
Share based payment	5	**780,202**	2,394,505
Other expenses		**231,050**	70,186
Total expenses		**4,413,129**	4,293,985
Finance			
Interest income	4	**(7,642)**	(373)
Finance costs		**-**	4,502
Lease interest	14	**4,707**	926
Foreign exchange loss/(gain)		**2,842**	6,370
		(93)	11,425
Loss before income tax expense		**(4,215,190)**	(3,752,831)
Income tax expense	6	**-**	-
Loss after income tax expense for the year		**(4,215,190)**	(3,752,831)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss)		**(34,086)**	418,541
Other comprehensive income for the year, net of tax		**(34,086)**	418,541
Total comprehensive income for the year		**(4,249,276)**	(3,334,290)
Loss per share for loss attributable to the owners of Fertoz Limited			
Basic loss per share (cents)	27	**(1.73)**	(1.94)
Diluted loss per share (cents)	27	**(1.73)**	(1.94)

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 of 31 December 2022

	Note	2022	2021
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	**2,861,377**	5,196,846
Trade and other receivables	8a	**1,673,094**	753,138
Inventories	8b	**1,226,915**	395,523
Other current assets	9	**206,399**	91,360
Total current assets		**5,967,785**	6,436,867
Non-current assets			
Exploration and evaluation assets	10	**6,156,371**	5,958,789
Property, plant and equipment	11	**832,606**	492,522
Right-of-use assets	14	**1,991,024**	141,639
Environmental Bonds	12	**324,214**	325,410
Total non-current assets		**9,304,215**	6,918,360
Total assets		**15,272,000**	13,355,227
Current liabilities			
Trade and other payables	13	**1,122,047**	745,528
Lease liability	14	**143,395**	51,915
Total current liabilities		**1,265,442**	797,443
Non-current liabilities			
Lease liability	14	**435,257**	64,361
Total non-current liabilities		**435,257**	64,361
Total liabilities		**1,700,699**	861,804
Net assets		**13,571,301**	12,493,423
Equity			
Issued capital	15	**34,012,379**	29,099,284
Share based payment reserve		**3,575,169**	3,161,110
Translation reserve		**243,455**	277,541
Accumulated losses		**(24,259,702)**	(20,044,512)
Total equity		**13,571,301**	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 year ended 31 December 2022

	Issued capital	Accumulated losses	Share Based Payment Reserve	Translation Reserve	Total equity
	$	$	$	$	$
Balance at 1 January 2022	**29,099,284**	**(20,044,512)**	**3,161,110**	**277,541**	**12,493,423**
Loss after income tax expense for the period	-	**(4,215,190)**	-	-	**(4,215,190)**
Other comprehensive loss for the period	-	-	-	**(34,086)**	**(34,086)**
Total comprehensive profit/(loss) for the period	-	**(4,215,190)**	-	**(34,086)**	**(4,249,276)**
Transaction with owners in their capacity as owners:					
Shares issued *(Note 15)*	**5,045,000**	-	-	-	**5,045,000**
Shares issuance costs *(Note 15)*	**(303,048)**	-	-	-	**(303,048)**
Share-based payments:					
Issued to brokers share issuance costs *(Note 15)*	**(268,324)**	-	**268,324**	-	-
Exercised *(Note 15)*	**439,467**	-	**(439,467)**	-	-
Reverse previously expensed conditions not met	-	-	**(260,761)**	-	**(260,761)**
Expense *(Note 28)*	-	-	**845,963**	-	**845,963**
At 31 December 2022	**34,012,379**	**(24,259,702)**	**3,575,169**	**243,455**	**13,571,301**
Balance at 1 January 2021	21,532,474	(16,291,681)	2,136,430	(141,000)	7,236,223
Loss after income tax expense for the period	-	(3,752,831)	-	-	(3,752,831)
Other comprehensive income for the period	-	-	-	418,541	418,541
Total comprehensive profit/(loss) for the period	-	(3,752,831)	-	418,541	(3,334,290)
Transaction with owners in their capacity as owners:					
Shares issued	8,715,800	-	-	-	8,715,800
Shares issuance costs	(1,148,990)	-	-	-	(1,148,990)
Share-based payments	-	-	1,024,680	-	1,024,680
At 31 December 2021	29,099,284	(20,044,512)	3,161,110	277,541	12,493,423

