Fertoz Limited

ACN 145 951 622

Interim Financial Report
For the six months ended 30 June 2021

Fertoz Limited
Six months ended 30 June 2021

Directors	Mr. Patrick Avery (Executive Chairman) Mr. James Chisholm – Non-Executive Director Mr. Stuart Richardson – Non- Executive Director Mr. Justyn Stedwell – Non-Executive Director
Company Secretaries	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	Cowell Clarke Level 21, 133 Castlereagh Street Sydney NSW 2000
Banker	Commonwealth Bank of Australia
Stock Exchange Listing	Australian Securities Exchange (FTZ)
Website	www.fertoz.com

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 2021.

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. James Chisholm
Mr. Stuart Richardson
Mr. Justyn Stedwell

Principal activities

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

Financial Review

Financial results
The loss for the consolidated entity after providing for income tax amounted to $576,852 (2020: loss $742,033).

Financial position
At 30 June 2021, the consolidated entity had cash reserves of $1,511,397 (2020: $1,156,678). During the six months ended 30 June 2021, Fertoz Limited issued 28,791,061 shares for a total of $1,439,553. An additional 1,604,938 shares for $80,247 were allotted to related parties after the Annual General Meeting.

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. Fertoz announced plans during the June 2021 quarter to expand its operations into carbon projects. This business opportunity is under development with interest in this service exceeding management's expectations.

The Company focuses on 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 and carbon-based sustainable land management services to customers 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.

Overview

Fertoz is an organic agriculture business transitioning to a Sustainable Land Management Company using years of accumulated organic agriculture and fertilizer experience to improve the management of land, sequester greenhouse gases and generate additional revenue streams for land-owners, whether they be agricultural operations, forestry, or companies looking to rehabilitate abandoned lands.

Fertoz has developed significant intellectual property over a number of years, across a wide range of land and vegetation types, that allows Fertoz employees, distributors and partners to maximise sustainable land management practices across the United States of America, Canada, Australia, and selected countries in the Asia-Pacific region.
Climate change is real and current, and to combat this, Fertoz offers private and public land-owners a suite of products and services – from the establishment and verification of carbon credits, calculations of greenhouse gases sequestered in different vegetation types, banking and trading of carbon credits, blending of no carbon or low carbon fertilizers to reduce greenhouse gas emissions from farms and the sale and application of organic fertilizers to promote growth and sequester carbon dioxide.

The Company owns and/or manages a number of rock phosphate stockpiles, mining resources and manufactures various organic fertilizer blends to help farmers put carbon back in the soil. Given the organic nature of the products, very little greenhouse gas is produced in the manufacturing process, which differentiates Fertoz from the manufacturers of conventional fertilizers.

During the first half of 2021, the Company ordered additional fertilizer manufacturing equipment which is currently being installed. Having the ability to granulate organic blended fertilizers in-house gives the Company a competitive advantage in being able to offer just-in-time deliveries to farmers in planting seasons.

The Company also established the Fertoz Carbon division in the first half, to offer carbon credit services and options to land-owners, mines, forest owners, conventional fertilizer manufacturers and other potential customers. Other companies which bring experience in discrete elements of the carbon credits chain agreed to partner with Fertoz, enabling the Company to offer a complete suite of products and services related to greenhouse gas sequestration, the accreditation and verification of carbon credits, and the sales of these credits to businesses seeking to offset their greenhouse gas emissions with carbon credits. Interest in this division has been exceptional, with verification of the Company's first series of carbon credits already underway, reforestation projects being prepared, and sales discussions in progress to secure the highest prices available for carbon credits.

One of the many positive aspects of dealing in reforestation and carbon credit generation is that the Company can engage in these projects worldwide, facilitating the potential for regular cash flows that are not impacted by the weather events that have hampered sales in the fertilizer division.

Subsequent to the half year, the Company established a US-based subsidiary to enable employment of additional sales personnel. With 133 million acres needing to be reforested in the USA alone, the potential for the Company's Carbon Division is enormous. Regular forest fires and woodlot plantings also result in millions of acres requiring planting/seeding in Canada, and additional sales personnel are also beginning to focus on the opportunities there.
Australia, too, offers significant opportunities in respect to reforesting, greenhouse gas sequestration and the verification and sale of carbon credits. During the half year, the Australian division of Fertoz commenced research into the opportunities, and subsequent to the half, a number of opportunities for reseeding of forests in Australia and select countries in the Asia-Pacific. These efforts have led to contracts that are being negotiated at the time of writing this report. Australia has a well-developed carbon market and millions of hectares that need to be reforested. As such, the Company's offerings are striking a chord with land-owners looking to develop or enhance sustainable land management practices.

