



PhosEnergy Limited

ABN 31 164 573 728

Half-Year Report

30 June 2018

PhosEnergy Limited

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PhosEnergy Limited

Directors' Report

For the half-year ended 30 June 2018

Your directors submit the financial report for PhosEnergy Limited ('PhosEnergy' or "the Group") for the half-year ended 30 June 2018. 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	Resigned 22 February 2018

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.

Due to the low uranium price environment, the Company and Cameco have curtailed unnecessary expenditure on the PhosEnergy Process during the period under review.

Financial Review

At 30 June 2018, the Group had a deficiency of net assets of \$229,631 (31 December 2017: \$207,565). At 30 June 2018 cash at bank totalled \$2,244 (31 December 2017: \$3,104). As set out in Notes 5 and 6 to the financial statements, at balance date, current liabilities of \$241,670 mainly consisted of accrued directors' fees (\$86,724) and outstanding loans (inclusive of interest payable) to Mr Tim Goyder (\$22,161) and Mr Tony Kiernan (\$29,880). In addition, the loan payable to DevEx Resources Limited (formerly Uranium Equities Limited) of (\$69,340) is now classified as current due to its repayment date of 31 December 2018.

The Group reported a net loss for the period of \$21,873, compared to a net loss of \$49,558 for the half year ended 30 June 2017. The reduction in loss was mainly due to reduced activity to conserve cash reserves.

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees and defer payment until further notice. At 30 June 2018, non-executive directors' total compensation accrued from 1 July 2013 to date was \$86,724.

Events arising since the end of the reporting period

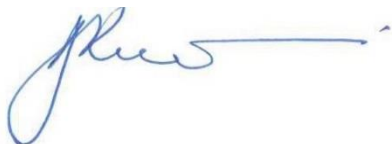
There were no significant events after balance date.

PhosEnergy Limited
Directors' Report
For the half-year ended 30 June 2018

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 2018.

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
11 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PhosEnergy Limited for the half-year ended 30 June 2018, 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
11 September 2018

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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PhosEnergy Limited
Condensed Statement of Comprehensive Income
For the half-year ended 30 June 2018

	Note	Consolidated	
		30 June 2018 \$	30 June 2017 \$
Continuing Operations			
Revenue	3a	26,352	36,000
Foreign exchange gain/(loss)		81	(102)
Corporate and administrative expenses	3b	(44,294)	(71,466)
Share based payments		-	(10,960)
		<hr/>	<hr/>
		(17,861)	(46,528)
Financial expenses		(4,012)	(3,030)
Loss before income tax		<hr/>	<hr/>
		(21,873)	(49,558)
Income tax benefit		-	-
Loss attributable to owners of the parent		<hr/>	<hr/>
		(21,873)	(49,558)
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		(193)	3,186
Other comprehensive income net of tax		(193)	3,186
		<hr/>	<hr/>
Total comprehensive loss attributable to owners of the parent		(22,066)	(46,372)
<hr/>			
Basic loss per share (cents per share)		(0.03)	(0.14)
Diluted loss per share (cents per share)		(0.03)	(0.14)

PhosEnergy Limited
Condensed Statement of Financial Position
As at 30 June 2018

	Note	Consolidated	
		30 June 2018 \$	31 December 2017 \$
Current assets			
Cash and cash equivalents		2,244	3,104
Trade and other receivables and prepayments		9,795	11,256
Total current assets		12,039	14,360
Non-current assets			
Equity accounted investment	4	-	-
Total non-current assets		-	-
Total assets		12,039	14,360
Current liabilities			
Trade and other payables	5	120,289	112,056
Borrowings	6	121,381	109,869
Total current liabilities		241,670	221,925
Total liabilities		241,670	221,925
Net liabilities		(229,631)	(207,565)
Equity			
Issued capital	7	1,761,803	1,761,803
Reserves		470,789	470,982
Accumulated losses		(2,462,223)	(2,440,350)
Total deficiency		(229,631)	(207,565)

PhosEnergy Limited
Condensed Statement of Changes in Equity
For the half-year ended 30 June 2018

