



PhosEnergy Limited

ABN 31 164 573 728

**Financial Report
31 December 2014**

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CORPORATE INFORMATION

ABN 31 164 573 728

Directors

Anthony Kiernan
Bryn Jones
Tim Goyder
Tom Pool

Company secretary

Leanne Stevens

Registered office

Ground Floor, 300 Flinders Street
Adelaide SOUTH AUSTRALIA 5000
+618 8223 1429

Principal place of business

Ground Floor, 300 Flinders Street
Adelaide SOUTH AUSTRALIA 5000

Share register

Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney NEW SOUTH WALES 2000
+612 9290 9600

Bankers

Commonwealth Bank of Australia
96 King William Street
Adelaide SOUTH AUSTRALIA 5000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WESTERN AUSTRALIA 6000

DIRECTORS' REPORT

The Directors of PhosEnergy Limited ('PhosEnergy') present their Report together with the financial statements of the Consolidated Entity, being PhosEnergy ('the Company') and its Controlled Entities ('the Group') for the 18 months ended 31 December 2014.

Director details

The following persons were Directors of PhosEnergy from incorporation or since the end of the reporting period.

Mr Anthony W Kiernan LLB Chairman (Appointed 1 July 2013)	Tony, previously a practising lawyer, is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is Chairman of BC Iron Limited, Chalice Gold Mines Limited, Venturex Resources Limited and is a director of South Boulder Mines Limited, all listed on ASX. Tony was previously a director of ASX listed Uranium Equities Limited and Liontown Resources Limited.
Mr Bryn L Jones BAppSc, MMinEng, FAusIMM Managing Director (Appointed 1 July 2013)	Bryn is an industrial Chemist with extensive experience in the uranium industry, particularly in the development of the PhosEnergy Process and operation of In-Situ Recovery (ISR) mines gained during his time at Heathgate Resources, the operator of the Beverley Uranium Mine. Bryn has also worked for Worley Parsons on the Olympic Dam Expansion Project and consulted on various IRS operations around the world. Bryn is a Director of ASX listed Uranium Equities Limited and Chief Operating Officer of Laramide Resources Limited.
Mr Tim R B Goyder Non-executive Director (Appointed 1 July 2013)	Tim has considerable experience in the resource industry as an executive and investor. He has been involved in the formation and management of a number of publicly-listed and privately owned companies. Tim is currently Chairman of Uranium Equities Limited and Liontown Resources Limited, and Managing Director of Chalice Gold Mines Limited, all listed on ASX. During the past three years Tim also served as a director of Strike Energy Limited.
Mr Tom C Pool PE SME MAusIMM Non-executive Director (Appointed 1 July 2013)	Tom is a mining engineer with more than 37 years' experience in the resources industry, the last 27 years of which has focussed on assessment and evaluation of projects in the uranium and nuclear fuels sector. Tom is Chairman of International Nuclear Inc (iNi) based in Golden, Colorado, having previously held senior positions with Nuclear Fuels Corporation and the Concord Group of Companies.

Company secretary

Mrs Leanne Stevens B.Com, CA, ACIS (Appointed 19 December 2014)	Leanne is a Chartered Accountant who has over 13 years of accounting and governance experience within the mining and energy industries. Leanne is Company Secretary of ASX Listed Chalice Gold Mines Limited and Liontown Resources Limited.
Mr Rolf Heinrich (Appointed 1 July 2013)	(resigned 19 December 2014)

Principle activities

PhosEnergy Limited was incorporated on 1 July 2013, and the principal activities of entities within the Group are the development of innovative technical and commercial solutions in the recovery of uranium from unconventional uranium sources. The Process is a technology for the extraction of uranium from phosphate streams produced in the production of phosphate-based fertilisers. PhosEnergy Limited (PEL) and global uranium company Cameco Corporation ("Cameco") are jointly commercializing the Process via a Colorado company called Urtek LLC, which is owned 73 per cent by Cameco and 27 percent by PEL.