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 2022

	Note	2022	2021
		$	$
Cash flows from operating activities			
Receipts from customers		**3,791,085**	2,342,669
Payments to suppliers and employees		**(8,634,395)**	(4,004,012)
Interest received		**7,362**	-
Net cash inflow / (outflow) from operating activities	26	**(4,835,948)**	(1,661,343)
Cash flows from investing activities			
Payments for property, plant and equipment	11	**(350,173)**	(456,497)
Payments for right-of-use asset	14,26	**(1,399,835)**	-
Payments for exploration and evaluation assets	10	**(1,085,989)**	(988,418)
Receipts from sales of material from Fernie	10	**828,627**	943,450
Net cash inflow / (outflow) from investing activities		**(2,007,370)**	(501,465)
Cash flows from financing activities			
Proceeds from issue of shares	15	**4,850,000**	6,519,800
Payments for equity raising costs	15	**(303,048)**	(322,815)
Lease principal repayments	14	**(65,994)**	(10,383)
Net cash inflow / (outflow) from financing activities		**4,480,958**	6,186,602
Net increase/(decrease) in cash and cash equivalents		**(2,362,360)**	4,023,794
Cash and cash equivalents at the beginning of the financial period		**5,196,846**	1,156,678
Effects of exchange rate changes on cash and cash equivalents		**26,891**	16,374
Cash and cash equivalents at the end of the financial period	7	**2,861,377**	5,196,846

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 2022 was approved by the board on 31 March 2023.
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.

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 Limited., 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 of 31 December 2022 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' or the 'group'.

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 over their expected useful lives as follows:

Plant and equipment	3-10 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.

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, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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

Other long-term employee benefits
The liability for annual leave and long service 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.

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

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.

Note 1. Significant accounting policies *(continued)*

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

Sale 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. Payment is typically due after 30-45 days from invoice date. There is no significant financing component in the pricing.

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.

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.

Note 1. Significant accounting policies *(continued)*

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.

Revenue from the sale of product removed from the group's exploration sites has been offset against capitalised exploration and evaluation expenditure as the sale of this product is part of the bulk sampling and evaluation phase for these tenements.

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 2022 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 market price of the shares or 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 incurred a net loss after tax of $4,215,190 and net operating cash outflows of $4,835,947 for the year ended 31 December 2022. As at 31 December 2022 the Group had cash of $2,861,377.

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:
- the ability of the Group to meet its cashflow forecasts;
- the ability of the Group to raise capital, as and when necessary; and
- the ability of the Group to sell non-core assets.

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

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:
- The group has a cash balance of $2,861,377.
- 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.

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 North American 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 2022	Australia	North America	Unallocated	Total
	$	$	$	$
Revenue				
Sales of phosphate fertilizer	1,477,296	2,079,511	-	3,556,807
Other income	35,628	-	-	35,628
Total revenue and other income	1,512,924	2,079,511	-	3,592,435
Profit/(Loss) before income tax expense	44,593	(2,496,335)	(1,763,448)	(4,215,190)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	44,593	(2,496,335)	(1,763,448)	(4,215,190)
Assets				
Segment assets	794,163	12,523,529	1,954,308	15,272,000
Segment liabilities	(222,093)	(1,304,203)	(174,403)	(1,700,699)
Segment net assets	572,070	11,219,326	1,779,905	13,571,301

Note 3. Operating segments *(Continued)*

Consolidated – 31 December 2021	Australia $	North America $		Unallocated $	Total $
Revenue					
Sales of phosphate fertilizer	1,093,006	1,150,595		-	2,243,501
Other income	12,898	-	-	-	12,898
Total revenue and other income	1,105,904	1,150,595		-	2,256,499
Profit/(Loss) before income tax expense	36,228	(1,105,108)		(2,683,951)	(3,752,831)
Income tax revenue	-	-		-	-
Profit/(Loss) after income tax expense	36,228	(1,105,108)		(2,683,951)	(3,752,831)
Assets					
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

