



PhosEnergy Limited

ABN 31 164 573 728

Half-Year Report

30 June 2016

PhosEnergy Limited

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PhosEnergy Limited

Directors' Report

For the half-year ended 30 June 2016

Your directors submit the financial report for PhosEnergy Limited ("PhosEnergy" or "the Group") for the half-year ended 30 June 2016. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Anthony W Kiernan	Chairman (Non- Executive)
Mr Bryn L Jones	Managing Director
Mr Tim R B Goyder	Non-Executive Director
Mr Tom C Pool	Non-Executive Director

Review of operations

PhosEnergy manages the development of the process of recovering uranium as a by-product in the manufacture of phosphate fertilizer ("the PhosEnergy Process" or the "Process"). The Process is a co-development between the Company and Cameco Corporation, one of the world's leading uranium producers.

Following completion of a demonstration plant at the site of a major US fertilizer production facility and completion of a Pre-Feasibility Study (PFS) by global consulting firm, Hatch, the Company and Cameco have continued to pursue business development opportunities around the world to potentially provide access to a larger fertilizer facility to improve the overall Process economics.

Mindful of the continued challenges in the short term uranium market Cameco and the Company agreed to reduce development activity level this year to preserve capital within the jointly owned operating entity. The Company remains confident that with the technical work that has been achieved to date and the estimated cash operating costs from the PFS an upturn in the uranium market would see a renewed interest in the application of the Process.

Financial Review

At 30 June 2016 the Group had a deficiency of net assets of \$97,406 (31 December 2015: \$63,952). At 30 June 2016 cash at bank totalled \$25,123 (31 December 2015: \$61,801). As set out in Notes 5 and 6 to the Financial Statements, at balance date, current liabilities of \$142,577 predominately consist of accrued directors' fees (\$50,046) and an outstanding loan and accrued interest payable to a major shareholder of the Company, Uranium Equities Ltd (\$60,840).

The Group reported a net loss for the period of \$195,008 (30 June 2015: \$293,124) which predominately related to process engineering consultants and personnel expenses.

At the Group's annual general meeting held in May 2016, shareholders approved the issue of options to key management personnel. The options have an exercise price of \$0.20 and expire on 30 April 2021. Options have been issued as follows:

Name	Number of Options	Vesting Conditions
Mr Tim Goyder	750,000	Vesting immediately
Mr Anthony Kiernan	750,000	Vesting immediately
Mr Tom Pool	250,000	Vesting immediately
Mr Bryn Jones	1,000,000	50% vesting immediately, 50% vesting 28 February 2017

In addition, the directors resolved on 14 April 2016 to issue to executives 1,500,000 options with 50% vesting immediately, 50% vesting 28 February 2016 and expiring 30 April 2021.

PhosEnergy Limited
Directors' Report
For the half-year ended 30 June 2016

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to accrue directors' fees and defer the payment of directors' fees until further notice. At 30 June 2016, non-executive directors' total compensation accrued from 1 July 2013 to date was \$50,046.


Events arising since the end of the reporting period

There were no significant events after balance date.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 30 June 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in blue ink, appearing to read 'Anthony Kiernan', with a long horizontal stroke extending to the right.

Anthony Kiernan
Chairman
13 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PhosEnergy Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 September 2016



L Di Giallonardo
Partner

PhosEnergy Limited
Condensed Statement of Comprehensive Income
For the half-year ended 30 June 2016

		Consolidated	
	Note	30 June 2016 \$	30 June 2015 \$
Continuing Operations			
Revenue	3a	110,613	345,824
Foreign exchange gain/(loss)		(123)	691
Corporate and administrative expenses	3b	(303,379)	(387,788)
Share of equity accounted investee losses		-	(249,744)
		(192,889)	(291,017)
Financial expenses		(2,119)	(2,107)
Loss before income tax		(195,008)	(293,124)
Income tax benefit		-	-
Loss attributable to owners of the parent		(195,008)	(293,124)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		15,062	17,228
Other comprehensive income net of tax		15,062	17,228
Total comprehensive loss attributable to owners of the parent		(179,946)	(275,896)
Basic loss per share (cents per share)		(0.53)	(0.80)
Diluted loss per share (cents per share)		(0.51)	(0.80)