Review of operations and financial results

In August 2013 the Company, together with Cameco Corporation, entered into an Agreement with a US based fertilizer producer to assess the commercial viability of the Process to the producer's existing operations. The Agreement covered on-site operation of the PhosEnergy demonstration plant.

Between October and December 2013 a number of process enhancements were installed in the Demonstration Plant and tested off-site. The results of the testwork were positive, allowing for the operation of continuous Demonstration Plant operations.

DIRECTORS' REPORT

In early 2014 the Demonstration Plant was relocated to the fertilizer producer's site and connected directly to their Filter Grade Acid (FGA) stream and was jointly staffed between Cameco and PhosEnergy. Following construction and winterisation of the on-site demonstration assembly, continuous operations commenced in March 2014 and were completed in May 2014. Initial analytical results during this reporting period confirmed the key outcomes of previous off-site work including:

- Consistently high uranium extraction (greater than 92 per cent) from the phosphate stream during steady-state operation;
- No deleterious build-up of impurities in the extraction media across multiple cycles;
- Chemical and reagent consumptions within expected range;
- Purification and concentration of uranium is achievable without significant uranium losses; and
- The chemistry of the phosphate stream is unaffected except for the removal of uranium and vanadium;

A concentrated product was shipped to a licensed uranium production facility in Wyoming where the concentrate was converted into a final product.

An independent Pre-Feasibility Study (PFS) on the Process was completed in December 2014, which confirmed the robust operating cost of the Process.

The PFS estimates that a 0.44Mtpa P₂O₅ phosphate facility capable of producing approximately **400,000 pounds of uranium per annum** will operate at an estimated cash operating cost of **US\$21 per pound**. The capital intensity of such a small facility is high compared to conventional mine-mill operations but the life of mine exceeds 25 years in most phosphate facilities operating in the USA.

The estimated cash operating cost including toll milling, product transport and marketing but excluding corporate and downstream phosphate processing costs is estimated at US\$21 per pound of U₃O₈ including contingency. Estimated cash operating costs were derived using a methodology consistent with achieving an accuracy of +50%/-30% and an AACE Class IV estimate. The PFS estimated operating costs to produce an intermediate product which can be toll-milled through any one of a number of facilities in the United States, for which quotes have been received. There are further opportunities to reduce operating costs by refining reagent usage and power consumption as the development progresses.

The capital cost estimate was derived from Process Flow Diagrams (PFDs), site plans, General Arrangements (GAs) and a detailed mechanical equipment list.

Following completion of the PFS, PhosEnergy will review the results together with partner Cameco Corporation and determine the future development path.

Corporate

Demerger of PhosEnergy Limited

In September 2013 the Company acquired, all the shares in PhosEnergy Inc and certain plant and equipment from Uranium Equities Limited (UEQ). As part of its demerger of PhosEnergy Process assets 32,999,999 shares were issued to UEQ as consideration.

Capital Raising

To fund the Company's share of the PFS and general working capital, the Company completed a private placement to sophisticated investors in July 2014 and a general offer to shareholders in August 2014.

Under the private placement, the Company issued 2,078,149 shares at 20 cents per share raising \$415,630 (before issue costs) and under the general offer, 1,464,750 shares were issued at 20 cents per share to raise \$292,950.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company.

Dividends

There were no dividends declared or paid during the reporting period and the directors recommend that no dividend be paid.

Events arising since the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting period that has significantly affected or may significantly effect the entity's operations and state of affairs in future financial years.

DIRECTORS' REPORT

Likely developments

There are no likely developments that will impact on the Company other than as disclosed elsewhere in this report.

Directors meetings

The number of meetings of Directors held during the reporting period and the number of meetings attended by each Directors is as follows:

Board Member	No. of meetings attended
Anthony Kiernan	6
Bryn Jones	6
Tim Goyder	6
Tom Pool	6

Unissued shares under options

There were no unissued ordinary shares of PhosEnergy under option at the date of this report.

Share issued during or since the end of the reporting period as a result of exercise

During or since the end of the reporting period, no shares were issued by the Company as a result of the exercise of options.