Segment non-current asset

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets, excluding financial instruments and deferred tax assets, located in:		
Australia	**-**	-
Canada	**8,980,001**	6,592,950
	8,980,001	6,592,950

Note 4. Revenue and other income

	Consolidated 2022 $	Consolidated 2021 $
Sales Revenue		
Sale of phosphate fertilizer products – at point in time	**3,556,807**	2,243,501
	3,556,807	2,243,501

During the year, the group sold material it removed as bulk sample from its Fernie Project for a total amount of $828,627. The proceeds were recognised against the carrying cost of the Fernie Project as the project is still in the exploration and evaluation phase and accounted for under AASB 6.

	Consolidated 2022 $	Consolidated 2021 $
Other income		
Interest	**7,642**	373
Other income	**35,628**	12,898
	35,628	12,898

Note 5. Loss before income tax

	Consolidated 2022 $	Consolidated 2021 $
Loss before income tax includes the following specific expenses		
Share based payments	**780,202**	2,394,505

Note 6. Income tax

	Consolidated 2022 $	Consolidated 2021 $
Income tax expenses		
Current tax expense	**(772,236)**	(313,493)
Deferred tax expense	**772,236**	313,493
Aggregate income tax expenses	**-**	-
Numerical reconciliation of income tax and tax at statutory rate		
Profit/ (loss) before income tax expenses from continuing operations	**(4,215,190)**	(3,752,831)
Tax at statutory tax rate of 25% (2021: 26%)	**(1,053,797)**	(975,736)
Tax effect on amounts which are not deductible/(taxable) in calculating income		
Tax adjustment for tax rate variance in foreign jurisdictions	**249,591**	111,296
Entertainment expenses	**3,536**	72
Share-based payments	**195,050**	622,571
Under/Over Provision	**(166,616)**	(71,872)
Cost Base Items	-	176
Deferred tax assets derecognised/(recognised)	**772,236**	313,493
Income tax expense	-	-
Deferred tax assets and liabilities		
Recognised deferred tax assets		
Carried forward losses	**1,153,446**	1,039,089
Deferred tax asset at 15% (2021:15%)	**1,153,446**	1,039,089
Recognised deferred tax liabilities		
Assessable temporary differences	**-**	-
Exploration and evaluation assets	**(940,616)**	(1,009,093)
AASB6 Right of Use Asset	**(211,856)**	(21,246)
Unrealised FX	**(974)**	(8,750)
Deferred tax liability at 15% (2021:15%)	**(1,153,446)**	(1,039,089)
Net deferred tax assets/(liabilities)	**-**	-
Unrecognised deferred tax assets		
Unused tax losses	**14,828,520**	12,772,676
Unused capital losses	**10,000**	10,000
Capital raising costs in equity	**502,235**	384,535
Accruals and provisions	**37,428**	39,671
Other deductible temporary differences	**2**	5,425
AASB16 Lease Liability	-	116,276
	15,378,185	13,328,583
Deferred tax assets not taken up at 25% (2021: 26%)	**3,844,546**	3,465,432

Note 7. Current assets – Cash and cash equivalents

	Consolidated	
	2022 $	2021 $
Cash at bank	**2,861,377**	5,196,846
	2,861,377	5,196,846

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	**2,861,377**	5,196,846
Balance as per statement of cashflows	**2,861,377**	5,196,846

Note 8a. Current assets – Trade and other receivables

	Consolidated	
	2022 $	2021 $
Trade receivables	**1,226,554**	497,254
Less: expected credit loss provision	**(53,301)**	(11,110)
Other receivables	**499,841**	266,994
	1,673,094	753,138

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 2022, further to a re-assessment of the amount trade receivable, credit loss of $43,201 was recognised.

