

# **Fertoz Limited**

**ACN 145 951 622**

**Audited Financial Statements  
For the year ended 31 December 2023**

# Fertoz Limited

Year ended 31 December 2023

## Directors

Mr. Stuart Richardson	Non-Executive Chairman
Mr. Greg West	Non-Executive Director
Mr. Daniel Gleeson	Managing Director
Mr. Patrick Avery	Non-Executive Director (Resigned 5 May 2023)

## Company Secretary

Ms. Leah Pieris (Appointed 12 October 2023)  
Mr. Max Crowley (Resigned 22 March 2024)  
Ms. Nova Taylor (Resigned 12 October 2023)

## Registered office and Principal Place of business

Level 5, 126 Phillip Street  
Sydney NSW 2000

## Share Register

Automic Pty Ltd  
Level 5, 126 Phillip Street,  
Sydney NSW 2000

## Auditor

Moore Australia Audit (WA)  
Level 15  
Exchange Tower  
2 The Esplanade, Perth WA 6000

## Banker

Commonwealth Bank of Australia

## Stock Exchange Listing

Australian Securities Exchange (FTZ)

## Website

[www.fertoz.com](http://www.fertoz.com)

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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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 2023.

### 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 (resigned 5 May 2023)

Mr. Greg West

Mr. Daniel Gleeson

### Principal activities

The Company's key objective is to become a leading provider of sustainable agricultural fertilizer 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

#### Overview

Fertoz is a sustainable land management company that aims to become a leading supplier of regenerative phosphate fertilizers in North America and a profitable marketer of organic fertilizer products in Australia.

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, Fertoz continues 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 2023, Fertoz launched its Fertify™ all-in-one NPKS (nitrogen, phosphorous, potassium, sulphur) fertilizer pellet to service the growing demand for sustainable and regenerative options in North America.

In addition, Fertoz also distributes fused magnesium calcium silicate phosphate in Australia, New Zealand and the Philippines. The product is imported from Vietnam.

Fertoz is also developing premium carbon credits from nature-based projects primarily focused on reforestation opportunities and lower carbon input fertilizers.

Collectively, both operations drive the Group towards its mission of reducing carbon greenhouse gases and improving soil health to benefit future generations.

#### *Fertify™*

Fertoz launched its NPKS pellet, Fertify™, to increase sales of its rock phosphate in the USA. Fertoz developed the plant in a joint operation with Montana-based Excel Industries after identifying an opportunity to combine resources to deliver a regenerative and organic all-in-one NPKS pellet to farmers across North America.

The plant commenced production in Montana, USA, in August 2023 and reached nameplate capacity (40,000tpa) in early October 2023.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

First deliveries of Fertify commenced in August, with product integrity and quality highly regarded by the market due to minimal dust or breakdown of the product in transit, storage or application. Awareness continued to grow as the product moved onto farms, following a long and positive season in and around Montana, where the plant is based. Fertoz also invested in significant marketing efforts, including a multitude of conferences and conventions, for increased brand visibility across North America, with growers, retailers, and agronomists.

Fertoz expects to increase production towards nameplate capacity as demand increases for spring 2024, which is when ~70% of fertilizer applications are made in its target markets.

Fertoz invested A\$1.9M in the plant, along with an additional A\$680,000 in costs to prepare for the spring sales in 2024. These start up costs were expensed in 2023 towards marketing and selling costs, hence the increase compared with 2022, but will be recovered through spring sales in 2024.

### *Rock Phosphate*

Fertoz's global sales of rock phosphate in 2023 reached \$3.05M (including phosphate mined in Alberta, Canada), a reduction of 22% in comparison to 2022. This was driven by a reduction of \$1.0M in sales in Australia due to reduced demand but offset by growth of \$0.2M (10%) in North American sales. Positively, Group gross margin increased from 4.5% in 2022 to 23% in 2023, driven largely by sales price increases and a more cost-effective processing strategy implemented in 2023. This was despite a lack of mining permit approvals in Canada which forced supply from the USA in 2023 for our Canadian customers, negatively impacting sales and gross margin due to increased freight cost by an additional \$135/tonne.

Despite these challenges, continued growth of rock phosphate to manufacturers in North America reflects the acceptance of our customers products in the market and therefore our high-grade organic rock phosphate. This includes new customers who look to value add using Fertoz rock phosphate with the inclusion of sulfur, organic matter, gypsum, calcium, etc. This growth reflects a 3 - 4-year development phase that is required to reach scale. This growth will continue into 2024 with USA owned fertilizer manufacturers qualifying for the distribution of grants totalling US\$500M for fertilizer manufacturing in the USA that supports regenerative and sustainable fertilizer manufacturing.

The slower than forecast demand in Australia was due to delayed growth in the home garden market, impacted cattle grazing sector due to lower beef prices and the loss of two main distributors. However, the Australian business continued to make a small profit due to tight cost control and increased gross margin from reduced shipping costs.

Fertoz's Mining & Operations continued to evolve, with the appointment of Dylan Treadwell as Mining & Operations Manager. He has maintained a strong focus on cost control, helping to reduce mining and processing costs overall, as well as targeting the most cost effective and accessible locations for permitting and using key consultants to support the process. He has also greatly improved the clarity around the permit application process in Canada that should help to accelerate the multiple permits under review currently.

Fertoz is targeting 150,000 tonnes of rock phosphate permits in 2024, which would vastly improve supply challenges within Canada where only limited volumes (<2,000 tonnes) were mined in 2023, and Fertoz required imported product from its USA locations, which negatively impacted margins, due to freight considerations mentioned already.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

Fertoz has more than 4,000 tonnes of crushed and screened rock phosphate product stored in inventory for sales throughout winter and early spring, an achievement the company has not reached on any scale previously. In addition, there are more than 10,000 tonnes ready for screening or crushing at its Butte facilities in various finished formats, with a sales value of more than A\$2.5M. This positions Fertoz with adequate inventory for early season sales in 2024. In addition to this, there are significant volumes of rock phosphate stockpiled in Montana on which the company can draw down.

### Carbon

Fertoz continues to advance its carbon projects in reforestation and agriculture as demand for high quality nature-based credits remains strong.

Its carbon focus has been narrowed to three areas:

- a) Continue to sell fertilizers in North America and Australia, with a low carbon footprint i.e. rock phosphate and fused magnesium calcium silicate phosphate, respectively.
- b) Promote the benefits of the low carbon intensity score of Fertify to growers and biofuel plants as a way of increasing fertilizer sales.
- c) Continue reforestation in the Philippines by seeking a local investor to fund a minimum of 60% of its reforestation projects in the Philippines. This is to ensure compliance with Philippine Foreign investment laws for development of a natural resource. Discussions have advanced with a prospective investor capable of funding large scale reforestation projects over several years.

### Safety

There were no lost time injuries or environmental incidents recorded during the year ended 31 December 2023.

### Outlook for 2024

Fertoz expects to deliver significant operating and cashflow improvements in FY 2024 as the growth of its manufacturing customers continues to increase following positive response's to Fertoz supplied rock phosphate with growers and retailers in 2023. These major customers of Fertoz have begun to reach a size of scale whereby they are becoming well recognised in the industry for the products they offer and the success they can provide. Many of them have invested into product mix, farm-based trials and sales and marketing spend that has taken at least four to five years of development. In addition to these existing customers, more parties are beginning to recognise the demand for sustainable and non-chemical-based farm inputs. Fertoz expects further new entrants in the North American market will follow a very similar trajectory with regards to strategy and growth and provide an ever-growing customer base for Fertoz rock phosphate. These companies will take time to develop, but with the industry adoption moving faster than historically noted, Fertoz expects them to reach a scale of importance more rapidly than previously. Hence, Fertoz expects sales to increase materially in 2024 compared to FY 2023.

Fertoz also expects its efforts and investment into Fertify in 2023 to be reflected in the growth of sales. As has been the case for manufacturing customers, this will take time to develop, but the industry is at a turning point where scale can be accelerated. This requires working at the grower, retailer, and wholesaler level to create the market demand. Fertoz expects sales to exceed 4,000 tonnes this spring at a revenue value of more than A\$2.0M.

In addition to improving sales in 2024, Fertoz has also addressed the human capital needs for sound business execution. As such, it is expected that payroll expense will reduce by more than A\$750,000 for 2024, whilst exploration spend will also reduce significantly as focus remains on approved permitting for 150,000 tonnes in 2024 via three separate permits. These include two targeting bulk sample campaigns for 20,000 tonnes collectively and a small industrial mines permit for 130,000 tonnes. The two bulk samples will support further knowledge on expansion into industrial mine permits as a next step.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

With expected growth in rock phosphate and Fertify sales and rigorous management of costs this will support delivery of a cash flow positive year. Achievement of this goal was delayed in 2023 but Fertoz is positioned to deliver improvement on its past financial results. It is critical that Fertoz can supply Canadian customers from Canada as much as possible (subject to permits granted), improving gross profit levels, whilst increasing sales volumes a key requirement to improving group cashflows.