Environmental legislation

PhosEnergy operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given to, insurance premiums paid for, auditors and officers

During the reporting period, PhosEnergy paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the reporting period, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings

Auditors independence declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included in page 7 of this financial report and forms part of this Director's Report.

Signed in accordance with a resolution of Directors



Anthony Kiernan
Chairman
28 April 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of PhosEnergy Limited for the period ended 31 December 2014, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
28 April 2015

W M Clark
Partner

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE 18 MONTHS ENDED 31 DECEMBER 2014**

	Notes	2014 \$
Continuing operations		
Revenue		-
Other income	2	301,829
Foreign exchange gains		656
Corporate and administrative expenses	2	(361,917)
Share of equity accounted investee losses and impairment	8	(1,676,798)
Loss before financing costs		(1,736,230)
Financial income		367
Financial expenses		(4,471)
Loss before income tax expense	3	(1,740,334)
Income tax benefit	3	-
Loss attributable to owners of the parent		(1,740,334)
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		246,170
Other comprehensive income net of tax		246,170
Total comprehensive loss attributable to owners of the parent		(1,494,164)
Basic loss per share (cents per share)	5	(5.79)
Diluted loss per share (cents per share)	5	(5.79)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	2014 \$
Assets		
Current assets		
Cash and cash equivalents	6	152,985
Trade and other receivables	7	42,704
Total current assets		195,689
Non-current assets		
Equity accounted investment	8	317,320
Property, plant and equipment	9	189
Total non-current assets		317,509
Total assets		513,198
Liabilities		
Current liabilities		
Trade and other payables	10	183,718
Borrowings	11	54,471
Employee benefits		7,370
Total current liabilities		245,559
Total liabilities		245,559
Net assets		267,639
Equity		
Issued capital	12	1,761,803
Reserves		246,170
Accumulated losses		(1,740,334)
Total equity		267,639

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 18 MONTHS ENDED 31 DECEMBER 2014**

		Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
	Notes	\$	\$	\$	\$
Balance at 1 July 2013		-	-	-	-
Loss for the reporting period		-	-	(1,740,334)	(1,740,334)
Other comprehensive income, net of income tax		-	246,170	-	246,170
Total comprehensive loss		-	246,170	(1,740,334)	(1,494,164)
Shares issued on incorporation	12	1	-	-	1
Shares issued to acquire subsidiary	12	1,087,235	-	-	1,087,235
Shares issued from share placement	12	415,630	-	-	415,630
Shares issued from capital raising	12	292,950	-	-	292,950
Share transaction costs	12	(34,013)	-	-	(34,013)
Balance as at 31 December 2014		1,761,803	246,170	(1,740,334)	267,639

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 18 MONTHS ENDED 31 DECEMBER 2014**

	Notes	<u>2014</u> <u>\$</u>
Cash flows from operating activities		
Receipts from customers		293,324
Payments to suppliers and employees		(204,980)
Interest received		367
Net cash inflow from operating activities	6	<u>88,711</u>
Cash flows from investing activities		
Contributions		(660,874)
Net cash outflows from investing activities		<u>(660,874)</u>
Cash flows from financing activities		
Proceeds from issue of shares		674,568
Proceeds from borrowings		50,000
Net cash inflows from financing activities		<u>724,568</u>
Net increase in cash and cash equivalents		152,405
Cash and cash equivalents at 1 July 2013		-
Effect of exchange rate fluctuations on cash held		580
Cash and cash equivalents at 31 December 2014	6	<u>152,985</u>

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

These consolidated general purpose financial statements are have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are for the Group consisting of PhosEnergy Limited (Company) and its subsidiaries. The financial statements are presented in Australian dollars. The Company is an unlisted public Company, incorporated in Australia and its subsidiary operates in the United States of America. The entity's principal activity is investment in the development and commercialisation of the PhosEnergy Process.

The financial statements have been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The Company was incorporated on 1 July 2013. Accordingly no comparative information is presented.