Note 8b. Current assets – Inventory

	Consolidated	
	2022 $	2021 $
Inventory consists of the following		
Crushed raw ore	**995,493**	330,909
Finished products	**231,422**	64,614
	1,226,915	395,523

Note 9. Current assets – Other current assets

	Consolidated	
	2022 $	2021 $
GST receivable	**206,399**	91,360
	206,399	91,360

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

	Consolidated	
	2022	2021
	$	$
Exploration and evaluation assets, at cost	**6,156,371**	5,958,789

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	**5,958,789**	5,536,663
Additions	**1,085,989**	988,418
Proceeds from sale of material removed from Fernie	**(828,627)**	(943,450)
Foreign exchange movement	**(59,780)**	377,158
Carrying amount at the end of period	**6,156,371**	5,958,789

Recoverability of the carrying amount of exploration ad evaluation 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

	Plant & Equipment	Asset under Construction[1]	Total
Cost or valuation	$	$	$
At 1 January 2021	152,702	-	152,702
Additions	-	429,699	429,699
Exchange difference	10,011	-	10,011
Balance at 31 December 2021	162,812	429,699	592,511
Additions	-	358,770	358,770
Exchange difference	(5,265)	(9,629)	(14,894)
Balance at 31 December 2022	157,547	778,840	936,387
Accumulated depreciation			
At 1 January 2021	85,581	-	85,581
Charge for the year	8,678	-	8,678
Exchange difference	5,730	-	5,730
Balance at 31 December 2021	99,989	-	99,989
Charge for the year	9,029	-	9,029
Exchange difference	(5,237)	-	(5,237)
Balance at 31 December 2022	103,781	-	103,781
Net book value			
At 31 December 2022	**53,766**	**778,840**	**832,606**
At 31 December 2021	62,823	429,699	492,522

Note 1
Asset under construction consists of a granulator and storage shed which are currently under installation.

Note 12. Non-current assets – Environmental bonds

	Consolidated	
	2022	2021
	$	$
Movements in Environmental bonds		
Carrying amount at beginning of the year	**325,410**	304,604
Foreign exchange movement	**(1,196)**	20,806
Carrying amount at the end of the year	**324,214**	325,410

Note 13. Current liabilities -Trade and other payables

	Consolidated	
	2022	2021
	$	$
Trade creditors	**1,061,221**	664,211
Accruals	**51,247**	75,340
Other payables	**9,579**	5,977
	1,122,047	745,528

Refer to note 18 for further information on financial instruments.

Note 14. Right-of-use assets and lease liabilities

The group has leased assets – motor vehicles, office building, and pelletizing plant during the year ended 31 December 2022. Information about the leases is presented below.

Right-of-use assets

	Motor Vehicle	Office Building	Pelletizing Plant	Total
	$	$	$	$
At 1 January 2022	81,086	60,553	-	141,639
Additions	84,209	-	1,831,958	1,916,167
Amortisation	(38,231)	(36,139)	-	(74,370)
Exchange difference	4,420	3,168	-	7,588
	131,484	27,582	1,831,958	1,991,024

Lease liabilities

	Motor Vehicle	Office Building	Pelletizing Plant	Total
	$	$	$	$
At 1 January 2022	55,188	61,089	-	116,277
New leases	57,860	-	458,472	516,332
Interest expenses	4,044	1,903	-	5,947
Lease payments	(28,502)	(37,493)	-	(65,995)
Foreign exchange movement	3,014	3,077	-	6,091
At 31 December 2022	91,604	28,576	458,472	578,652
Lease liability within one year	38,640	28,576	76,179	143,395
Lease liability between 1-5 years	52,964	-	382,293	435,257

Interest expense (lease charges) amounting to $5,947 has been recognised in the profit or loss for the year ended 31 December 2022. Amount of payment of principal portion of lease liability recognised in the statement of cashflows is $65,994.

Note 14. Leases (continued)

The group leases office space which typically runs for two years. The group has the option to renew the lease under the same conditions at the end of the lease.

The group leases motor vehicle with a lease term of 3 years. At the expiry of the lease, the group has the option to buy the vehicles for US $5,911 and US $5,985.

The group leases a pelletising plant with a lease term of 5 years. At the expiry of the lease, the group has the option to buy the equipment for US $101. As at commencement of agreement, the group paid an initial lump-sum payment of US $936,000 with the remaining US $312,000 being financed.

