

Fertoz Limited

ACN 145 951 622

Interim Financial Report

For the six months ended 30 June 2020

Fertoz Limited

Six months ended 30 June 2020

Directors

Mr. Patrick Avery (Executive Chairman)
Mr. Adrian Byass – Non-Executive Director (*resigned on 23 June 2020*)
Mr. James Chisholm – Non-Executive Director
Mr. Stuart Richardson – Non- Executive Director
Mr. Ron Wilkinson – Non-Executive Director

Company Secretary

Mr. Justyn Stedwell

Registered office and Principal Place of business

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

Share Register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston St
Abbotsford VIC 3067

Auditor

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

Canadian Lawyer

Petersen Law Professional Corporation
390 Bay Street, Suite 806
Toronto, Ontario, Canada, M5H

Australian Lawyers

Sierra Legal Pty Ltd.
Level 5, 9 Sherwood Road
Toowong QLD 4066

Banker

Commonwealth Bank of Australia

Stock Exchange Listing

Australian Securities Exchange (FTZ)

Website

www.fertoz.com

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Fertoz Limited

Six months ended 30 June 2020

DIRECTORS REPORT

The directors present their report, together with the interim 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 six months ended 30 June 2020.

Directors

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

Mr. Patrick Avery
Mr. Adrian Byass (*resigned on 23 June 2020*)
Mr. James Chisholm
Mr. Stuart Richardson
Mr. Ron Wilkinson

Principal activities

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

Financial Review

Financial results

The loss for the consolidated entity after providing for income tax amounted to \$742,033 (2019: loss \$817,525).

Financial position

At 30 June 2020, the consolidated entity had cash reserves of \$1,535,433 (2019: \$452,138).

Dividends

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

Review of operations

Company Overview

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

The Company's focus is servicing the organic farming market as well as conventional farmers in North America, Australia and New Zealand looking for alternatives to standard, high leaching fertilisers.

The Company's key objective is to become a growth-oriented, cash-flow generating agribusiness returning dividends to shareholders by supplying organic fertilisers in North America, Australia, New Zealand and selected countries within South East Asia and Pacific who are looking for alternatives to standard, high leaching fertilisers.

Fertoz Limited

Six months ended 30 June 2020

DIRECTORS' REPORT

Overview

During the first half, the Company began regular shipments from the Company's Mexican stockpile. Fertoz's local partner mines and crushes the ore, and Fertoz takes ownership of sales at the US border. The Company has stimulated early customer interest from two large suppliers. The new US-Canada-Mexico trade agreement that began on July 1 has increased the paperwork burden, but the Company is adjusting to the new rules and expects this operation to report steady sales in the rest of 2020.

Falling conventional fertilizer prices along with slow deliveries caused by border closures and Covid-19 outbreaks in North America negatively impacted sales in the first six months of 2020. In addition, a large processor of organic fertilizers which is one of the Company's key clients encountered construction and commissioning problems at their USA plant and subsequently delayed orders. However, with the approaching fall planting and fertilizing season upon us as this report is written, border delays in the North West are no longer impacting the Company, the large processor noted above is quickly resolving manufacturing problems at its plant, and orders are slowly picking up once again. Covid-19 has driven increasing demand for organic produce, and this is trickling down to farm input suppliers such as Fertoz, evidenced by early sales picking up in the September quarter. Fertoz remains under budget year to date however the 2H has started positively.

Covid and border issues also impacted sales in Australia and the various countries and Islands that purchase the Australian fused magnesium fertilizers. However, like North America, Q3 sales are beginning to rise again as people and businesses learn to live with rolling lock-downs due to Covid.

During the half-year, the Company completed a Scoping Study on bringing the granulation process in-house; undertook more analysis of the Company-owned assets at Wapiti and Fernie and British Columbia, Canada, and near Coleman/Blairmore in Alberta, Canada; developed additional products with third party fertilizer suppliers to supply organic nitrogen as a fertilizer mix; secured additional distribution agreements; and sold products to new customers. Subsequent to the half-year, the Company has responded to numerous web-site hits with the development of products suitable for on-line retail sales (4lb, 10lb, 25lb and 50lb bags) and engaged with a partner that can package, label and manage fulfilment for on-line orders.