### Financials

The loss for the consolidated entity after providing for income tax amounted to \$4,475,098 (2022: \$4,215,190).

Sales for the year ended 31 December 2023 were 22% lower than the previous year, \$2,785,863 (2022: \$3,556,807), whilst gross margin increased from 4.5% to 23% in 2023. This was despite \$680,000 of investment towards Fertify inventory expensed in 2023 for sales that will occur in early 2024. The Group also spent \$1,133,264 (2022: \$1,085,989) on exploration during the year.

Current assets total approximately \$2,907,123 and include inventory at cost \$765,682. This inventory is expected to have a gross sales value of \$1,688,750 and be sold in FY 2024. Current liabilities are \$1,047,054. Fertoz has a solid working capital position for the 2024 year.

The Group loss FY 2023 was \$4,475,098. This was impacted by non-recurring items:

- \$680,000 investment towards Fertify inventory was expensed in 2023 for sales that will occur in early 2024.
- An impairment was made on the granulator purchased in 2019 for \$441,000 due to significant costs associated with its construction and concerns over life span and operating capability. This completely writes off the granulator.

Available cash balance at year-end amounted to \$1,695,854 (2022: \$2,861,377).

### *Board Changes*

Patrick Avery resigned as an Executive Director on 10 February 2023 and as a Non-Executive Director on 5 May 2023. Mr Avery had served on the Fertoz Board since 2016 and the Directors thanked him for his contribution and wished him well for future endeavours.

### *Appointment of Joint Company Secretary*

Leah Pieris was appointed as Joint Company Secretary of Fertoz on 12 October 2023. Ms Pieris is a Chartered Company Secretary and a member of Automic Group, assisting ASX listed, unlisted public and proprietary companies across a range of industries. She shares the role with Joint Company Secretary Max Crowley. Her appointment followed Nova Taylor stepping down as Company Secretary.

### *Short-Term Loan*

Fertoz Non-Executive Chairman Stuart Richardson agreed to provide the Company with a short-term, unsecured loan of \$300,000 on commercial arms' length terms. The loan was drawn down by the Company on 29 September 2023, with funds applied towards working capital purposes of the Company.

The material terms of the loan agreement are as follows:

- Loan amount: \$300,000, drawn down immediately.
- Loan term: 12 months (requiring repayment by 29 September 2024).
- Interest rate: 10% per annum paid quarterly in arrears.
- Security: Nil.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

The agreement does not include any right to convert the loan to Fertoz shares.

#### *Convertible Note Issue*

On 15 November 2023, the Company advised it received binding subscriptions for a total of \$1.23 million from the issue of 1,230,000 unlisted Convertible Notes. Proceeds provide working capital and ensure adequate Fertify™ inventory for Spring sales commencing March 2024.

The Company appointed Blackwood Capital Pty Ltd as Placement Agent and allocated Convertible Notes to clients residing in Australia. A summary of the material terms are as follows:

- Maturity period of 3 years
- Interest rate of 10% per annum paid quarterly in arrears
- Conversion price of \$0.10 per share (adjustable as per ASX Listing Rule requirements)
- At the noteholder's option, notes can be converted at any time into ordinary shares of the Company at the conversion price to ordinary shares up to maturity date
- Mandatory conversion by the Company upon maturity (3 years) at the conversion price into ordinary shares
- The face value of the convertible note is \$1.00 per convertible note
- Notes may not be sold or transferred prior to the maturity date without the Company's consent.

The convertible notes are unsecured.

#### *Cost control*

Fertoz continues to manage costs from both a third-party review process as well as a staffing perspective, having finished the year with seven full-time equivalent staff, a 50% reduction on the previous year. Exploration work will be kept to a minimum as the focus remains on permitting applications and approvals for the Canadian mines.

#### *Significant changes in the state of affairs*

During the year ended 31 December 2023, the Group:

- (a) issued 833,334 ordinary shares at an issue price of \$0.18 to complete Tranche 2 of the capital raise conducted in August 2022.

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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

#### **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 fertilizer 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 three years into the development stage and therefore considered high risk and still at the early scoping stage. The fertilizer 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 2023 and may continue to have negative operating cash flow until revenues increase. The Company currently has adequate funds to 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.



# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (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 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.

#### 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (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 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

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.

#### 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 fertilizer, forward selling by producers, costs of production, geopolitical factors (including trade tensions), hostilities and general global economic conditions.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

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 fertilizers have been volatile and are influenced by numerous factors and events beyond the control of the Company.

### 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 fertilizer 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, fertilizer 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

#### 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.

#### 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Review of operations (continued)

#### 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 fertilizers 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.

#### 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). Whilst 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

---

### Review of operations (continued)

#### 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
- 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

On 16 February 2024, the Company cancelled 7,585,950 shares pursuant to an employee share scheme buy-back.

On 22 March 2024, Max Crowley resigned as joint Company Secretary.

#### 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 nature-based carbon projects, 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:	14,325,556
Interests in options:	1,600,000
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.



# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Information on directors (continued)

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:	2,000,000
Interests in options:	None
Contractual rights to shares:	5,750,000 performance rights subject to various KPIs

### 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:	527,778
Interests in options:	None
Contractual rights to shares:	None

### Mr. Patrick Avery, MBA

*Executive Director (resigned 9 February 2023)*

*Non-Executive Director (appointed 10 February 2023, resigned 5 May 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:	None
Interests in options:	None
Contractual rights to shares:	None.



# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Information on directors (continued)

#### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Year ended 31 December 2023 Board of Directors	
	Number eligible to attend*	Number attended
Mr. Stuart Richardson	9	9
Mr. Greg West	9	8
Mr. Daniel Gleeson	9	7
Mr. Patrick Avery <sup>1</sup>	4	3

<sup>1</sup> Resigned on 5 May 2023

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. There are currently no key management personnel other than 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

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited) (continued)

The Board undertakes the responsibilities of the Nomination and Remuneration Committee and is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

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

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

and aligns the program participants' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Non-executive directors receive share options to ensure alignment with the Board's responsibility of creating shareholder wealth. The remuneration for each non-executive director 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. To conserve cash for the Group, the non-executive directors agreed to waive their directors' fees for the year ended 31 December 2023.

#### *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 where it does not create any additional costs to the consolidated entity and provides additional value to the executive. The consolidated entity has short-term incentives ('STI').

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

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.

#### 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 2019, 2020, 2021, 2022 and 2023 are summarised below:

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Sales revenue	2,785,863 <sup>1</sup>	3,556,807 <sup>1</sup>	2,243,501 <sup>1</sup>	2,035,125	1,326,264
EBITDA	(4,194,579)	(4,135,163)	(3,733,438)	(1,525,380)	(1,793,485)
EBIT	(4,475,098)	(4,218,125)	(3,752,831)	(1,535,715)	(1,808,232)
(Loss) after income tax	(4,475,098)	(4,215,190)	(3,752,831)	(1,535,715)	(1,808,232)

<sup>1</sup> This does not include receipt from sale of materials removed from the Company's Fernie Project in Alberta of \$259,663 (2022: \$828,627; 2021: \$943,450)

The factors that are considered to affect total shareholders return ('TSR') for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 are summarised below:

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Share price at financial year end (\$)	0.051	0.17	0.25	0.05	0.08
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.79)	(1.73)	(1.94)	(1.01)	(1.41)

#### Use of remuneration consultants

The consolidated entity did not engage remuneration consultants during the year ended 31 December 2023.