The pelletising plant is part of a joint operation Fertoz has entered into with Excel Industries. The joint operation is known as Fertify. The principal place of business of Fertify in Montana, USA and the purpose of the arrangement is to produce and sell sustainable fertiliser products across the agricultural sector. Each party is responsible for providing certain physical infrastructure to the arrangement. The main piece of infrastructure contributed by Fertoz is a pelletising plant. Under the agreement entered into for this arrangement, each party has a 50% voting interest.

Note 15. Equity – Issued share capital

	2022 Number of shares	2021 Number of shares	2022 $	2021 $
Ordinary shares – fully paid	**257,001,488**	227,600,960	**34,012,379**	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	30,395,000	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 directors' 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	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 June 2022	400,000	0.20	80,000
Placement[3]	29 August 2022	26,944,455	0.18	4,850,000
Shares issued under ESOP[4]	10 November 2022	1,000,000	0.20	200,000
Share issuance costs[5, 6]		-	-	(571,372)
Balance at 31 December 2022		**257,001,488**		**34,012,379**

[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 June 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.
[3] On 29 August 2022, the Company completed a placement of 26,944,455 shares at $0.18 each 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 shareholder approval.
[4] On 10 November 2022, the Company issued 1,000,000 ordinary shares following the vesting of 1,000,000 performance shares to the Chief Executive Officer, as hurdles pertaining to these had been met. The performance shares were valued at the fair value of the shares at the date of the general meeting where they were approved, given that the performance hurdles had already been met.
[5] Share issuance costs were incurred with respect of the placement and rights issue, which included the issuance of 900,000 options exercisable at a price of $0.27 each for a duration of 36 months. Using Black Scholes valuation model, the value of the options was calculated at $89,975 (see note 28)
[6] Share issuance costs were incurred with respect of the placement and rights issue, which included the issuance of 1,600,000 options exercisable at a price of $0.27 each for a duration of 45 months. Using Black Scholes valuation model, the value of the options was calculated at $178,350 (see note 28)

Note 15. Equity – Issued share capital

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 translation 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	
	2022	2021	**2022**	2021
	$	$	**$**	$
US Dollars	**946,325**	265,412	**(383,114)**	(164,685)
Canadian Dollars	**1,287,431**	1,011,213	**(339,504)**	(437,863)
	2,233,756	1,276,625	**(722,618)**	(602,548)

Note 18. Financial Instruments *(continued)*

The consolidated entity had net financial assets denominated in foreign currencies of $1,511,138 as at 31 December 2022 (2021: $674,077). 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 $75,557 (2021: $33,704) lower and $75,557 (2021: $33,704) higher respectively.

Price risk
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 $411,620 (2021: $316,525). 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 $122,692 (2021: $44,407). 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, Toronto Dominion Bank, and JP Morgan Chase Bank, N.A. which have a S&P short term credit rating of A-1+, A-1+, and A-1.

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2022	**2021**
	$	**$**
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 – 2022	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	1,122,047	-	-	-	1,122,047
Lease liability	8%	143,395	123,256	312,001	-	578,652
Total non-derivatives	**0.3%**	**1,265,442**	**123,256**	**312,001**	**-**	**1,700,699**

Note 18. Financial Instruments *(continued)*

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflow
Consolidated – 2021	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-%	745,527	-	-	-	745,527
Lease liability	5%	51,915	64,362			116,277
Total non-derivatives	0.3%	797,442	64,362	-	-	861,804

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	
	2022	2021
	$	$
Short-term benefits	**596,714**	221,400
Share-based payment	**592,222**	1,639,605
	1,188,936	1,861,005

Other

Blackwood Capital, a director related entity of Mr Richardson, assisted with the capital raise during the year. For the assistance provided, Blackwood capital received $183,000 and is to receive 1,600,000 options subject to shareholder approval. The options will have an exercise price of $0.27 and expiring 3 years after issue. As these services have already been provided, an expense of $178,350 has been recognised for the year ended 31 December 2022 in relation to these options.