Covid-19 has led to increased organic food sales in the Company's geographical markets and the Board expects this to translate into additional sales in the coming months. Some new competitors are attempting to enter the market based on the increased demand for organic foods, but, as identified in earlier reports and press releases, the entry barriers to organic fertilizer markets are high, with farmers requiring multiple laboratory and multi-year field trials prior to swapping from their existing suppliers. Fertoz has the requisite results of multi-years trials, showing increased yields across a range of crops, soil types, weather patterns and geographies.

An increasing trend in Environmental, Social and Governance -ESG requirements for major companies has also resulted in an increase in enquiries and discussions with Fertoz management, as large, publicly traded companies seek to lower their impact on the environment and secure socially and corporately acceptable partnerships.

Corporate

Board Changes

During the six months ended 30 June 2020, Mr. Adrian Byass resigned as director.

Safety

There were no lost time, injuries or environmental incidents recorded during the period ended 30 June 2020.

Fertoz Limited

Six months ended 30 June 2020

DIRECTORS' REPORT

Significant changes in state of affairs

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

Covid-19

The restrictions imposed on activities due to COVID-19 did impact on the Company's activities during the period resulting in slower and/or delayed sales. However, Fertoz did respond and address some contract supply chain shortages, managed trucking slowdowns and encountered some delays at both Canada/US and Mexico/ US border crossings. The Government of British Columbia has extended the validity of all exploration tenements to 31 December 2021, a positive response from COVID-19

Given the foregoing, the Company deemed that no impairment of its assets was necessary and that the basis of estimates and key assumptions used in the audited financial statement for the year ended 31 December 2019 were still applicable.

Matters subsequent to the end of the financial period

Subsequent to 30 June 2020,

- The group has issued 922,500 shares to employees under the Employee Share Plan

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

The impact of the Coronavirus (COVID-19) pandemic is ongoing. While it has impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. Operations remain dynamic and dependent on measures imposed by the Canadian and Australian Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Fertoz Limited
Six months ended 30 June 2020
DIRECTORS' REPORT

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors



Patrick Avery

9 September 2020

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

As lead auditor for the review of Fertoz Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular stamp or seal.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 9 September 2020

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Fertoz Limited

Six months ended 30 June 2020

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General information

The financial statements cover Fertoz Limited as a consolidated entity consisting of Fertoz Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Fertoz Limited's functional and presentation currency.

Fertoz Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 September 2020. The directors have the power to amend and reissue the financial statements.

Fertoz Limited

Consolidated statement of profit or loss and other comprehensive income

As at 30 June 2020

	Six months ended	
	30 June 2020	30 June 2019
	\$	\$
Revenue	932,513	878,255
Cost of goods sold	(826,555)	(809,866)
	105,958	68,389
Other Income	26,200	12,336
Expenses		
Audit & accounting	(109,646)	(112,861)
Consultant fees & employee compensation	(91,313)	(144,375)
Depreciation	(6,080)	-
Directors fees (non-executive)	(51,000)	(57,750)
Executive director salary	(138,115)	(145,919)
Insurance	(25,933)	-
Investor relations	(22,750)	(26,327)
Legal	-	2,855
Listing fees and share registry	(37,029)	(20,043)
Marketing & selling	(292,094)	(232,359)
Short term office rental	(13,813)	(23,132)
Expected credit loss on receivables	3	(29,875)
Share based payment	13	(40,218)
Travel	-	(5,103)
Other expenses	(29,210)	(40,231)
Total expenses	(868,665)	(875,338)
Finance		
Interest income	375	2,769
Bank charges and Interest paid	(3,000)	(3,027)
Realised exchange loss	(2,901)	(22,654)
	(5,526)	(22,912)
Loss before income tax expense	(742,033)	(817,525)
Income tax expense	-	-
Loss after income tax expense for the period	(742,033)	(817,525)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(216,246)	135,089
Other comprehensive income for the period, net of tax	(216,246)	135,089
Total comprehensive income for the period	(958,279)	(682,436)
Loss per share for profit attributable to the owners of Fertoz Limited		
Basic loss per share (cents)	11	(0.64)
Diluted loss per share (cents)		(0.64)