#### Voting and comments made at the company's 2023 Annual General Meeting ('AGM')

At the 2023 AGM, the remuneration report for the year ended 31 December 2022 was adopted. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### Details of remuneration

##### Amounts of remuneration

Details of the remuneration of Key Management Personnel ("KMP") of the consolidated entity for the year ended 31 December 2023 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<sup>1</sup>
- Mr. Stuart Richardson – Non-Executive Chairman
- Mr. Greg West - Non-Executive Director

<sup>1</sup> Mr Avery transitioned to Non-Executive Director on 10 Feb 2023 and resigned as a Director on 5 May 2023

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

REMUNERATION REPORT (audited) (continued)

### For the year ended 31 December 2023

Director	Short Term Benefits	Bonus \$	Post Employment	Share Based Payments		Total \$	Fixed (%)	Proportion of remuneration performance related
	Salary and fees \$		Superannuation \$	Options / Perf Shares \$	Shares \$			LTI (%)
Patrick Avery <sup>1</sup>	17,437	-	-	-	-	17,437	100%	-
Gregory West	-	-	-	-	-	-	-	-
Stuart Richardson	-	-	-	-	-	-	-	-
Daniel Gleeson <sup>2</sup>	451,817	-	-	67,574	200,000	719,391	63%	37%
<b>Total</b>	<b>469,254</b>	<b>-</b>	<b>-</b>	<b>67,574</b>	<b>200,000</b>	<b>736,828</b>		

<sup>1</sup> See resignation date as per above<sup>2</sup>

<sup>2</sup> Remuneration in shares includes 400,000 shares issued when the market price was \$0.20

### For the year ended 31 December 2022

Director	Short Term Benefits	Bonus \$	Post Employment	Share Based Payments		Total \$	Fixed (%)	Proportion of remuneration performance related
	Salary and fees \$		Superannuation \$	Options / Perf Shares \$	Shares \$			LTI (%)
Patrick Avery	229,553	-	-	(13,459)	-	216,094	100%	-
Gregory West <sup>2</sup>	-	-	-	-	50,000	50,000	100%	-
Stuart Richardson <sup>2</sup>	-	-	-	-	30,000	30,000	100%	-
Daniel Gleeson <sup>1</sup>	317,161	50,000	-	319,517	200,000	886,678	41%	59%
<b>Total</b>	<b>546,714</b>	<b>50,000</b>	<b>-</b>	<b>306,058</b>	<b>280,000</b>	<b>1,182,772</b>		

<sup>1</sup> Remuneration in shares includes 1,000,000 performance shares issued when the market price was \$0.20. Commenced April 2022.

<sup>2</sup> Remuneration in shares includes 400,000 shares issued when the market price was \$0.20

### 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 (until 9 February 2023), Non-Executive Director (10 February 2023 to 5 May 2023)  
 Agreement commenced: 1 June 2021  
 Term of agreement: 3 years (Terminated on 9 February 2023)  
 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 9 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:

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

- 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.

At 31 December 2023, 2,000,000 performance rights have vested during Mr Gleeson's employment. These performance rights were exercised and Mr Gleeson received 2,000,000 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.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

#### Shareholding

The number of shares in the company held during the year ended 31 December 2023 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
<i>Ordinary shares</i>					
Patrick Avery	6,408,164	-	-	6,408,164	-
Daniel Gleeson	1,000,000	1,000,000	-	-	2,000,000
Stuart Richardson	13,770,000	-	555,556	-	14,325,556
Greg West	250,000	-	277,778	-	527,778
	<b>21,428,164</b>	<b>1,000,000</b>	<b>833,334</b>	<b>6,408,164</b>	<b>16,863,336</b>

#### Additional disclosures relating to key management personnel

##### Performance rights

The number of performance rights which are treated as in-substance options held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Converted to ordinary shares	Expired*	Balance at the end of the year
<i>Performance shares</i>					
Patrick Avery	-	-	-	-	-
Stuart Richardson	-	-	-	-	-
Daniel Gleeson	6,750,000	-	(1,000,000)	-	5,750,000
	<b>6,750,000</b>	-	<b>(1,000,000)</b>		<b>5,750,000</b>

For information regarding the fair value of these performance rights, refer to note 31 to the financial statements.

#### Share based compensation

##### 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 2023, the Company issued 1,600,000 options to Blackwood Capital Ltd, a related party of Mr Stuart Richardson, a Director of the Company, following receipt of shareholder approval on 29 June 2023, with an exercise price of \$0.27, expiring on 31 May 2026. These options were valued at \$178,350 and recorded as capital raising costs during the year ended 31 December 2022 with respect to capital raised in 2022. Refer to note 28(b) of the 2022 Annual Report for further details.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

##### Shares issued

On 29 June 2023, Fertoz Limited issued 833,334 shares to directors, following shareholder approval, at an issue price of \$0.18, which was identical terms to the capital raise conducted in August 2022.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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### Other transactions with Key Management Personnel

#### Loan from a Director

As detailed above and in Note 14 of this Annual Report, Mr Stuart Richardson, a director of the Company agreed to provide the Company with a fully drawn short-term unsecured loan of \$300,000 on commercial arms' length terms. The loan was applied towards working capital purposes of the Company. The total amount payable by the Company at balance date is \$305,906 which includes accrued interest of \$5,906.

#### Consulting Fees

The Company paid \$71,170 (incl GST) to Blackwood Capital Ltd, a related entity of Mr Stuart Richardson, for consulting fees associated with the Convertible Notes raised during the year ended 31 December 2023.

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

#### 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 2023, 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 of \$7,730 (2022: \$13,540) to BDO Services Pty Ltd, a related company of the previous auditor, for non-audit services provided during the year ended 31 December 2023. This related to preparation of the tax return and taxation advice. Moore Australia Audit (WA), the current auditor, did not provide any non-audit services during the year ended 31 December 2023.

# Fertoz Limited

Year ended 31 December 2023

## DIRECTORS' REPORT

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The directors are of the opinion that the services as disclosed in note 22 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 Moore Australia Audit (WA)

There are no officers of the company who are former partners of Moore Australia Audit (WA)

### 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 ceased being the Company's auditor on 24 November 2023. Moore Australia Audit (WA) is the Company's auditor and prevails in office in accordance with section 327 of the Corporation Act 2001.

On behalf of the directors



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Stuart Richardson

28 March 2024



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF FERTOZ LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



SL TAN  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 28<sup>th</sup> day of March 2024.

# Fertoz Limited

Year ended 31 December 2023

## CONTENTS

---

### Contents

Consolidated statement of profit or loss and other comprehensive income	25
Consolidated statement of financial position	26
Consolidated statement of changes in equity	27
Consolidated statement of cash flows	28
Notes to the financial statements	29
Directors' declaration	56
Independent auditor's report to the members of Fertoz Limited	57
Shareholder information	62

### 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 28 March 2024. 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 2023

	Note	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$
<b>Revenue from contracts with customers</b>	4	2,785,863	3,556,807
<b>Cost of goods sold</b>		<b>(2,155,703)</b>	<b>(3,394,589)</b>
		<b>630,160</b>	162,218
Other Income	4	82,494	35,628
<b>Expenses</b>			
Audit & accounting		304,510	207,800
Carbon project expenditure		235,273	537,387
Consultant fees & employee compensation		1,192,988	742,161
Depreciation & amortisation		218,087	82,962
Directors' fees (non-executive)		17,295	-
Executive chairman compensation		-	222,258
Impairment expense		441,201	-
Insurance		117,893	65,360
Investor relations		63,469	62,569
Legal		32,118	80,595
Listing fees and share registry		54,570	83,218
Marketing & selling		1,869,754	1,274,366
Provision for impairment of debt	7a	48,000	43,201
Share based payment		289,677	780,202
Other expenses		236,696	231,050
<b>Total expenses</b>		<b>5,121,621</b>	<b>4,413,129</b>
<b>Finance</b>			
Interest income	4	(11,906)	(7,642)
Interest expense		74,338	4,707
Foreign exchange loss/(gain)		3,699	2,842
		<b>66,131</b>	<b>(93)</b>
<b>Loss before income tax expense</b>		<b>(4,475,098)</b>	<b>(4,215,190)</b>
Income tax expense	5	-	-
<b>Loss after income tax expense for the year</b>		<b>(4,475,098)</b>	<b>(4,215,190)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation gain/(loss)		285,097	(34,086)
Other comprehensive income for the year, net of tax		285,097	(34,086)
<b>Total comprehensive income for the year</b>		<b>(4,190,001)</b>	<b>(4,249,276)</b>
<b>Loss per share for loss attributable to the owners of Fertoz Limited</b>			
Basic loss per share (cents)	30	(1.79)	(1.73)
Diluted loss per share (cents)	30	(1.79)	(1.73)