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	
	2022	2021
	$	$
Audit services – BDO Audit Pty Ltd.	**106,416**	51,262
Tax services – BDO Services Pty Ltd	**13,540**	8,100
	119,956	59,362

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	
	2022	**2021**
	$	**$**
Due within one year	**266,295**	273,626
Due after one year and within five years	**990,127**	1,476,145
Due after five years	-	-

Note 23. Related Party transactions

Parent entity
Fertoz Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

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

Note 24. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	$	$
Loss after income tax	**(1,664,453)**	(5,124,923)
Total comprehensive loss	**(1,664,453)**	(5,124,923)

Statement of financial position

	Parent	
	2022	2021
	$	$
Total current assets	**1,954,308**	4,381,704
Total assets	**12,943,588**	9,168,788
Total current liabilities	**174,403**	62,305
Total liabilities	**174,403**	62,305
Equity		
Issued share capital	**34,012,379**	29,099,284
Share based payment reserve	**3,575,170**	3,161,110
Accumulated loss	**(24,818,364)**	(23,153,911)
Total equity	**12,769,185**	9,106,483

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 2022 and 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2022 and 2021.

Note 24. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 and 2021.

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.

Note 25. Interests in subsidiaries and associates

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

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Subsidiaries			
Fertoz International Organic Inc.	Canada	100%	100%
Fertoz Agriculture Pty Ltd.	Australia	100%	100%
Fertoz Organics Inc.	United States	100%	100%
Associate			
Carbon Farming Philippines Corporation	Phillippines	30%	-

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

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax expense for the year	**(4,215,190)**	(3,752,831)
Adjustments for:		
Share-based payments	**780,202**	2,394,505
Depreciation	**82,962**	19,393
Lease interest	**5,947**	926
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	**(1,034,995)**	(499,908)
Decrease/(Increase) in inventories	**(831,392)**	(174,491)
(Decrease)/increase in trade and other payables	**376,519**	351,063
Net cash used in operating activities	**(4,835,947)**	(1,661,343)

Non-cash transactions
During the year ended 31 December 2022, the company entered into lease agreements adding $516,332 to right-of-use assets net of upfront payments made of $1,399,835.

The only changes to liabilities arising from financing activities are as disclosed in note 14 Leases.

Note 27. Loss per share

	Consolidated	
	2022	2021
	$	$
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax expense for the period	**(4,215,190)**	(3,752,831))
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	**238,137,690**	193,603,749
Weighted average number of shares used in calculating diluted earnings per share	**238,137,690**	193,603,749
	Cents	Cents
Basic loss per share	**1.73**	1.94
Diluted loss per share	**1.73**	1.94

At 31 December 2022, there were 12,650,000 (2021: 5,000,000) performance shares 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

(a) Performance Shares

Total expenses arising from share-based payment transactions recognised during the period as part of contract of services in terms of performance shares issued to directors, employees and consultants amounting to $585,202 (2021: $888,505).

At 31 December 2022, movement in performance shares are as per below:

31 December 2022

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
01/06/21	01/06/2024	$0.00	750,000	-	-	(750,000)	-
17/09/21	-	$0.00	1,600,000	-	(656,073)	(943,927)	-
26/04/22	-	$0.00	-	7,750,000	(1,000,000)	-	6,750,000
			2,350,000	**7,750,000**	**(1,656,073)**	**(1,693,927)**	**6,750,000**
Weighted average exercise price			$0.00	$0.00	$0.00	$0.00	$0.00

Note 28. Share-based payments (continued)