Fertoz has worked for many years to build upon its strategy and develop a wide range of valuable synergistic assets and programs, and we would like to thank the Company's shareholders for their patience and support. These assets include:

- rights to millions of tonnes of phosphate resources;
- development of a strong line of high-quality phosphate products and blends;
- field trials to demonstrate cost effective application of phosphate but also nitrogen, potash, sulphur, humics and currently studying biologicals;
- recent advancements of the Company's fertilizer products to calculate carbon emissions and low carbon-zero carbon products with off-set potential;
- ongoing work to obtain verification in Scope 1 - product manufacturing, Scope 2 - Transportation and Scope 3 - On farm carbon sequestration; and
- development of global carbon tracking, trading and marketing.

Corporate

Safety
There were no lost time, injuries or environmental incidents recorded during the period ended 30 June 2021.

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

Matters subsequent to the end of the financial period

Subsequent to 30 June 2021,

- The group completed the first tranche of a rights issue of 20,000,000 shares at a price of $0.15 for a total amount of $3,000,000.
- The Group issued 1,604,938 shares at $0.05 to directors with respect to the shortfall on the entitlement issue completed in April 2021, for total proceeds of $80,247.
- The group issued 6,500,000 shares to directors in lieu of directors' fees, of which 3,000,000 shares issued to the Executive director conditional upon achieving certain performance hurdles with respect to the market price of the shares.
- The Group issued 13,333,333 shares at $0.15 for total proceeds of $2,000,000 with respect to the second tranche of the rights issue.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

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

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

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

On behalf of the directors

Pat Avery
____
Patrick Avery

10 September 2021

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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 2021, 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 Company Name and the entities it controlled during the period.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 10 September 2021

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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 10 September 2021. The directors have the power to amend and reissue the financial statements.

Fertoz Limited
Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2021

		Six months ended	
		30 June 2021	30 June 2020
		$	$
Revenue		**1,152,399**	932,513
Cost of goods sold		**(917,639)**	(826,555)
		234,760	105,958
Other Income		**5,390**	26,200
Expenses			
Audit & accounting		**(90,955)**	(109,646)
Consultant fees & employee compensation		**(97,687)**	(91,313)
Depreciation	7	**(4,226)**	(6,080)
Directors fees (non-executive)		**(4,500)**	(51,000)
Executive director salary		**(97,309)**	(138,115)
Insurance		**(5,316)**	(25,933)
Investor relations		**(4,500)**	(22,750)
Legal		**(3,936)**	-
Listing fees and share registry		**(52,134)**	(37,029)
Marketing & selling		**(343,065)**	(292,094)
Short term office rental		**-**	(13,813)
Share based payment	12	**(56,810)**	(51,682)
Travel		**(1,319)**	-
Other expenses		**(44,592)**	(29,210)
Total expenses		**(806,349)**	(868,665)
Finance			
Interest income		**169**	375
Bank charges and Interest paid		**(3,001)**	(3,000)
Realised exchange loss		**(7,821)**	(2,901)
		(10,653)	(5,526)
Loss before income tax expense		**(576,852)**	(742,033)
Income tax expense		**-**	-
Loss after income tax expense for the period		**(576,852)**	(742,033)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**362,437**	(216,246)
Other comprehensive income for the period, net of tax		**362,437**	(216,246)
Total comprehensive income for the period		**(214,415)**	(958,279)
Loss per share for profit attributable to the owners of Fertoz Limited			
Basic loss per share (cents)	11	**(0.34)**	(0.50)
Diluted loss per share (cents)		**(0.34)**	(0.50)

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 2021

	Note	30 June 2021 $	31 December 2020 $
Assets			
Current assets			
Cash and cash equivalents		**1,511,397**	1,156,678
Trade and other receivables	3	**492,471**	255,183
Inventories	5	**450,322**	221,032
Other current assets	4	**6,279**	89,407
Total current assets		**2,460,469**	1,722,300
Non-current assets			
Exploration and evaluation assets	6	**5,900,766**	5,536,663
Property, plant and equipment	7	**354,578**	67,121
Environmental Bonds		**322,092**	304,604
Total non-current assets		**6,577,436**	5,908,388
Total assets		**9,037,905**	7,630,688
Current liabilities			
Trade and other payables	8	**524,487**	394,466
Total current liabilities		**524,487**	394,466
Total liabilities		**524,487**	394,466
Net assets		**8,513,418**	7,236,222
Equity			
Issued capital	10	**22,967,274**	21,532,474
Share Based payment reserves		**2,193,240**	2,136,430
Translation reserve		**221,437**	(141,000)
Accumulated losses		**(16,868,533)**	(16,291,681)
Total equity		**8,513,418**	7,236,222

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

Fertoz Limited
Consolidated statement of changes in equity
For the six months ended 30 June 2021