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 2023**

	Note	2023	2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,695,854	2,861,377
Trade and other receivables	7a	393,013	1,673,094
Inventories	7b	765,682	1,226,915
Other current assets	8	52,574	206,399
<b>Total current assets</b>		<b>2,907,123</b>	<b>5,967,785</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	9	6,873,957	6,156,371
Property, plant and equipment	10	404,871	832,606
Right-of-use assets	13	1,958,573	1,991,024
Environmental Bonds	11	302,954	324,214
<b>Total non-current assets</b>		<b>9,540,355</b>	<b>9,304,215</b>
<b>Total assets</b>		<b>12,447,478</b>	<b>15,272,000</b>
<b>Current liabilities</b>			
Trade and other payables	12	533,798	1,122,047
Lease liability	13	208,160	143,395
Borrowing	14	305,096	-
<b>Total current liabilities</b>		<b>1,047,054</b>	<b>1,265,442</b>
<b>Non-current liabilities</b>			
Lease liability	13	354,040	435,257
Convertible notes	15	309,606	-
<b>Total non-current liabilities</b>		<b>663,646</b>	<b>435,257</b>
<b>Total liabilities</b>		<b>1,710,700</b>	<b>1,700,699</b>
<b>Net assets</b>		<b>10,736,778</b>	<b>13,571,301</b>
<b>Equity</b>			
Issued capital	16,17	35,350,179	34,012,379
Share based payment reserve		3,592,847	3,575,170
Translation reserve		528,552	243,455
Accumulated losses		(28,734,800)	(24,259,702)
<b>Total equity</b>		<b>10,736,778</b>	<b>13,571,301</b>

*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 2023**

	Issued capital	Accumulated losses	Equity component of convertible note	Share Based Payment Reserve	Translation Reserve	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2023	34,012,379	(24,259,702)	-	3,575,170	243,455	13,571,301
Loss after income tax expense for the period	-	(4,475,098)	-	-	-	(4,475,098)
Other comprehensive loss for the period	-	-	-	-	285,097	285,097
Total comprehensive profit/(loss) for the period	-	(4,474,098)	-	-	285,097	(4,190,001)
<i>Transaction with owners in their capacity as owners:</i>						
Shares issued (Note 17)	150,000	-	-	-	-	150,000
Capital raising costs	(66,318)	-	-	-	-	(66,318)
Equity component of convertible notes issued	-	-	934,575	-	-	934,575
Other shares issued (vesting of performance shares)	272,000	-	-	(272,000)	-	-
Shares issued in lieu of consulting fees	47,543	-	-	-	-	47,543
Share-based payments	-	-	-	289,677	-	289,677
<b>At 31 December 2023</b>	<b>34,415,604</b>	<b>(28,734,800)</b>	<b>934,575</b>	<b>3,592,847</b>	<b>528,552</b>	<b>10,736,778</b>
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)
<i>Transaction with owners in their capacity as owners:</i>						
Shares issued (Note 17)	5,045,000	-	-	-	-	5,045,000
Capital raising costs	(303,048)	-	-	-	-	(303,048)
Share-based payments:						
Options to brokers (capital raising costs) (Note 31)	(268,324)	-	-	268,324	-	-
Exercised (Note 17)	439,467	-	-	(439,467)	-	-
Reverse previously expensed conditions not met	-	-	-	(260,761)	-	(260,761)
Expense (Note 31)	-	-	-	845,964	-	845,964
<b>At 31 December 2022</b>	<b>34,012,379</b>	<b>(24,259,702)</b>	<b>-</b>	<b>3,575,170</b>	<b>243,455</b>	<b>13,571,301</b>

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 2023**

	Note	2023	2022
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,803,473	3,791,085
Payments to suppliers and employees		(5,555,004)	(8,634,395)
Interest received		11,566	7,362
Net cash inflow / (outflow) from operating activities	29	(1,739,965)	(4,835,948)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(350,173)
Payments for right-of-use asset		-	(1,399,835)
Payments for exploration and evaluation assets		(1,133,264)	(1,085,989)
Receipts from sales of material from Fernie		259,663	828,627
Net cash inflow / (outflow) from investing activities		(873,601)	(2,007,370)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		300,000	-
Proceeds from convertible notes		1,230,000	-
Payments for costs associated with convertible note securities		(66,318)	-
Proceeds of restructure of lease liability		477,224	-
Proceeds from issue of shares		150,000	4,850,000
Payments for equity raising costs		-	(303,048)
Lease principal repayments		(211,237)	(65,994)
Net cash inflow / (outflow) from financing activities		1,879,669	4,480,958
Net increase/(decrease) in cash and cash equivalents		(733,897)	(2,362,360)
Cash and cash equivalents at the beginning of the financial period		2,861,377	5,196,846
Effects of exchange rate changes on cash and cash equivalents		(431,626)	26,891
Cash and cash equivalents at the end of the financial period	6	1,695,854	2,861,377

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

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### Note 1. Significant accounting policies

##### Corporate Information

The financial report of Fertoz Limited for the year ended 31 December 2023 was approved by the board on 28 March 2024. 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.

##### *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 27.

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 2023 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.

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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### Note 1. Significant accounting policies (continued)

##### Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint access control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change.

##### Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators\_ that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains and losses on the sale or contribution of assets that are attributable to the interest of the other joint operations. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to the purchased or and impairment loss.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### 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.



# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### Note 1. Significant accounting policies (continued)

##### *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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### 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 (if any), 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
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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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### 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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### 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 value of equity-settled transactions is 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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### 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.

###### *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 receivables are initially recognised at the fair value of the goods provided to the customer and subsequently at amortised cost less expected credit loss allowances. Other receivables are initially recognised at cost and subsequently measured at amortised cost less expected credit loss allowances. 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.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### Note 1. Significant accounting policies *(continued)*

##### **New and Amended Accounting Policies Adopted**

The Company has considered the implications of new or amended AASBs which have become applicable for the current annual financial period beginning on or after 1 January 2023. It has been determined by the Company that there is no impact, material or otherwise, of the new or amended AASBs and therefore no changes to Company's accounting policies. No retrospective change in accounting policy or material reclassification has occurred during the financial year.

##### **Accounting Standards Issued but not yet effective**

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of these new and amended pronouncements. The Company does not anticipate that there will be any material impact arising from the issue of these new and amended pronouncements.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### 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 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 2023 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.

#### *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 \$4,475,098 and net operating cash outflows of \$1,739,965 for the year ended 31 December 2023. As at 31 December 2023 the Group had cash of \$1,695,854.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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

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 \$1,695,854.
- 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 2023	Australia	North America	Unallocated	Total
	\$	\$	\$	\$
<i>Revenue</i>				
Sales of phosphate fertilizer	503,729	2,282,134	-	2,785,863
Other income	82,494	-	-	82,494
<b>Total revenue and other income</b>	<b>586,223</b>	<b>2,282,134</b>	<b>-</b>	<b>2,868,357</b>
Profit/(Loss) before income tax expense	(21,829)	(3,192,006)	(1,261,263)	(4,475,098)
Income tax revenue	-	-	-	-
<b>Profit/(Loss) after income tax expense</b>	<b>(21,829)</b>	<b>(3,192,006)</b>	<b>(1,261,263)</b>	<b>(4,475,098)</b>
<i>Assets</i>				
Segment assets	502,368	10,599,801	1,345,309	12,447,478
Segment liabilities	(33,120)	(880,196)	(797,384)	(1,710,700)
<b>Segment net assets</b>	<b>469,248</b>	<b>9,719,605</b>	<b>547,925</b>	<b>10,736,778</b>



# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 3. Operating segments (Continued)

Consolidated – 31 December 2022	Australia	North America	Unallocated	Total
	\$	\$	\$	\$
<i>Revenue</i>				
Sales of phosphate fertilizer	1,477,296	2,079,511	-	3,556,807
Other income	35,628	-	-	35,628
<b>Total revenue and other income</b>	<b>1,512,924</b>	<b>2,079,511</b>	<b>-</b>	<b>3,592,435</b>
Profit/(Loss) before income tax expense	44,593	(2,496,335)	(1,736,448)	(4,215,190)
Income tax revenue	-	-	-	-
<b>Profit/(Loss) after income tax expense</b>	<b>44,593</b>	<b>(2,496,335)</b>	<b>(1,736,448)</b>	<b>(4,215,190)</b>
<i>Assets</i>				
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)
<b>Segment net assets</b>	<b>572,070</b>	<b>11,219,326</b>	<b>1,779,905</b>	<b>13,571,301</b>

#### Segment non-current asset

Consolidated	
2023	2022
\$	\$

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

Australia	-	-
North America	9,237,401	8,980,001
	<b>9,237,401</b>	<b>8,980,001</b>

#### Note 4. Revenue and other income

Consolidated	
2023	2022
\$	\$

#### Sales Revenue

Sale of phosphate fertilizer products – at point in time	2,785,863	3,556,807
	<b>2,785,863</b>	<b>3,556,807</b>

During the year, the group sold material it removed as bulk sample from its Fernie Project for a total amount of \$259,663 (2022: \$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.