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total deficiency
	\$	\$	\$	\$	\$
Balance at 1 January 2018	1,761,803	(2,440,350)	279,348	191,634	(207,565)
Loss for the reporting period	-	(21,873)	-	-	(21,873)
Exchange differences on translation of foreign operations	-	-	(193)	-	(193)
Total comprehensive loss for the period	-	(21,873)	(193)	-	(22,066)
Balance at 30 June 2018	1,761,803	(2,462,223)	279,155	191,634	(229,631)
	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total deficiency
	\$	\$	\$	\$	\$
Balance at 1 January 2017	1,761,803	(2,347,158)	276,450	180,674	(128,231)
Loss for the reporting period	-	(49,558)	-	-	(49,558)
Exchange differences on translation of foreign operations	-	-	3,186	-	3,186
Total comprehensive loss for the period	-	(49,558)	3,186	-	(46,372)
Share based payments	-	-	-	10,960	10,960
Balance at 30 June 2017	1,761,803	(2,396,716)	279,636	191,634	(163,643)

PhosEnergy Limited
Condensed Statement of Cash Flows
For the half-year ended 30 June 2018

	Consolidated	
	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities		
Cash receipts from customers	26,352	30,512
Cash paid to suppliers and employees	(34,600)	(81,316)
Net cash used in operating activities	(8,248)	(50,804)
Cash flows from financing activities		
Proceeds from loans from directors	7,500	40,000
Net cash inflows from financing activities	7,500	40,000
Net decrease in cash and cash equivalents	(748)	(10,804)
Cash and cash equivalents at the beginning of the period	3,104	21,923
Effects of exchange rate fluctuations on cash held	(112)	(102)
Cash and cash equivalents at the end of the period	2,244	11,017

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2018

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 2017 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 2017.

(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 2017. 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 2018.

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.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 30 June 2018 and have determined that there is no material impact of the new and revised Standards and Interpretations on the group and, therefore, no change is necessary to Group accounting policies.

(e) Going Concern

Notwithstanding the matter that the Group had a deficiency of net assets of \$229,631 at 30 June 2018, and incurred a loss for the 6 months then ended of \$21,873, 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

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2018

opinion that the Group can raise additional funding in order to meet its operating expenditure and commitments for the period of 12 months from the date of signing these financial statements. Furthermore, the directors have agreed on extended terms from its major creditors, and will continue to seek such extended terms, as well as continuing with extended terms as to defer directors' fees until further notice. 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, 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 2018 \$	30 June 2017 \$
(a) Revenue		
Management Fees	26,352	36,000
	26,352	36,000
	30 June 2018 \$	30 June 2017 \$
(b) Operating expenses		
Accounting fees	5,164	7,314
Audit fees	5,500	5,500
Consultants - corporate	10,800	11,410
Consultants - process engineering	4,500	24,000
Insurance	5,548	7,902
Other	388	427
Personnel expenses	6,668	10,011
Printing and stationery	3,652	2,683
Rent and outgoings	-	173
Share registry	2,074	2,046
	44,294	71,466

4. Equity Accounted Investment

The Company and Cameco Corporation have developed a process for the extraction of uranium from phosphoric acid streams produced in the production of phosphate-based fertilisers, 'the PhosEnergy Process'. Urtek LLC, a USA based company is the entity in which the research and development is being undertaken. UFP Investments LLC ('UFP') holds the joint investment of 90% in Urtek LLC with Cameco owning the remaining 10% directly. The Company holds a 28.66% interest in UFP. UFP is incorporated in the USA.

The beneficial ownership in the PhosEnergy Process held by Urtek is Cameco 74.21% (2017: 74.21%) and PhosEnergy Limited 25.79% (2017: 25.79%).

This investment is translated at each balance date into the Group's functional currency at the prevailing AUD/USD exchange rate.

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2018

The share of associate's losses of nil (2017: nil) represents the Group's equity accounted share of the movement in UFP's net assets. Principally, UFP's investment in Urtek was written off reflecting research and development expenditure made within Urtek during the year.