The consolidated financial statements for the 18 months ended 31 December 2014 were approved and authorised for issued by the Board of Directors on 28 April 2015.

(b) Adoption of new and revised standards

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the reporting period ended 31 December 2014. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PhosEnergy Limited ('Company' or 'parent entity') as at 31 December 2014 and the results of all subsidiaries for the 18 month reporting period then ended. PhosEnergy Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting, refer Note 1(k).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(e) Going concern

Notwithstanding the matter that the Company had a working capital deficit of \$49,870 at 31 December 2014 and incurred a loss for the 18 months then ended of \$1,740,334, 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 Company 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. Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to realise its assets and extinguish its liabilities in the normal course of business.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of PhosEnergy Limited.

(g) Foreign currency translation

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.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operation, PhosEnergy Inc is United States Dollars (USD).

As at the balance date the assets and liabilities of this subsidiary are translated into the presentation currency of PhosEnergy Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the reporting period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(l) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables (continued)

the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(o) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(p) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Financial assets (continued)

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(q) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of financial assets (continued)

effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in an associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Investment in associated entities (continued)

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a Group entity transacts with its associate, profits and losses resulting from those transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(t) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	between 3 and 15 years
---------------------	------------------------

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(u) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provisions (continued)

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(w) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(x) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(z) Parent entity financial information

The financial information for the parent entity, PhosEnergy Limited, disclosed in note 17 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 2: INCOME AND EXPENSES

a) *Other income*

	2014
	\$
Advisory fees	301,829
	<u>301,829</u>

The Company seconds its Managing Director, Mr Bryn Jones, to Uranium Equities Limited under a services agreement to support the ongoing management of Urtek LLC, the US based company which is developing the PhosEnergy Process.

b) *Corporate and administrative expenses*

	2014
Note	\$
Accounting fees	8,416
Audit fees	23,000
Consultants – corporate	12,110
Consultants – process engineering	66,960
Depreciation and amortisation	47
Insurance	28,188
Marketing	975
Other	9,768
Personnel expenses	2(c) 185,157
Printing and stationery	426
Rent and outgoings	11,883
Share registry	14,987
	<u>361,917</u>

c) *Personnel expenses*

	2014
	\$
Wages and salaries	144,168
Directors' fees ⁽¹⁾	19,153
Superannuation fund contributions	14,466
Increase in liability for annual leave	7,370
	<u>185,157</u>

⁽¹⁾Directors' fees have been accrued and not paid as at the date of this report as a cash conservation measure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 3: INCOME TAX

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2014
	\$
Accounting loss before income tax	<u>1,740,334</u>
Income tax benefit calculated at 30%	522,100
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:	
- Tax benefit on PhosEnergy Process losses not recognised	(503,039)
Current and deferred tax expense/(benefit) not recognised	<u>(19,061)</u>
Income tax benefit on loss before tax reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	<u>-</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2014
	\$
Unrecognised tax losses – Revenue	<u>63,537</u>
Unrecognised tax losses – Capital	<u>-</u>
Unrecognised tax losses – Total	<u>63,537</u>
Unrecognised deferred tax asset on unused tax losses	<u>19,061</u>

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

NOTE 4: SEGMENT REPORTING

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.

NOTE 5: EARNINGS PER SHARE

The calculation of basic and diluted loss per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of the parent entity of \$1,740,334 and a weighted average number of ordinary shares outstanding during the reporting period ended 31 December 2014 of 30,077,749.