#### Other income

Interest	11,906	7,642
Other income	82,494	35,628
	<b>82,494</b>	<b>35,628</b>

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 5. Income tax

	Consolidated	
	2023 \$	2022 \$
<b>Income tax expenses</b>		
Current tax expense	(727,399)	(772,236)
Deferred tax expense	727,399	772,236
Aggregate income tax expenses	-	-
<i>Numerical reconciliation of income tax and tax at statutory rate</i>		
Profit/ (loss) before income tax expenses from continuing operations	(4,475,098)	(4,215,190)
Tax at statutory tax rate of 25% (2022: 25%)	(1,118,775)	(1,053,797)
Tax effect on amounts which are not deductible/(taxable) in calculating income		
Tax adjustment for tax rate variance in foreign jurisdictions	312,566	249,591
Entertainment expenses	1,549	3,536
Share-based payments	72,442	195,050
Under/Over Provision	-	(166,616)
Non-deductible Convertible Note interest	4,819	-
Deferred tax assets derecognised/(recognised)	727,399	772,236
Income tax expense	-	-
<b>Unrecognised deferred tax assets</b>		
Unused tax losses	22,179,969	17,900,376
Unused capital losses	10,000	10,000
Capital raising costs in equity	394,081	503,235
Accruals and provisions	138,825	37,428
Other deductible temporary differences	444,229	2
AASB16 Lease Liability	1,396,373	-
	24,563,478	18,454,041
Deferred tax assets not taken up at 25% (2022: 25%)	6,140,869	4,613,510

#### Note 6. Current assets – Cash and cash equivalents

	Consolidated	
	2023 \$	2022 \$
Cash at bank	1,695,854	2,861,377
	1,695,854	2,861,377

#### Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,695,854	2,861,377
Balance as per statement of cashflows	1,695,854	2,861,377

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 7a. Current assets – Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
Trade receivables	438,051	1,226,554
Less: expected credit loss provision	(101,301)	(53,301)
Other receivables	56,263	499,841
	<b>393,013</b>	<b>1,673,094</b>

The following table shows the movement in lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9: Financial Instruments.

Lifetime ECL opening balance	53,301	11,110
Add: expected credit loss provision	48,000	42,191
Closing balance	<b>101,301</b>	<b>53,301</b>

The balance of receivables that remain within initial trade terms (tabled below) are considered to be of acceptable credit quality.

	Gross amount	Past due & impaired	Past due but not impaired	Within initial trade terms
	\$	\$	\$	\$
<b>At 31 December 2023</b>	438,051	101,301	27,359	309,391
At 31 December 2022	1,226,554	53,301	66,357	1,106,896

#### Note 7b. Current assets – Inventory

	Consolidated	
	2023	2022
	\$	\$
Inventory consists of the following		
Crushed raw ore	689,098	995,493
Finished products	76,584	231,422
	<b>765,682</b>	<b>1,226,915</b>

The amount of inventory recognised in cost of goods sold expense during the year ended 31 December 2023 was \$804,839 (2022: \$1,987,539)

#### Note 8. Current assets – Other current assets

	Consolidated	
	2023	2022
	\$	\$
GST & other receivables	52,574	206,399
	<b>52,574</b>	<b>206,399</b>

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 9. Non-current assets – Exploration and evaluation assets

	Consolidated	
	2023	2022
	\$	\$
Exploration and evaluation assets, at cost	<b>6,873,957</b>	6,156,371
Reconciliations of the carrying amounts at the beginning and the end of the current and previous financial year are set out below		
<i>Movements in property, plant and equipment</i>		
Carrying amount at beginning of the period	<b>6,156,371</b>	5,958,789
Additions	<b>1,113,264</b>	1,085,989
Proceeds from sale of material removed from Fernie	<b>(259,663)</b>	(828,627)
Foreign exchange movement	<b>(136,015)</b>	(59,780)
Carrying amount at the end of period	<b>6,873,957</b>	6,156,371

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of projects or alternatively through the sale of the area of interest.

#### Note 10. Non-current assets – Property, plant and equipment

	Plant & Equipment	Asset under Construction <sup>1</sup>	Total
<i>Cost or valuation</i>	\$	\$	\$
At 1 January 2023	157,547	778,840	936,387
Additions	-	-	-
Impairment <sup>2</sup>	-	(441,201)	(441,201)
Exchange difference	3,667	21,245	24,912
Balance at 31 December 2023	161,214	358,884	520,098
<i>Accumulated depreciation</i>			
At 1 January 2023	103,780	-	103,780
Charge for the year	9,031	-	9,031
Exchange difference	2,416	-	2,416
Balance at 31 December 2023	115,227	-	115,227
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>45,987</b>	<b>358,884</b>	<b>404,871</b>
At 31 December 2022	53,767	778,840	832,606

#### Note 1

Asset under construction consists of a storage shed which is currently under installation.

#### Note 2

An impairment was made on the granulator purchased in 2019 for \$441,201 due to significant costs associated with its construction and concerns over its life span and operating capability.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 11. Non-current assets – Environmental bonds

	Consolidated	
	2023	2022
	\$	\$
Carrying amount at the end of the year	<b>302,954</b>	324,214

#### Note 12. Current liabilities -Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
Trade creditors	<b>428,645</b>	<b>1,061,221</b>
Accruals	<b>95,745</b>	<b>51,247</b>
Other payables	<b>9,408</b>	<b>9,579</b>
	<b>533,798</b>	<b>1,122,047</b>

#### Note 13. 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 2023. Information about the leases is presented below.

##### Right-of-use assets

	Motor Vehicle	Office Building	Pelletizing Plant	Total
	\$	\$	\$	\$
At 1 January 2023	131,484	27,582	1,831,958	1,991,024
Additions	92,544	76,961	-	169,505
Amortisation	(87,876)	(38,148)	(83,032)	(209,056)
Exchange difference	2,208	947	3,945	7,100
	<b>138,360</b>	<b>67,342</b>	<b>1,752,871</b>	<b>1,958,573</b>

##### Lease liabilities

	Motor Vehicle	Office Building	Pelletizing Plant	Total
	\$	\$	\$	\$
At 1 January 2023	91,604	28,576	458,472	578,652
New leases	67,619	76,961	-	144,580
Interest expenses	8,035	1,248	43,012	52,295
Lease payments	(54,737)	(38,816)	(117,684)	(211,237)
Foreign exchange movement	(561)	(178)	(1,351)	(2,090)
At 31 December 2023	<b>111,960</b>	<b>67,791</b>	<b>382,449</b>	<b>562,200</b>
Lease liability within one year	50,710	39,766	117,684	208,160
Lease liability between 1-5 years	61,250	28,025	264,765	354,040

Interest expense (lease charges) amounting to \$52,295 has been recognised in the profit or loss for the year ended 31 December 2023. Amount of lease liability payments recognised in the statement of cashflows is \$211,237.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 13. Right-of-use assets and lease liabilities (continued)

##### 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
	<u>131,484</u>	<u>27,582</u>	<u>1,831,958</u>	<u>1,991,024</u>

##### 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	<u>91,604</u>	<u>28,576</u>	<u>458,472</u>	<u>578,652</u>
Lease liability within one year	<u>38,640</u>	<u>28,576</u>	<u>118,376</u>	<u>143,395</u>
Lease liability between 1-5 years	<u>52,964</u>	<u>-</u>	<u>382,293</u>	<u>435,257</u>

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.

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. Renewal options have not been included in the lease term.

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. Renewal options have not been included in the lease term.

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 option to buy is highly likely to be exercised.

#### Note 14. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<b>CURRENT</b>		
Loan – unsecured	300,000	-
Accrued interest	5,096	-
	<u>305,096</u>	<u>-</u>
<b>NON-CURRENT</b>		
Loan – unsecured	-	-
Capitalised borrowing costs	-	-
	<u>-</u>	<u>-</u>
	<u>305,096</u>	<u>-</u>

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 14. Borrowings (continued)

The key terms of the unsecured loan are as follows:

Related Party Disclosure:	Loan facility provide by Boston First Capital Pty Ltd. Related party of Director, Stuart Richardson.
Maturity:	The loan and interest will be repayable within 12 months
Repayments:	Principal and interest
Security:	Nil
Key covenants:	Nil
Interest costs:	10% per annum

#### Note 15. Convertible note

	Consolidated	
	2023 \$	2022 \$
NON-CURRENT		
Issue of Convertible Notes at Face Value	1,230,000	-
Less: Component of convertible note recognised as Equity (refer Note 16)	(934,575)	-
Accrued interest	14,181	-
	<b>309,606</b>	<b>-</b>

On 20 November 2023, the Company received \$1.23 million from the issue of 1,230,000 unlisted convertible notes.