During the period ended 31 December 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
	1,000,000[3]	04/04/2028	Vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.40 for 10 consecutive days	Nil
	1,000,000[3]	04/04/2029	Vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.50 for 10 consecutive days	Nil
	2,000,000[3]	04/04/2030	Vest if the Company's shares trade on ASX at a VWAP of, or in excess of, $0.65 for 10 consecutive days	Nil
	250,000[2]	31/12/2024	Achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz before 31 December 2024	Nil
	250,000[2]	31/12/2024	Sale of $500,000 of Carbon Credits in a project managed by Fertoz before 31 December 2024	Nil
	250,000[2]	31/12/2024	Achievement of 60,000t of fertilizer sales in any one year before 31 December 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%. During the year ended 31 December 2022, the above performance hurdle of employment commencement was met and the performance shares were exercised and ordinary shares issued. The performance shares were valued at the fair value of the shares at the date of the general meeting where they were approved, given that the performance hurdles had already been met at that date. Amount recognised during the period to 31 December 2022 was $422,740.
[2] The performance rights were valued at the date of commencement of employment at $0.20 per right for a total of $100,000, with a probability of vesting of 100% for the reforested land and fertilizer sales milestones and a probability of vesting of 0% for the carbon credit milestone. Amount recognised during the period to 31 December 2022 was $25,848.
[3] 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 31 December 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 $70,929 was recognised during the period ended 31 December 2022.

Note 28. Share-based payments (continued)

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			

The performance hurdles for the above performance shares were forfeited 2 December 2022 when Mr Pat Avery resigned as Executive Chairman (and remains as Executive Director) as per his consulting arrangements. This resulted in the reversal of share-based payment expense recognised in prior reporting periods of $7,295.

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

The performance hurdles for the above performance shares expired 1 October 2022. This resulted in the reversal of share-based payment expense recognised in prior reporting periods of $247,303.

(b) Options

On 23 August 2021, the Company granted 5,000,000 broker options with respect to the capital raising. The broker options are exercisable at a price of $0.20 on or before 23 August 2024. The options were recognised at a fair value, based on Black Scholes Valuation Model, of $0.165 per option for a total value of $826,175. The valuation is based on an expected volatility of 91.4%, risk free interest rate of 1.5%, expected life of 3 years and stock price of $0.26.

At 31 December 2022, the options with an average remaining life of 1.6 years, were vested and unexercised.

On 29 August 2022, the Company granted 900,000 broker options with respect to the capital raising. The broker options are exercisable at a price of $0.27 on or before 29 August 2025. The options were recognised at a fair value, based on Black Scholes Valuation Model, of $0.10 per option for a total value of $89,975. The valuation is based on an expected volatility of 108.55%, risk free interest rate of 3.51%, expected life of 3 years and stock price of $0.27.

At 31 December 2022, the options with an average remaining life of 2.6 years, were vested and unexercised.

The Company intends to issue 1,600,000 options to Blackwood Capital Pty Ltd, subject to shareholder approval, with an exercise price of $0.27, expiring 3 years after issue. These options would likely be issued (if shareholder approval is obtained) in June 2023. The option valuation is calculated based upon fair value utilising the Black and Scholes valuation model of $0.1114 per option for a total value of $178,350. The valuation assumes an issue date of 29 August 2022 and expiry date of three years from an assumed shareholder approval (approval assumed 30 May 2023) of 30May 2026. The valuation is based on an expected volatility of 108.55%, risk free interest rate of 3.51%, expected life of 3 years and stock price of $0.27.

Note 29. Events since the end of the financial year

On 10 February 2023, Mr. Patrick Avery stepped down as Executive Director of the Company but remains on the Board as a Non-Executive Director.

Fertoz Limited
Directors' Declaration
For the year ended 31 December 2022

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 of 31 December 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 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

Stuart Richardson
Chairman

31 March 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Fertoz Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fertoz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 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 2022 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.

Recoverability and Classification 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 assets 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; and • 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.

Accounting for Share-Based Payments

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 28, the Group has issued a number of performance shares and options during the current and prior financial years. Share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of performance shares and options that are expected to become exercisable. We consider the Group's accounting for share-based payment arrangements to be a key audit matter.	Our procedures included, but were not limited to the following: • Holding discussions with management to understand the share-based payment arrangements in place; • Examining the accounting treatment for performance shares and options under AASB 2 Share -based Payment; • Reviewing management's determination of fair value of the share-based payments issued, considering the appropriateness of the valuation model used and assessing the valuation inputs; • Reviewing the performance share expense reversals relating to the reassessment of vesting condition probabilities during the period; • Assessing the allocation of the share-based payment expense over the expected vesting periods; and • Assessing the adequacy of the disclosures in Note 28.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended 31 December 2022, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is correct. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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 12 to 18 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Fertoz Limited, for the year ended 31 December 2022, 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