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

Fertoz Limited
Consolidated statement of financial position
As at 30 June 2020

	Note	30 June 2020 \$	31 December 2019 \$
Assets			
Current assets			
Cash and cash equivalents		1,535,433	452,138
Trade and other receivables	3	242,257	249,227
Inventories	5	572,300	622,531
Other current assets	4	73,119	15,871
Total current assets		2,423,109	1,339,767
Non-current assets			
Exploration and evaluation assets	6	5,764,193	5,833,645
Property, plant and equipment	7	74,768	82,840
Environmental Bonds		319,514	328,451
Total non-current assets		6,158,475	6,244,936
Total assets		8,581,584	7,584,703
Current liabilities			
Trade and other payables	8	381,227	340,864
Total current liabilities		381,227	340,864
Total liabilities		381,227	340,864
Net assets		8,200,357	7,243,839
Equity			
Issued capital	10	21,469,744	19,606,629
Share Based payment reserves		2,045,176	1,993,494
Translation reserve		183,436	399,682
Accumulated losses		(15,497,999)	(14,755,966)
Total equity		8,200,357	7,243,839

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

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Fertoz Limited
Consolidated statement of changes in equity
For the six months ended 30 June 2020

	Issued capital \$	Accumulated losses \$	Share Based Payment Reserve \$	Translation Reserve \$	Total equity \$
Balance at 31 December 2019	19,606,629	(14,755,966)	1,993,494	399,682	7,243,839
Loss after income tax expense for the period	-	(742,033)	-	-	(742,033)
Other comprehensive income for the period	-	-	-	(216,246)	(216,246)
Total comprehensive profit/(loss) for the period	-	(742,033)	-	(216,246)	(958,279)
<i>Transaction with owners in their capacity as owners:</i>					
Shares issued (Note 10)	2,000,000	-	-	-	2,000,000
Shares issuance costs (Note 10)	(136,885)	-	-	-	(136,885)
Share-based payments (Note 13)	-	-	51,682	-	51,682
At 30 June 2020	21,469,744	(15,497,999)	2,045,176	183,436	8,200,357
Balance at 1 January 2019	19,468,490	(12,947,734)	1,909,292	216,466	8,646,514
Loss after income tax expense for the period	-	(817,525)	-	-	(817,525)
Other comprehensive income for the period	-	-	-	135,089	135,089
Total comprehensive profit/(loss) for the period	-	(13,765,259)	-	351,555	(7,964,078)
<i>Transaction with owners in their capacity as owners:</i>					
Shares issued	54,000	-	-	-	54,000
Share-based payments	-	-	40,218	-	40,218
At 30 June 2019	19,522,490	(13,756,259)	1,949,510	351,555	8,058,296

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 six months ended 30 June 2020

	Note	Six months ended 30 June 2020 \$	Six months ended 30 June 2019 \$
Cash flows from operating activities			
Receipts from customers (exclusive of GST)		901,757	1,327,243
Receipt of Jobkeeper grant		22,000	-
Payments to suppliers and employees (exclusive of GST)		(1,581,761)	(2,269,345)
Interest received		372	2,769
Interest paid		-	(3,027)
Net cash inflow / (outflow) from operating activities		(657,632)	(942,360)
Cash flows from investing activities			
Property, plant and equipment		-	(46,627)
Payment for exploration and evaluation assets		(93,285)	(333,384)
Net cash inflow / (outflow) from investing activities		(93,285)	(380,011)
Cash flows from financing activities			
Proceeds from issue of shares	10	2,000,000	-
Payments for equity raising costs	10	(136,885)	-
Drawdown of borrowings		-	27,280
Net cash inflow / (outflow) from financing activities		1,863,115	27,280
Net increase/(decrease) in cash and cash equivalents		1,112,198	(1,295,091)
Foreign exchange difference		(28,903)	26,107
Cash and cash equivalents at the beginning of the financial period		452,138	2,930,139
Cash and cash equivalents at the end of the financial period		1,535,433	1,661,155

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

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2020

Note 1. Significant accounting policies

Corporate Information

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

The financial report of Fertoz Limited for the six months ended 30 June 2020 comprises the Company and its controlled entities together ("Consolidated Entity" or "the Group").

A copy of the consolidated audited financial report of the Consolidated Entity as at and for the year ended 31 December 2019 is available upon request from the Company's registered office or at www.fertoz.com.

Basis of preparation

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

The consolidated interim financial report does not include full disclosures of the type normally included in the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the audited financial report of the Group for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 9 September 2020.

Historical cost convention

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

Critical accounting estimates

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

The judgements, estimates and assumptions applied in preparing this consolidated interim financial report, including the key sources of estimation uncertainty, were consistent with those applied in the Company's audited financial report for the year ended 31 December 2019.