A summary of the material terms are as follows:

- Maturity period of 3 years.
- Interest rate of 10% per annum paid quarterly in arrears.
- Conversion price of \$0.10 per share (adjustable as per ASX Listing Rule requirements)
- At the noteholder's option, notes can be converted at any time into ordinary shares of the Company at the conversion price to ordinary shares up to maturity date.
- Mandatory conversion by the Company upon maturity (3 years) at the conversion price into ordinary shares.
- The face value of the convertible note is \$1.00 per convertible note.
- Notes may not be sold or transferred prior to the maturity date without the Company's consent.
- The convertible notes are unsecured.

#### Note 16. Equity component of convertible note

	2023 Number of Notes	2022 Number of Notes	2023 \$	2022 \$
<b>Convertible Notes</b>				
Issue of convertible notes	12,300,000	-	934,575	-
	<b>12,300,000</b>	<b>-</b>	<b>934,575</b>	<b>-</b>

Refer to Note 15 for details of the convertible notes issued during the year ended 31 December 2023.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 17. Equity – Issued share capital

	2023 Number of shares	2022 Number of shares	2023 \$	2022 \$
Ordinary shares – fully paid	<b>257,834,822</b>	257,001,488	<b>34,415,604</b>	34,012,379

#### Movements in share capital

Details	Date	No of Shares	Issued Price (\$)	Amount (\$)
Balance	31 December 2021	227,600,960		29,099,284
Performance shares released	18 January 2022	656,073	0.365	239,467
Shares issued under ESOP	18 January 2022	400,000	0.288	115,000
Shares in lieu of directors' fees	22 June 2022	400,000	0.20	80,000
Placement	29 August 2022	26,944,455	0.18	4,850,000
Shares issued under ESOP	10 November 2022	1,000,000	0.20	200,000
Share issuance costs		-	-	(571,372)
Balance	31 December 2022	257,001,488		34,012,379
Shares in lieu of consultant fees <sup>1</sup>	4 April 2023	-	-	47,543
Placement <sup>2</sup>	29 June 2023	833,334	0.18	150,000
Performance shares released <sup>3</sup>	23 June 2023	-	-	200,000
Performance shares released <sup>4</sup>	23 June 2023	-	-	72,000
Capital raising costs		-	-	(66,318)
<b>Balance at 31 December 2023</b>		<b>257,834,822</b>		<b>34,415,604</b>

<sup>1</sup> At 31 December 2023 286,521 shares are to be issued to a consultant for services provided. The ordinary shares have not yet been issued. The shares were valued at the fair value on the consultant's services provided.

<sup>2</sup> On 29 June 2023, the Company completed a placement to the directors who subscribed for 833,334 shares at \$0.18 each for total proceeds of \$150,000. The placement was subject to shareholder approval which was received on 30 May 2023.

<sup>3</sup> On 4 April 2023, the vesting milestone for 1,000,000 performance shares to the Chief Executive Officer was met. The shares have been issued out of treasury shares. The performance shares were valued at the fair value of the shares at the date of the general meeting where they were approved.

<sup>4</sup> On 23 June 2023, the vesting milestone for 400,000 performance shares to the two employees was met. The shares have been issued out of treasury shares. The performance shares were valued at the fair value of the shares at the date of the general meeting where they were approved.

#### (a) Treasury shares

	31 December 2023 Number of shares	31 December 2022 Number of shares	30 June 2023 \$	31 December 2022 \$
Treasury shares	<b>(7,585,950)</b>	(5,577,786)	-	-

Treasury shares are shares in Fertoz Limited that are held by the Fertoz Limited ESPP Trust (the Trust) for the purpose of issuing shares under the Fertoz Limited employee share scheme. Shares issued to employees are recognised on a first-in-first-out basis.

#### Movements in treasury shares

Details	Date	No of Shares	Issued Price (\$)	Amount (\$)
<b>Balance at 31 December 2022</b>		<b>(5,577,786)</b>	-	-
Acquisition of shares by the Trust on resignation of Patrick Avery as non-executive director	4 May 2023	(3,408,164)	-	-
Transfer of shares in satisfaction of vesting performance rights	29 June 2023	1,400,000	-	-
<b>Balance at 31 December 2023</b>		<b>(7,585,950)</b>		-



# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### Note 17. Equity – Issued share capital (continued)

##### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

##### *Share buy-back*

No on-market share buy-back occurred during the financial year.

##### *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 18. 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 19. Equity – dividends

##### *Dividends*

No dividends were paid during the year.

#### Note 20. 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:

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 20. Financial Instruments (continued)

	Assets		Liabilities	
	2023	2022	2023	2022
	\$	\$	\$	\$
US Dollars	274,891	946,325	(764,552)	(383,114)
Canadian Dollars	591,984	1,287,431	(115,644)	(339,504)
	866,875	2,233,756	(880,196)	(722,618)

The consolidated entity had net financial liabilities denominated in foreign currencies of \$13,321 as at 31 December 2023 (2022: net financial assets of \$1,511,138). 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 \$666 (2022: \$75,557) lower and \$666 (2022: \$75,557) higher respectively. Additionally, a +/-5% movement in the AUD against the USD/CAD would have resulted in the net equity position of the consolidated entity decreasing by \$14,255 (2022: \$1,704) or increasing by \$14,255 (2022: \$1,704) upon the translation of its foreign operations into AUD.

#### Price risk

There are currently no financial assets or liabilities subject to price risks. With respect to inventories, 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 \$278,586 (2022: \$355,681). 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 \$76,568 (2022: \$122,692). 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. All interest bearing assets (term deposits) and liabilities (including lease liabilities, loans and convertible notes) are subject to fixed interest rates.

#### 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.

#### Impairment

The Company uses the simplified approach to impairment under AASB 9: Financial Instruments. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to trade receivables or contract assets which do not contain a significant financing component.

#### 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	
	2023	2022
	\$	\$
Debtor financing facility (unused)	1,000,000	1,000,000
	1,000,000	1,000,000

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 20. Financial Instruments (continued)

	Weighted	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflow
	average interest rate					
<b>Consolidated – 2023</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and other payables	-%	533,798	-	-	-	533,798
Lease liability	8%	208,160	139,362	214,678	-	562,200
Borrowings	10%	305,096	-	-	-	305,096
Convertible note	10%	-	-	309,606	-	309,606
<b>Total non-derivatives</b>		<b>1,047,054</b>	<b>139,362</b>	<b>524,284</b>	<b>-</b>	<b>1,710,700</b>

	Weighted	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflow
	average interest rate					
<b>Consolidated – 2022</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables and other payables	-%	1,122,047	-	-	-	1,122,047
Lease liability	8%	143,395	123,256	312,001	-	578,652
<b>Total non-derivatives</b>	<b>0.3%</b>	<b>1,265,442</b>	<b>123,256</b>	<b>312,001</b>	<b>-</b>	<b>1,700,699</b>

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 21. 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	
	2023	2022
	\$	\$
Short-term benefits	469,254	596,714
Share-based payment	267,574	586,058
	<b>736,828</b>	<b>1,182,772</b>

##### Other

Blackwood Capital Ltd, a director related entity of Mr Richardson, assisted with the convertible note raise during the year. For the assistance provided, Blackwood Capital received brokerage fees of \$71,170 incl GST.

#### Note 22. Auditors remuneration

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd and Moore Australia Audit (WA), the auditors of the company, its network firms and unrelated firms:

	Consolidated	
	2023	2022
	\$	\$
Audit services – BDO Audit Pty Ltd.	174,813	106,416
Tax services – BDO Services Pty Ltd	7,730	13,540
Audit services – Moore Australia Audit (WA)	43,000	-
	<b>225,543</b>	<b>119,956</b>

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 23. Contingency

There were no contingent assets or liabilities at balance date.

#### Note 24. 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	
	2023	2022
	\$	\$
Due within one year	320,569	266,295
Due after one year and within five years	740,476	990,127
Due after five years	-	-

#### Note 25. Related Party transactions

##### Parent entity

Fertoz Limited is the parent entity.

##### Subsidiaries

Interests in subsidiaries are set out in note 27.

##### Key management personnel

Disclosures relating to key management personnel are set out in note 21.

##### Other transactions with key management personnel

Refer to note 14 for details of the loan provided by Mr Stuart Richardson, a Director of the Company.

#### Note 26. 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	
	2023	2022
	\$	\$
Loss after income tax	(1,281,282)	(1,664,453)
Total comprehensive loss	(1,281,282)	(1,664,453)

##### Statement of financial position

	Parent	
	2023	2022
	\$	\$
Total current assets	1,345,309	1,945,625
Total assets	22,086,776	21,510,063
Total current liabilities	487,778	252,184
Total liabilities	797,384	294,867
Equity		
Issued share capital	35,350,179	34,012,379
Share based payment reserve	3,592,847	3,575,170
Accumulated loss	(17,653,634)	(16,372,352)
Total equity	21,289,392	21,215,196

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 26. Parent entity information *(continued)*

##### *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 2023 and 2022.

##### *Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2023 and 2022.

##### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 2022.