Anthony Whyte
Director

Brisbane, 31 March 2023

Shareholders' information set out below was applicable as at 3 March 2023

Unlisted Options and Performance Rights

The Company has the following unlisted securities on issue:

- 5,000,000 Options exercisable at $0.20 each expiring 23/08/2024 held by 10 option holders;
- 900,000 Options exercisable at $0.27 each expiring at 29/08/2025 held by 3 option holders;
- 6,750,000 Performance Rights held by 1 holder;

The following holders hold 20% or more of the securities in the above class:

- Options exercisable at $0.20 each expiring 23/08/2024
  - Bostock Investments Pty Ltd
  - JP Equity Holdings Pty Ltd
- Options exercisable at $0.27 each expiring 29/08/2025
  - Bostock Investments Pty Ltd
  - JP Equity Holdings Pty Ltd
  - Mr Jason Paul Skinner
- Performance Rights
  - Daniel Francis Gleeson

Distribution

The number of ordinary shareholders, by size of holding is:

Spread of Holdings	Holders	% of units
1-1,000	41	0.00%
1,001-5,000	200	0.24%
5,001-10,000	143	0.46%
10,001-100,000	527	8.82%
100,001 - and over	289	90.48%
Total on register	**1,200**	**100.00%**
Total Overseas holders	33	

The number of shareholdings held in less than marketable parcels is 161 with a total of 281,808 Shares.

Substantial Shareholders

The Company has been notified of the following substantial shareholdings:

	Number
Stephens Group and related entities	25,894,990
Boston First Capital Pty Ltd and related entities	13,770,000
Lenark Pty Ltd <Lenark Investments A/C> and related entities	13,202,729
Malcolm John Weber	9,622,489

20 LARGEST HOLDERS OF ORDINARY SHARES AS AT 3 MARCH 2023:

	Fully paid	
Ordinary Shareholder	**Number**	**Percentage**
BOSTON FIRST CAPITAL PTY LTD	11,605,458	4.52%
LENARK PTY LTD - <LENARK INVESTMENT A/C>	10,869,142	4.23%
STEPHENS GROUP SUPER FUND PTY LTD <STEPHENS GROUP S/F A/C>	10,000,000	3.89%
ASHABIA PTY LTD - <ASHABIA SUPER FUND A/C>	9,300,000	3.62%
HAJEK FT CUSTODIANS PTY LTD - <THE HAJEK FAMILY A/C>	8,500,000	3.31%
MR WILLIAM BOOTH	6,775,606	2.64%
MR PATRICK AVERY	6,408,164	2.49%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,352,437	2.47%
TWO TOPS PTY LTD	5,392,699	2.10%
FERTOZ LIMITED - <FERTOZ LIMITED ESPP A/C>	4,527,786	1.76%
NIREB NOMINEES PTY LTD <NIREB A/C>	4,264,761	1.66%
BNP PARIBAS NOMINEES PTY LTD - <IB AU NOMS RETAILCLIENT DRP>	4,219,037	1.64%
WISEVEST PTY LTD	4,033,489	1.57%
PINNACLE SUPERANNUATION PTY LIMITED - <PJF S/F A/C>	4,000,002	1.56%
THE STEPHENS GROUP PTY LTD	3,785,000	1.47%
MR MICHAEL BERNARD STEPHENS & MRS TAHLIA JAE STEPHENS <MB & TJ STEPHENS FAMILY A/C>	3,500,000	1.36%
WILLSTREET PTY LTD	3,000,000	1.17%
MR JEREMY NICHOLAS TOLCON & MRS NADINE RUTH TOLCON <JEMINE SUPER FUND A/C>	2,500,000	0.97%
GUNDY PARK PTY LTD - <BRUCE FOYE P/L SUPERFUND A/C>	2,488,889	0.97%
THE STEPHENS GROUP PTY LTD	2,450,000	0.95%
	113,972,470	44.35%

PARTLY PAID SHARES

The Company does not have any partly paid shares on issue.

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

On-market buy-back

The Company is not currently conducting an on-market buy-back.