Going Concern

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

As disclosed in the financial statements, the Group achieved a net loss of \$742,033 and net operating cash outflows of \$657,632 for the period ended 30 June 2020. As at 30 June 2020 the Group has cash of \$1,535,433. The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

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

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

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

- proven ability of the Group to raise the necessary funding or settle debts via the issuance of shares; and
- dedicated plans established to run the rock phosphate operations;

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

Change in Accounting Policies and Accounting Standards

The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated audited financial report for the year ended 31 December 2019.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2020

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on geographical location being Australian and Canadian operations, reflected by the subsidiaries in the Group. These operating segments are based on the internal reports that are reviewed and used by the board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

Consolidated – 30 June 2020	Australia	North America	Unallocated	Total
	\$	\$	\$	\$
<i>Revenue</i>				
Sales of phosphate fertilizer – external sales	365,885	566,628	-	932,513
Other revenue	26,200	-	-	26,200
Total revenue	392,085	566,628	-	958,713
Profit/(Loss) before income tax expense	11,356	(497,129)	(256,260)	(742,033)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	11,356	(497,129)	(256,260)	(742,033)
<i>Assets</i>				
Segment assets	420,246	7,221,351	939,987	8,581,584
Segment liabilities	(10,502)	(267,938)	(102,789)	(381,229)
Segment net assets	409,744	6,953,413	837,198	8,200,355

Consolidated – 30 June 2019	Australia	North America	Unallocated	Total
	\$	\$	\$	\$
<i>Revenue</i>				
Sales of phosphate fertilizer – external sales	486,742	391,513	-	878,255
Other revenue	-	-	12,336	12,336
Total revenue	486,742	391,513	12,336	890,591
Profit/(Loss) before income tax expense	(3,522)	(571,997)	(242,006)	(817,525)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	(3,522)	(571,997)	(242,006)	(817,525)
<i>Assets</i>				
Segment assets	416,540	7,038,940	1,002,821	8,458,301
Segment liabilities	(51,059)	(282,127)	(66,819)	(400,005)
Segment net assets	365,481	6,756,813	936,002	8,058,296

Consolidated	
30 June 2020	31 December 2019
\$	\$

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

Australia	-	-
North America	6,158,475	6,244,936
	6,158,475	6,244,936

Fertoz Limited
Notes to the consolidated financial statements
For the six months ended 30 June 2020

Note 3. Current assets – Trade and other receivables

Trade receivables
Less: expected credit loss provision
Other receivables

Consolidated	
30 June 2020	31 December 2019
\$	\$
243,217	175,336
(10,909)	(11,214)
9,949	85,105
242,257	249,227

Upon initial recognition of the amount receivable, the Group has applied the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognized from initial recognition of the receivable. An allowance for expected loss was recognised based on a probability of default of 5% at the date of subsequent recognition of the receivable. At 30 June 2020, further to a re- assessment of the amount trade receivable, credit loss of \$10,909 was recognised.

Note 4. Current assets – Other current assets

GST receivable

Consolidated	
30 June 2020	31 December 2019
\$	\$
73,119	15,871
73,119	15,871

Note 5. Current assets – Inventory

Inventory consists of the following
Crushed raw ore
Finished products

Consolidated	
30 June 2020	31 December 2019
\$	\$
493,605	510,078
78,695	112,453
572,300	622,531

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

Exploration and evaluation assets, at cost

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

Movements in exploration and evaluation assets

Carrying amount at beginning of the period
Additions
Foreign exchange movement
Carrying amount at the end of period

Consolidated	
30 June 2020	31 December 2019
\$	\$
5,764,193	5,833,645
5,833,645	5,142,252
93,285	554,339
(162,737)	137,054
5,764,193	5,833,645

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

Fertoz Limited
Notes to the consolidated financial statements
For the six months ended 30 June 2020

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

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
Plant and equipment, at cost	159,948	164,290
Less: accumulated depreciation	(85,180)	(81,450)
	74,768	82,840
<i>Movements in property, plant and equipment</i>		
Carrying amount at beginning of the period	82,840	51,256
Additions	-	44,758
Depreciation capitalised to exploration and evaluation assets	(6,080)	(14,747)
Foreign exchange movement	(1,992)	1,573
Carrying amount at the end of period	74,768	82,840

Note 8. Current liabilities -Trade and other payables

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
Trade creditors	322,572	291,753
Accruals & other payables	58,655	49,111
	381,227	340,864

Note 9. Current liabilities -Borrowings

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
Debtor financing facility	-	-
	-	-