##### *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 27. Interests in subsidiaries

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

Name of entity	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Fertoz International Organic Inc.	Canada	100%	100%
Fertoz Agriculture Pty Ltd.	Australia	100%	100%
Fertoz Organics Inc.	United States	100%	100%

#### Note 28. Joint operations

Name of entity	Principal activities	Principal place of business	Ownership interest	
			2023 %	2022 %
Fertoz Organics, Inc ("Fertoz") and Excel Industries ("EI") JO <sup>1</sup>	EI is responsible for providing the physical infrastructure and Fertoz is responsible for the pelleting plant and manufacturing of the product.	USA	50%	-

<sup>1</sup> Joint operation to increase sales of rock phosphate in the USA.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 29. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax expense for the year	(4,475,098)	(4,215,190)
<i>Adjustments for:</i>		
Share-based payments	289,677	780,202
Provision for doubtful debts	48,000	-
Impairment expense	441,201	-
Depreciation	218,087	82,962
Lease and borrowing interest	74,338	5,947
<i>Change in operating assets and liabilities</i>		
Decrease/(Increase) in trade and other receivables	1,433,996	(1,034,995)
Decrease/(Increase) in inventories	453,951	(831,392)
(Decrease)/increase in trade and other payables	(224,117)	376,519
<b>Net cash used in operating activities</b>	<b>(1,739,965)</b>	<b>(4,835,948)</b>

#### Non-cash transactions

During the year ended 31 December 2023, the company entered into lease agreements adding \$169,505 to right-of-use assets net of upfront payments made of \$24,925.

The only changes to liabilities arising from financing activities are as disclosed in note 13 Leases, note 14 borrowings and note 15 convertible notes.

#### Note 30. Loss per share

	Consolidated	
	2023	2022
	\$	\$
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Loss after income tax expense for the period	<b>(4,475,098)</b>	(4,215,190)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	<b>250,305,344</b>	238,137,690
Weighted average number of shares used in calculating diluted earnings per share	<b>250,305,344</b>	238,137,690
	Cents	Cents
Basic loss per share	1.79	1.73
Diluted loss per share	1.79	1.73

At 31 December 2023, there were 7,500,000 (2022: 12,650,000) options outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss from continuing operations, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 31. 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 for services in terms of options and shares issued to directors, employees and consultants were \$289,677 (2022: \$980,559).

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

##### 31 December 2023

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 period
26/04/2022	-	\$0.00	6,750,000	-	(1,000,000)	-	5,750,000
05/09/2022	-	\$0.00	-	1,800,000 <sup>1</sup>	(400,000)	-	1,400,000
			<b>6,750,000</b>	<b>1,800,000</b>	<b>(1,400,000)</b>	-	<b>7,150,000</b>
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

<sup>1</sup> The grant date is 5 September 2022 however this was incorrectly not recognised at 31 December 2022. The share-based payments were not to key management personnel and the amount relating to the prior year but expensed during the current year is not material. Terms of these performance shares are detailed below.

During the year ended 31 December 2023, the Group agreed to issue 1,800,000 performance rights to two employees. These are as follows:

Performance Rights	Number	Assumed Vesting Date	Milestone for release from escrow	Issue Price
Employee Rights	1,200,000 <sup>1</sup>	Anniversary dates	400,000 vested at commencement of employment. 400,000 rights will vest at each of the first and second anniversary of continuing employment and in good standing.	Nil
	200,000 <sup>2</sup>	7 May 2026	200,000 rights will vest when shares trading on ASX at a VWAP of, or in excess of, \$0.45 for 10 consecutive days	Nil
	200,000 <sup>2</sup>	20 May 2026	200,000 rights will vest when shares trading on ASX at a VWAP of, or in excess of, \$0.55 for 10 consecutive days	Nil
	200,000 <sup>2</sup>	30 May 2026	200,000 rights will vest when shares trading on ASX at a VWAP of, or in excess of, \$0.65 for 10 consecutive days	Nil
	<b>1,800,000</b>			

<sup>1</sup> The performance rights were valued at the date of commencement of employment for the two employees, being 5 September 2022 at \$0.18 per right for a total of \$216,000, with a probability of vesting of 100% for each tranche. Amount recognised during the year to 31 December 2023 was \$191,638 (2022: \$Nil).

<sup>2</sup> 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 a term of 3 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 year ended 31 December 2023 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
05/09/2022	23/06/2026	200,000	\$0.18	-	\$0.45	85%	3.25%	3 years	\$0.1922
05/09/2022	23/06/2026	200,000	\$0.18	-	\$0.55	85%	3.25%	3 years	\$0.1889
05/09/2022	23/06/2026	200,000	\$0.18	-	\$0.65	85%	3.25%	3 years	\$0.1845

An amount of \$7,342 was recognised during the period ended 31 December 2023 (2022: \$Nil).

# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

#### Note 31. Share-based payments (continued)

During the prior year 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 <sup>1</sup>	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 <sup>3</sup>	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 <sup>3</sup>	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 <sup>3</sup>	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 <sup>2</sup>	31/12/2024	Achievement of 10,000ha of reforested or rehabilitated land managed in a carbon project by Fertoz Carbon before 31 December 2024	Nil
	250,000 <sup>2</sup>	31/12/2024	Sale of \$500,000 of Carbon Credits in a project managed by Fertoz Carbon before 31 December 2024	Nil
	250,000 <sup>2</sup>	31/12/2024	Achievement of 60,000t of fertilizer sales in any one year before 31 December 2024	Nil
	<b>7,750,000</b>			

<sup>1</sup> The performance rights were valued at the date of shareholders' approval at the Annual General Meeting held on 31 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 year to 31 December 2023 was \$151,507.

<sup>2</sup> 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 2023 was \$36,427.

<sup>3</sup> 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 2023 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 \$76,639 was recognised during the year ended 31 December 2023.

#### (a) Options

During the previous year on 23 August 2021, the Company granted 5,000,000 broker options with respect to a capital raising during the 2021 financial year. 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 2023, the options with an average remaining life of 0.6 years, were vested and unexercised.



# Fertoz Limited

## Notes to the consolidated financial statements

### For the year ended 31 December 2023

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#### **Note 31. Share-based payments** *(continued)*

During the previous year on 29 August 2022, the Company granted 900,000 broker options with respect to a capital raising in FY2022. 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 \$89,974. 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 2023, the options with an average remaining life of 1.6 years, were vested and unexercised.

During the year and with respect to the aforementioned capital raising in FY2022, the Company issued 1,600,000 options to Blackwood Capital Ltd, subject to shareholder approval, with an exercise price of \$0.27, expiring 3 years after issue. These options were issued (following shareholder approval on 30 May 2023) on 29 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 shareholder approval issue of 30 May 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.

At 31 December 2023, the options with an average remaining life of 2.4 years, were vested and unexercised.

The total value of the above options of \$268,324 were previously recognised as capital raising costs in the 2022 financial statements.

#### **Note 32. Events since the end of the financial year**

On 16 February 2024, the Company cancelled 7,585,950 shares pursuant to an employee share scheme buy-back.

On 22 March 2024, Max Crowley resigned as joint Company Secretary.

# Fertoz Limited

## Directors' Declaration

### For the year ended 31 December 2023

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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 2023 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



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Stuart Richardson  
Chairman

28 March 2024

**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 controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, 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 ended 31 December 2023, and notes to the financial statements, including a summary of material 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 2023 and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to 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*, has been given to the directors of the Company, 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.