PhosEnergy Limited
Condensed Statement of Financial Position
As at 30 June 2016

	Note	Consolidated	
		30 June 2016 \$	31 December 2015 \$
Current assets			
Cash and cash equivalents		25,123	61,801
Trade and other receivables		20,048	21,201
Total current assets		45,171	83,002
Total assets		45,171	83,002
Non-current assets			
Equity accounted investment	4	-	-
Total non-current assets		-	-
Total assets		45,171	83,002
Current liabilities			
Trade and other payables	5	81,737	88,233
Borrowings	6	60,840	58,721
Total current liabilities		142,577	146,954
Total liabilities		142,577	146,954
Net liabilities		(97,406)	(63,952)
Equity			
Issued capital	7	1,761,803	1,761,803
Reserves		437,975	276,421
Accumulated losses		(2,297,184)	(2,102,176)
Total deficiency		(97,406)	(63,952)

PhosEnergy Limited
Condensed Statement of Changes in Equity
For the half-year ended 30 June 2016

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total deficiency
	\$	\$	\$	\$	\$
Balance at 1 January 2016	1,761,803	(2,102,176)	276,421	-	(63,952)
Loss for the reporting period	-	(195,008)	-	-	(195,008)
Exchange differences on translation of foreign operations	-	-	15,062	-	15,062
Total comprehensive loss for the period	-	(195,008)	15,062	-	(179,946)
Share based payments	-	-	-	146,492	146,492
Balance at 30 June 2016	1,761,803	(2,297,184)	291,483	146,492	(97,406)

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total deficiency
	\$	\$	\$	\$	\$
Balance at 1 January 2015	1,761,803	(1,740,334)	246,170	-	267,639
Loss for the reporting period	-	(293,124)	-	-	(293,124)
Exchange differences on translation of foreign operations	-	-	17,228	-	17,228
Total comprehensive loss for the period	-	(293,124)	17,228	-	(275,896)
Share based payments	-	-	-	-	-
Balance at 30 June 2015	1,761,803	(2,033,458)	263,398	-	(8,257)

PhosEnergy Limited
Condensed Statement of Cash Flows
For the half-year ended 30 June 2016

	Consolidated	
	30 June 2016 \$	30 June 2015 \$
Cash flows from operating activities		
Cash receipts from customers	103,200	358,827
Cash paid to suppliers and employees	(139,755)	(491,299)
Net cash used in operating activities	(36,555)	(132,472)
Net decrease in cash and cash equivalents	(36,555)	(132,472)
Cash and cash equivalents at the beginning of the period	61,801	152,985
Effects of exchange rate fluctuations on cash held	(123)	691
Cash and cash equivalents at 30 June 2016	25,123	21,204

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2016

1. Significant accounting policies

(a) Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2015 and any public announcements made by PhosEnergy Limited during the half-year.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The functional and presentation currency of PhosEnergy Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 31 December 2015.

(d) Adoption of new and revised Accounting Standards

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 January 2016.

The Group has adopted all of the new and revised Standards and Interpretations effective for the current period that are relevant to the Group. The directors note that there is no significant impact on the financial report as a result.

(e) Going Concern

Notwithstanding the matter that the Group had a deficiency of net assets of \$97,406 at 30 June 2016, and incurred a loss for the 6 months then ended of \$195,008, the financial statements have been prepared on the going concern basis of accounting. The directors consider that this basis is appropriate because they are of the opinion that the Group can raise additional funding in order to meet its operating expenditure and commitments for the 12 months from the date of signing these financial statements. Furthermore, the directors may also request an extension of credit terms from its major creditors, and will continue to defer directors' fees until further notice. Should additional funding not be obtained, there is a material uncertainty that may cast significant

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2016

doubt as to whether the Group will be able continue as a going concern and, therefore, that it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

2. Segment reporting
Geographical segments

The Directors have considered the requirements of AASB 8-Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

3. Revenue and expenses

The following income and expense items are relevant in explaining the financial performance for the half-year:

	30 June 2016	30 June 2015
	\$	\$
(a) Revenue		
Management Fees	103,200	285,000
Retainer Fees	-	27,375
Guarantee Fee Income	-	4,408
Other Income	7,413	29,041
	110,613	345,824

	30 June 2016	30 June 2015
	\$	\$
(b) Operating expenses		
Accounting fees	10,860	8,606
Audit fees	20,000	5,000
Consultants - corporate	10,800	8,767
Consultants - process engineering	63,000	141,613
Depreciation and amortisation	-	9
Insurance	10,917	10,974
Other	3,964	10,578
Personnel expenses	17,325	149,575
Share based payments	146,492	-
Printing and stationery	4,665	7,050
Rent and outgoings	13,104	43,480
Share registry	2,252	2,136
	303,379	387,788

4. Equity Accounted Investment

Reconciliation of movements in equity accounted investment:

	30 June 2016	30 June 2015
	\$	\$
Balance at beginning of period	-	317,320
Share of losses	-	(249,744)
Foreign currency translation difference	-	17,228
Balance at end of period	-	84,804

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2016

	30 June 2016 \$	31 December 2015 \$
<u>Financial Position</u>		
Total assets	-	-
Total liabilities	-	-
Net assets	-	-
Group's share of associate's net assets	-	-

	30 June 2016 \$	30 June 2015 \$
<u>Financial Performance</u>		
Total revenue	-	-
Total loss for the reporting period	(6,532)	(832,480)
Group's share of associate's loss	-	(249,744)

5. Trade and other payables	30 June 2016 \$	31 December 2015 \$
Trade payables	31,691	58,210
Accrued expenses ⁽¹⁾	50,046	30,023
	<u>81,737</u>	<u>88,233</u>

⁽¹⁾ Represents non-executive directors' total compensation. Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to accrue directors' fees and defer the payment of directors' fees until further notice.

6. Borrowings	30 June 2016 \$	31 December 2015 \$
Unsecured		
Principal	50,000	50,000
Accrued Interest	10,840	8,721
	<u>60,840</u>	<u>58,721</u>

Uranium Equities Limited provided a loan to the Company for working capital purposes upon the demerger of PhosEnergy Process assets in September 2013. The loan is repayable by 31 December 2016, and the effective interest rate on the loan is 8.5% per annum.

7. Issued Capital	30 June 2016 No.	31 December 2015 No.
(a) Issued and fully paid ordinary shares		
	<u>36,542,899</u>	<u>36,542,899</u>
(b) Share options		
	30 June 2016 No.	31 December 2015 No.
Movements in options over ordinary shares on issue:		
At 1 January 2016	-	-
Options Granted	4,250,000	-
Outstanding at the end of the period	<u>4,250,000</u>	<u>-</u>

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2016

8. Related Parties

Key management personnel

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards.

Key management personnel compensation are as follows:

	30 June 2016	30 June 2015
	\$	\$
Short-term benefits	9,577	61,577
Post-employment benefits	435	5,375
Share based payments	104,062	-
Consulting fees	59,250	-
	173,324	66,952

As at 30 June 2016, non-executive directors received total compensation of \$10,011 (30 June 2015: \$10,011). Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to accrue directors' fees and defer the payment of directors' fees until further notice. At 30 June 2016, non-executive directors' total compensation accrued from 1 July 2013 to date was \$50,046 (Refer to note 5).

From August 2015, Mr Jones was paid consulting fees for services performed in his role as Managing Director through a related party (Inception Consulting Engineers Pty Ltd) in place of a monthly salary. At 30 June 2016, \$10,500 was owing to Inception Consulting Engineers Pty Ltd for the services performed by Mr Jones (30 June 2015: Nil).

Other related party transactions

The group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder and Mr Kiernan are both Directors of Chalice Gold Mines Limited. Mrs Stevens is the Company Secretary of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount paid during the period was \$10,800 (six months ended 30 June 2015: \$8,000). An amount of \$1,800 (six months ended 30 June 2015: \$2,000) was outstanding and payable at the end of the period.

Uranium Equities Limited is a related party of PhosEnergy Limited as it controlled the Company prior to the demerger of PhosEnergy Limited's assets in July 2015. Uranium Equities provided a working capital loan to the Company of \$50,000 (plus interest) which is payable by 31 December 2016. Mr Goyder and Mr Jones are both directors of Uranium Equities Ltd (Refer to note 6).

Associate

The Group has a 25.79% interest in UFP Investments LLC. The Group did not have any transactions with UFP during the reporting period.

Terms and conditions of transactions with related parties

Other than where stated, services provided by related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

9. Events Subsequent to Reporting Date

There were no significant events after reporting date.

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2016

10. Commitments and contingencies

Expenditure commitments

There has been no change in expenditure commitments since the last annual reporting date.

Contingent assets and liabilities

There has been no change in contingent assets or liabilities since the last annual reporting date.

PhosEnergy Limited

Directors' Declaration

In the opinion of the directors of PhosEnergy Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 13th day of September 2016.

A handwritten signature in blue ink, appearing to read 'Anthony Kiernan', with a long horizontal stroke extending to the right.

Anthony Kiernan
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PhosEnergy Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PhosEnergy Limited ("the Company") which comprises the condensed statement of financial position as at 30 June 2016, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2016 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*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(e) in the half-year report, which indicates that the Group may need to seek additional funding in order to meet its operating expenditure and commitments for the next twelve months from the date of signing the half-year report. Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

HLB Mann Judd

L Di Giallonardo

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
13 September 2016