	Issued capital $	Accumulated losses $	Share Based Payment Reserve $	Translation Reserve $	Total equity $
Balance at 31 December 2020	**21,532,474**	**(16,291,681)**	**2,136,430**	**(141,000)**	**7,236,223**
Loss after income tax expense for the period	-	**(576,852)**	-	-	**(576,852)**
Other comprehensive income for the period	-	-	-	**362,437**	**362,437**
Total comprehensive profit/(loss) for the period	-	**(576,852)**	-	**362,437**	**(214,415)**
Transaction with owners in their capacity as owners:					
Shares issued *(Note 10)*	**1,446,800**	-	-	-	**1,446,800**
Transfer					
Shares issuance costs *(Note 10)*	**(12,000)**	-	-	-	**(12,000)**
Share-based payments *(Note 12)*	-	-	**56,810**	-	**56,810**
At 30 June 2021	**22,967,274**	**(16,868,533)**	**2,193,240**	**221,437**	**8,513,418**
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)
Transaction with owners in their capacity as owners:					
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

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

Fertoz Limited
Consolidated statement of cash flows
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 $	Six months ended 30 June 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,008,368**	901,757
Other income		**35,614**	22,000
Payments to suppliers and employees (inclusive of GST)		**(1,810,984)**	(1,581,761)
Interest received		**48**	372
Net cash inflow / (outflow) from operating activities		**(766,954)**	(657,632)
Cash flows from investing activities			
Property, plant and equipment		**(279,053)**	-
Payment for exploration and evaluation assets		**(44,749)**	(93,285)
Net cash inflow / (outflow) from investing activities		**(323,802)**	(93,285)
Cash flows from financing activities			
Proceeds from issue of shares	10	**1,446,800**	2,000,000
Payments for equity raising costs	10	**(12,000)**	(136,885)
Drawdown of borrowings		**-**	-
Net cash inflow / (outflow) from financing activities		**1,434,800**	1,863,115
Net increase/(decrease) in cash and cash equivalents		**344,044**	1,112,198
Foreign exchange difference		**10,675**	(28,903)
Cash and cash equivalents at the beginning of the financial period		**1,156,678**	452,138
Cash and cash equivalents at the end of the financial period		**1,511,397**	1,535,433

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

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 2021 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 2020 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 2020 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 10 September 2021.

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 2020.

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

As disclosed in the financial statements, the Group incurred a net loss of $576,852 and net operating cash outflows of $766,954 for the period ended 30 June 2021. As at 30 June 2021 the Group has cash of $1,511,397.

Subsequent to balance date the Company raised $5,080,247 from the issue of shares.

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

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

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

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:
- proven ability of the Group to raise the necessary funding or settle debts via the issuance of shares; and
- the group is operating an expanding rock phosphate and organic fertilizer business and plans to continue to expand this business in the coming year.

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

Change in Accounting Policies and Accounting Standards
The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated audited financial report for the year ended 31 December 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 2021	Australia $	North America $	Unallocated $	Total $
Revenue				
Sales of phosphate fertilizer – external sales	605,930	546,469	-	1,152,399
Other revenue	5,390	-	-	5,390
Total revenue	611,320	546,469	-	1,157,789
Profit/(Loss) before income tax expense	1,139	(388,851)	(189,140)	(576,852)
Income tax revenue	-	-	-	-
Profit/(Loss) after income tax expense	1,139	(388,851)	(189,140)	(576,852)
Assets				
Segment assets	575,894	7,463,877	998,133	9,037,904
Segment liabilities	(95,435)	(333,448)	(95,603)	(524,486)
Segment net assets	480,459	7,130,429	902,530	8,513,418

Consolidated – 30 June 2020	Australia $	North America $	Unallocated $	Total $
Revenue				
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)

Consolidated – 31 December 2020	Australia	North America	Unallocated	Total
Assets				
Segment assets	551,881	6,462,104	616,703	7,630,688
Segment liabilities	(84,190)	(212,572)	(97,704)	(394,466)
Segment net assets	471,691	6,249,532	518,999	7,236,222

Note 2. Operating segments (continued)

	Consolidated	
	30 June 2021 $	31 December 2020 $
Non-current assets, excluding financial instruments and deferred tax assets, located in:		
Australia	-	-
North America	**6,577,436**	5,908,388
	6,577,436	5,908,388

Note 3. Current assets – Trade and other receivables

	Consolidated	
	30 June 2021 $	31 December 2020 $
Trade receivables	**481,122**	255,914
Less: expected credit loss provision	**(10,997)**	(11,214)
Other receivables and prepayments	**22,346**	10,483
	492,471	255,183

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 2021, further to a re- assessment of the amount trade receivable, credit loss of $10,997 was recognised.