**Emphasis of Matter – Material Uncertainty Related to Going Concern**

We draw attention to Note 2 of 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FERTOZ LIMITED (CONTINUED)**

**Key Audit Matters (continued)**

Revenue Recognition	
<b>Refer to Note 4 Revenue and Note 1 Revenue Recognition</b>	
<p>The Group generates revenue predominantly from the sale of crushed raw ores &amp; fertilizer products. Revenue is considered a key audit matter given the significance of revenue to the Group's results as well as the fraud risk around cut-off including:</p> <ul style="list-style-type: none"> <li>- an overstatement of revenues through premature revenue recognition or recording of fictitious sales;</li> <li>- understatement of revenues when control is transferred to the customer but not recorded in the correct period.</li> </ul> <p>Revenue is recognised when control is transferred to the customer &amp; the amount of revenue can be reliably determined. This occurs when the product is shipped.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's process &amp; controls in place around sales revenue.</li> <li>• We tested a sample of sales transactions made during the year to invoices and receipt of cash.</li> <li>• We assessed the Group's policies for recognition of sales against AASB 15 &amp; checked these were adequately disclosed in the financial report.</li> <li>• We reviewed sales revenues close to and post year-end to ensure revenues were recorded in the correct periods.</li> </ul>

Existence and Valuation of Inventories	
<b>Refer to Note 7b Inventories and Note 1 Inventories</b>	
<p>The Group holds significant inventories (comprising crushed raw ore materials and finished goods) with a closing balance of \$0.77 million.</p> <p>The crushed raw ore is located in remote regions of North America.</p> <p>All inventories are valued at the lower of cost and net realisable value (NRV).</p> <p>Assessing the quantities of raw ore materials was considered to be a key audit matter due to the judgements and estimations involved. Impairment of inventories is also subject to significant management judgment. These factors could result in an overstatement of the value of the inventories if the historical cost is higher than the net realisable value.</p> <p>We have therefore identified inventory existence and valuation as a key audit matter.</p>	<p>Our procedures to test the existence &amp; valuation of inventories included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the key processes associated with the measurement of raw ore inventories, which incorporated on-site inspections &amp; surveys of ore stock-piles performed by a (management appointed) quantity surveyor at or around balance date.</li> <li>• Testing the Group's inventory reconciliations which utilise the survey reports and associated stock movements during the year and unit costs for reasonableness. We also considered the quantity surveyor's experience, credentials &amp; independence.</li> <li>• Given the remote location of the ore stock-piles, obtained date stamped photos taken by Company personnel &amp; placed reliance on the quantity surveyor's reports.</li> <li>• Tested a sample of raw ore values at balance date to subsequent sales to ensure that they were recorded at the lower of cost and net realisable value.</li> <li>• Reviewed the disclosures in the financial statements.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FERTOZ LIMITED (CONTINUED)**

**Key Audit Matters (continued)**

**Capitalised Exploration & Evaluation Assets**

**Refer to Note 9 Exploration and evaluation ("E & E") assets & Note 1 E & E Assets**

At balance date, the Group's statement of financial position includes capitalised exploration and evaluation ("E & E") assets of approximately \$6.87 million.

The ability to recognise and to continue to defer E & E assets under AASB 6: *Exploration for and Evaluation of Mineral Resource* is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale.

Due to the significance of these assets (being approximately 55% of the Group's total assets) and the subjectivity involved in assessing the ability to continue to defer these assets, this is considered a key audit matter.

Our procedures included:

- We evaluated the Group's accounting policy to recognise E & E assets using the criteria in the accounting standard.
- Ensuring the Group has the ongoing right to explore in the relevant exploration areas of interests by checking the ownership of the relevant tenements to government registries (i.e. British Columbia Mineral Titles Online Viewer) and also considering whether the Group maintains the tenements in good standing.
- Tested a sample of E & E expenditures capitalised during the year to supporting documentation including invoices.
- Ensuring the Group is committed to continue E & E activity in the relevant exploration areas of interest by assessing their plans with respect to future exploration and development expenditures that have been budgeted. We assessed this through discussions with management and reviewing minutes of Board meetings, ASX announcements made by the Group and other internal reports.
- Assessing the carrying value of these assets for any indicators of impairment including comparing against the Company's market capitalisation.
- Review and confirmation from the Company that no capitalized expenditure in respect of areas of interest or projects was impaired at year end and should be written off.
- We also assessed the appropriateness of the disclosures contained in the financial report.

**INDEPENDENT AUDITOR’S REPORT  
TO THE MEMBERS OF FERTOZ LIMITED (CONTINUED)**

**Key Audit Matters (continued)**

<b>Share Based Payments</b>	
<b>Refer to Remuneration Report, Note 31 Share Based Payments</b>	
<p>During the year ended 31 December 2023, the Group transacted with Key Management Personnel and other parties including:</p> <ul style="list-style-type: none"> <li>• Significant share-based payments (“SBPs”) awarded during the year or past years in the form of share options and performance rights, to Key Management Personnel, employees &amp; consultants;</li> <li>• Significant SBPs to other advisors;</li> </ul> <p>As several of these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favorable than if they had been with an independent third party.</p> <p>The value attributed to SBPs is a key audit matter due to it being a key material transaction with members of key management personnel, the valuation of which involves significant judgement and accounting estimation.</p>	<p>Our procedures included, amongst others the following:</p> <ul style="list-style-type: none"> <li>• Holding discussions with management to understand the SBPs arrangements in place.</li> <li>• Assessing the valuation methodology used by management to estimate fair value of share options and performance rights issued, including testing the integrity of the information provided, assessing the appropriateness of the key assumptions input into the valuation model.</li> <li>• Reviewed results of shareholder meetings for evidence of approval over certain SBP arrangements.</li> <li>• Reviewing the appropriateness of workings prepared by management concerning the valuation of SBPs previously recognised in the past and the ongoing amortization of the same.</li> <li>• Assessing whether the SBPs have been appropriately classified and allocated over the expected vesting periods under AASB 2 Share-Based Payments.</li> <li>• Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 December 2023 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERTOZ LIMITED (CONTINUED)

### 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 on the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 within the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Fertoz Limited, for the financial year ended 31 December 2023 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.



SUAN-LEE TAN  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 28<sup>th</sup> day of March 2024.

# Fertoz Limited

## Shareholder information

### 31 December 2023

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#### Shareholders' information set out below was applicable as at 18 March 2024

#### 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 29/08/2025 held by 3 option holders;
- 1,600,000 Options exercisable at \$0.27 each expiring 31/05/2026 held by 1 option holder;
- 6,450,000 Performance Rights held by 2 holders;
- 1,230,000 Convertible Notes with a face value of \$1.00 and expiring 20/11/2026 held by 10 holders

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
- Options exercisable at \$0.27 each expiring 31/05/2026
  - Blackwood Capital Partners Fund 1 Pty Ltd
- Convertible Notes
  - Allundy Pty Ltd
- 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	37	0.00%
1,001-5,000	169	0.21%
5,001-10,000	130	0.42%
10,001-100,000	451	7.86%
100,001 - and over	276	91.51%
<b>Total on register</b>	<b>1,063</b>	<b>100.00%</b>
Total Overseas holders	25	

The number of shareholdings held in less than marketable parcels is 413 with a total of 2,612,062 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



**Fertoz Limited**  
**Shareholder information**  
**31 December 2023**

**20 LARGEST HOLDERS OF ORDINARY SHARES AS AT 18 MARCH 2024:**

Ordinary Shareholder	Fully paid	
	Number	Percentage
BOSTON FIRST CAPITAL PTY LTD	12,161,014	4.86%
ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	10,690,000	4.27%
LENARK PTY LTD <LENARK INVESTMENT A/C>	10,649,142	4.26%
HAJEK FT CUSTODIANS PTY LTD <THE HAJEK FAMILY A/C>	10,134,989	4.05%
STEPHENS GROUP SUPER FUND PTY LTD <STEPHENS GROUP S/F A/C>	10,000,000	4.00%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,823,078	2.73%
MR WILLIAM BOOTH	6,775,606	2.71%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	5,755,992	2.30%
TWO TOPS PTY LTD	5,392,699	2.15%
NIREB NOMINEES PTY LTD <NIREB A/C>	4,644,761	1.86%
THE STEPHENS GROUP PTY LTD	4,200,000	1.68%
WISEVEST PTY LTD	4,033,489	1.61%
PINNACLE SUPERANNUATION PTY LIMITED <PJF S/F A/C>	4,000,002	1.60%
MR MICHAEL BERNARD STEPHENS & MRS TAHLIA JAE STEPHENS <MB & TJ STEPHENS FAMILY A/C>	3,700,000	1.48%
MR JEREMY NICHOLAS TOLCON & MRS NADINE RUTH TOLCON <JEMINE SUPER FUND A/C>	3,000,000	1.20%
WILLSTREET PTY LTD	3,000,000	1.20%
HENDERSON INTERNATIONAL PTY LIMITED <HENDERSON SUPER FUND A/C>	2,773,835	1.11%
GUNDY PARK PTY LTD <BRUCE FOYE P/L SUPERFUND A/C>	2,488,889	0.99%
HENDERSON INTERNATIONAL PTY LIMITED <HENDERSON SUPER FUND A/C>	2,452,778	0.98%
THE STEPHENS GROUP PTY LTD	2,450,000	0.98%
<b>Total</b>	<b>115,126,274</b>	<b>46.00%</b>

**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.