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

Fertoz Limited
Notes to the consolidated financial statements
For the six months ended 30 June 2020

Note 10. Equity – Issued share capital

	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Number of shares	Number of shares	\$	\$
Ordinary shares – fully paid	154,399,128	129,399,128	21,469,744	19,606,629

Movements in share capital

Details	Date	No of Shares	Issued Price (\$)	Amount (\$)
Balance	31 December 2018	128,069,128		19,468,490
Shares ¹	25 June 2019	400,000	0.135	54,000
Shares ¹	1 July 2019	150,000	0.135	20,250
Shares ¹	29 November 2019	780,000	0.10	78,000
Share issuance costs ³	31 December 2019	-	-	(14,111)
Balance	31 December 2019	129,399,128		19,606,629
Private placement ²	21 February 2020	25,000,000	0.08	2,000,000
Share issuance costs ³		-	-	(136,885)
Balance at 30 June 2020		154,399,128		21,469,744

¹ Shares were issued to members of the staff (non-directors) for achieving certain milestones at the discretion of the Board, the fair value of the shares measured based on the share price at grant date.

² On 21 February 2020, the Company completed an underwritten share purchase plan of 25,000,000 shares at 0.08 each for a total of \$2,000,000.

³ Share issuance costs were incurred with respect of the Share purchase Plan, of which \$14,111 in legal fees were incurred in the previous year. An amount of \$20,000 was paid to a company related to a director.

Note 11. Loss per share

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Loss after income tax expense for the period	(742,033)	(817,525)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	147,354,929	128,469,118
Weighted average number of shares used in calculating diluted earnings per share	147,354,929	128,469,118
	Cents	Cents
Basic loss per share	0.50	0.64
Diluted loss per share	0.50	0.64

At 30 June 2020, there were Nil (30 June 2019: nil) options outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss from continuing operations, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

Fertoz Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2020

Note 12. Share-based payments

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employment benefit expenses and project generation and business development expenses in terms of options and shares issued to directors, employees and consultants were \$51,682 (2019: \$40,218).

At 30 June 2020, the following In-Substance options were outstanding and remain in escrow until the relative performance hurdles are met as per below:

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised / vested	Expired/ forfeited/ other	Balance at the end of the period
01/06/2018	01/06/2021	\$0.00	4,000,000	-	-	-	4,000,000
			4,000,000	-	-	-	4,000,000
Weighted average exercise price			-	-	-	-	-

Performance Shares	Number	Expiry Date	Milestone for release from escrow	Issue Price
Chairman Shares	1,000,000	01/06/2021	The Company's share price closing at 28c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 38c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 50c or above for 10 consecutive trading days	Nil
	1,000,000	01/06/2021	The Company's share price closing at 60c or above for 10 consecutive trading days	Nil
	4,000,000			

Valuation Model

The fair value of options and in-substance options are determined at grant date, by the Company, using a trinomial option pricing model or probabilistic pricing model that takes into account the share price at grant date, exercise price, performance hurdles prices if any, expected volatility (determined by reference to historical volatility of the share price), option life, the risk free rate, and the fact that the options or in-substance options are not tradeable. The inputs used for the binomial option pricing model and probabilistic pricing model for options outstanding during the period ended 30 June 2020 were as follows:

Grant date	Expiry date	Number Issued	Share price at grant date	Exercise price	Performance hurdle price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
01/06/2018	01/06/2021	1,000,000	\$0.18	-	\$0.28	81%	0%	2.06%	\$0.1611
01/06/2018	01/06/2021	1,000,000	\$0.18	-	\$0.38	81%	0%	2.06%	\$0.1455
01/06/2018	01/06/2021	1,000,000	\$0.18	-	\$0.50	81%	0%	2.06%	\$0.1293
01/06/2018	01/06/2021	1,000,000	\$0.18	-	\$0.60	81%	0%	2.06%	\$0.1174

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

Subsequent to 30 June 2020, the group has issued 922,500 shares to employees under the Employee Share Plan.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

The impact of the Coronavirus (COVID-19) pandemic is ongoing. While it has impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. Operations remain dynamic and dependent on measures imposed by the Canadian and Australian Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Fertoz Limited
Directors' Declaration
For the six months ended 30 June 2020


In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001; and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 303 (5) (a)A of the *Corporations Act 2001*.

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

On behalf of the directors



Patrick Avery
Chairman

9 September 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fertoz Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Fertoz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd



A J Whyte
Director

Brisbane, 9 September 2020

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