5. Trade and other payables	30 June 2018	31 December 2017
	\$	\$
Trade and other payables	17,729	3,960
Accrued expenses ⁽¹⁾	102,560	108,096
	120,289	112,056

⁽¹⁾ Accrued expenses at 30 June 2018 includes non-executive directors' fees outstanding of \$86,724. Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees and defer payment until further notice.

6. Borrowings – Current	30 June 2018	31 December 2017
	\$	\$
<i>Unsecured – Directors (i)</i>		
Principal	47,500	40,000
Accrued Interest	4,541	2,636
	52,041	42,636

(i) In February 2018, Mr Kiernan provided a further \$7,500 in working capital funds to the Company. This amount is in addition to the \$20,000 working capital loans provided by each Mr Kiernan and Mr Goyder in March 2017. The loans are repayable on or before six months from drawdown, with an option to convert the outstanding balance into fully paid ordinary shares in the Company (at the election of Mr Goyder and Mr Kiernan) if not repaid by that date. The effective interest rate on each loan is 8.5% per annum. Due to market conditions and with an emphasis on conserving cash reserves, the directors have agreed to defer payment until further notice.

	30 June 2018	31 December 2017
	\$	\$
<i>Unsecured – DevEx Resources (ii)</i>		
Principal	50,000	50,000
Accrued Interest	19,340	17,233
	69,340	67,233

(ii) DevEx Resources Limited (formerly 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 on 31 December 2018, and the effective interest rate on the loan is 8.5% per annum.

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2018

7. Issued Capital	30 June 2018	31 December 2017
	No.	No.
(a) Issued and fully paid ordinary shares	36,542,899	36,542,899
(b) Share options	30 June 2018	31 December 2017
	No.	No.
Movements in options over ordinary shares on issue:		
At 1 January	4,250,000	4,250,000
Options Granted	-	-
Outstanding at the end of the period	4,250,000	4,250,000

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 is as follows:

	30 June 2018	30 June 2017
	\$	\$
Short-term benefits	14,863	15,622
Post-employment benefits	434	435
Share based payments	-	4,655
Consulting fees	4,250	12,000
	19,547	32,712

As at 30 June 2018, non-executive directors received total compensation of \$6,233 (30 June 2017: \$10,011). Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue accruing directors' fees and defer payment until further notice. At 30 June 2018, non-executive directors' total compensation accrued from 1 July 2013 to date was \$86,724 (Refer to note 5).

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 2018, no amount was owing to Inception Consulting Engineers Pty Ltd for the services performed by Mr Jones (30 June 2017: \$2,000).

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 \$2,328 (six months ended 30 June 2017: \$10,800). An amount of \$12,600 (six months ended 30 June 2017: \$1,800) was outstanding and payable at the end of the period, and is included in Trade and other Payables at that date.

DevEx Resources Limited (formerly 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 2016. DevEx Resources Limited provided

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2018

a working capital loan to the Company of \$50,000 (plus interest) which is payable by 31 December 2018. Mr Goyder and Mr Jones are both directors of DevEx Resources Limited (Refer to note 6).

Mr Kiernan has provided a working capital loan to the Company of \$27,500 and Mr Goyder has provided a working capital loan to the Company of \$20,000. These loans are repayable on or before six months from drawdown, with an option to convert the outstanding balance into fully paid ordinary shares (at Mr Goyder and Mr Kiernan's election) in the Company if not repaid by that date. The effective interest rate on each loan is 8.5% per annum. Due to market conditions and with an emphasis on conserving cash reserves, the directors have agreed to defer payment of principal and interest until further notice.

Associate

The Group has a 28.67% 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.

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 2018 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 11 day of September 2018.

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 Half-Year Financial Report

Conclusion

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 2018, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 2018 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*.

Material uncertainty related to going concern

We draw attention to Note 1(e) of the notes to the consolidated financial statements in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 gives a true and fair view and 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*

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Including: giving a true and fair view of the Group's financial position as at 30 June 2018 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 September 2018



L Di Giallonardo
Partner