Note 4. Current assets – Other current assets

	Consolidated	
	30 June 2021 $	31 December 2020 $
GST receivable	**6,279**	9,295
Other prepayments	-	80,112
	6,279	89,407

Note 5. Current assets – Inventory

	Consolidated	
	30 June 2021 $	31 December 2020 $
Inventory consists of the following		
Crushed raw ore	**212,288**	194,038
Finished products	**238,034**	26,994
	450,322	221,032

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

	Consolidated	
	30 June 2021 $	31 December 2020 $
Exploration and evaluation assets, at cost	**5,900,766**	5,536,663

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

Movements in exploration and evaluation assets		
Carrying amount at beginning of the period	**5,536,663**	5,833,645
Additions	**44,749**	134,800
Foreign exchange movement	**319,354**	(431,782)
Carrying amount at the end of period	**5,900,766**	5,536,663

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

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

	Consolidated	
	30 June 2021 $	31 December 2020 $
Plant and equipment, at cost	**449,176**	152,702
Less: accumulated depreciation	**(94,598)**	(85,581)
	354,578	67,121

Movements in property, plant and equipment		
Carrying amount at beginning of the period	**67,121**	82,840
Additions	**287,976**	-
Depreciation capitalised to exploration and evaluation assets	**(4,226)**	(10,335)
Foreign exchange movement	**3,707**	(5,384)
Carrying amount at the end of period	**354,578**	67,121

Note 8. Current liabilities -Trade and other payables

	Consolidated	
	30 June 2020 $	31 December 2020 $
Trade creditors	**453,431**	312,848
Accruals & other payables	**71,055**	81,618
	524,486	394,466

Note 9. Current liabilities -Borrowings

	Consolidated	
	30 June 2021 $	31 December 2020 $
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.

Note 10. Equity – Issued share capital

	30 June 2021 Number of shares	31 December 2020 Number of shares	30 June 2021 $	31 December 2020 $
Ordinary shares – fully paid	**184,112,689**	155,321,628	**22,967,274**	21,532,474

Movements in share capital

Details	Date	No of Shares	Issued Price ($)	Amount ($)
Balance	31 December 2019	129,399,128		19,606,629
Private placement[1]	21 February 2020	25,000,000	0.08	2,000,000
Shares[2]	12 August 2020	922,500	0.068	62,730
Share issuance costs[3]		-	-	(136,885)
Balance	31 December 2020	155,321,628		21,532,474
Entitlement Issue[4]	8 & 9 April 2021	28,791,061	0.05	1,439,553
Share issuance costs[4]		-	-	(12,000)
Deposit on shares				7,247
Balance at 30 June 2021		**184,112,689**		**22,967,274**

[1] 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.
[2] On 12 August 2020, the Company issued 922,500 shares to staff under the Employee Share Plan, when the shares were traded at $0.068
[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 during the current year.
[4] In April 2021, the Company issued 28,791,061 shares at $0.05 each for a total of $1,439,553, on which the Company paid $12,000 as share issuance costs.

Note 11. Loss per share

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax expense for the period	**(576,852)**	(742,033)
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	**168,569,728**	147,354,929
Weighted average number of shares used in calculating diluted earnings per share	**168,569,728**	147,354,929
	Cents	Cents
Basic loss per share	**0.34**	0.50
Diluted loss per share	**0.34**	0.50

At 30 June 2021, there were Nil (30 June 2020: nil) options outstanding which could potentially dilute basic earnings per share in the future. Because there is a loss from continuing operations, these would have an anti-dilutive effect and therefore diluted earnings per share is the same as the basic earnings per share.

Note 12. Share-based payments

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of contract for services in terms of options and shares issued to directors, employees and consultants in prior reporting periods were $56,810 (2020: $51,682).

Note 12. Share-based payments *(continued)*

At 30 June 2021, the following In-Substance options expired unexercised as per below:

30 June 2021

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 2021 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 2021, the group

- The group completed a first tranche of a rights issue of 20,000,000 shares at a price of $0.15 for a total amount of $3,000,000.
- The Group issued 1,604,938 shares at $0.05 to directors with respect to the shortfall on the entitlement issue completed in April 2021, for total proceeds of $80,247.
- The group issued 6,500,000 shares to directors in lieu of directors' fees, of which 3,000,000 shares issued to the Executive director conditional upon achieving certain performance hurdles with respect to the market price of the shares.
- The Group issued 13,333,333 shares at $0.15 for total proceeds of $2,000,000 with respect to the second tranche of the rights issue.

No other matter or circumstance has arisen since 30 June 2021 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.

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 2021 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

Pat Avery

Patrick Avery
Chairman

10 September 2021

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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 2021, 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 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2021 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

BDO

A J Whyte
Director

Brisbane, 10 September 2021