NOTE 6: CASH AND CASH EQUIVALENTS

	2014
	\$
Cash at bank and on hand	<u>152,985</u>
	<u>152,985</u>

The weighted average interest rate earned on deposits during the reporting period was 1.57%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 31 DECEMBER 2014**

NOTE 6: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of loss to net cash used in operating activities

	2014
	\$
Loss for the reporting period	(1,740,334)
Depreciation and amortisation	47
Share of equity accounted investee losses	1,676,798
Foreign exchange gain	(656)
Operating loss before changes in working capital	(64,145)
(Increase)/decrease in assets:	
Trade and other receivables	(42,704)
Increase/(decrease) in liabilities:	
Trade and other payables	183,719
Employee benefits	7,370
Borrowings	4,471
Net cash inflows from operating activities	88,711

NOTE 7: TRADE AND OTHER RECEIVABLES

	2014
	\$
Prepayments	4,331
Other receivables	38,373
	42,704

NOTE 8: EQUITY ACCOUNTED INVESTMENT

Reconciliation of movements in equity accounted investment:

	Note	2014
		\$
Acquired from Uranium Equities Limited	14	2,176,663
Contributions		660,874
Share of losses		(1,197,147)
Impairment of investment		(1,140,525)
Foreign currency translation difference		(182,545)
Balance at 31 December 2014		317,320

Name of entity	Principal activity	Country of incorporation	Ownership interest 31 December 2014 %
<i>Associated entities</i>			
UFP Investments LLC	Investment in Urtek LLC, owner of the PhosEnergy Process technology	USA	30%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 8: EQUITY ACCOUNTED INVESTMENT (continued)

Summarised financial information of UFP Investments LLC:

	2014
	\$
<u>Financial position</u>	
Total assets	1,057,732
Total liabilities	-
Net assets	1,057,732
Group's share of associate's net assets	317,320
<u>Financial performance</u>	
Total revenue	-
Total loss for the reporting period	(3,990,489)
Group's share of associate's loss	(1,197,147)

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 beneficial ownership in the PhosEnergy Process held by Urtek is Cameco 73%: PhosEnergy Limited 27%.

The Group acquired its 30% investment in UFP through the demerger of Uranium Equities' PhosEnergy assets in September 2013 (see note 14 for further details). The investment was originally recognised at the Group's share of the book value of UFP's net assets consisting entirely of cash and cash equivalents.

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

The share of equity accounted investee losses of \$1,676,798 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 in the year.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Note	2014
		\$
<i>Gross carrying amount</i>		
Balance at 1 July 2013		-
Additions		-
Acquisitions through business combinations		236
Disposals		-
Balance at 31 December 2014		<u>236</u>
<i>Accumulated depreciation and impairment</i>		
Balance at 1 July 2013		-
Depreciation expense	2	47
Disposals		-
Balance at 31 December 2014		<u>47</u>
<i>Carrying value</i>		
31 December 2014		<u>189</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 10: TRADE AND OTHER PAYABLES (CURRENT)

	2014
	\$
Trade payables ⁽ⁱ⁾	141,075
Other creditors and accrued expenses	42,643
	<u>183,718</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTE 11: BORROWINGS

	2014
	\$
<i>Unsecured</i>	
Loan from Uranium Equities Limited	
- Principal	50,000
- Accrued interest	4,471
Total borrowings	<u>54,471</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 March 2015, and the effective interest rate on the loan is 8.5% per annum.

NOTE 12: ISSUED CAPITAL AND RESERVES

Movement in ordinary shares on issue

	2014	
	Number	\$
Balance at beginning of 1 July 2013	-	-
Incorporation	1	1
Shares issued on acquisition of PhosEnergy Inc and plant and equipment ⁽¹⁾	32,999,999	1,087,235
Shares issued from private placement ⁽²⁾	2,078,149	415,630
Shares issued from capital raising ⁽³⁾	1,464,750	292,950
Share issue costs	-	(34,013)
Balance at 31 December 2014	<u>36,542,899</u>	<u>1,761,803</u>

The Company was incorporated on 1 July 2013 with the issue of one \$1 share.

- (1) In September 2013 the Company acquired the shares in PhosEnergy Inc and certain fixed assets from Uranium Equities Limited (UEQ) as part of its demerger of PhosEnergy Process assets – see note 14 for further details. 32,999,999 shares were issued to UEQ as consideration. UEQ subsequently distributed 30,000,000 of the Company's shares to its shareholders by way of an equal capital reduction.
- (2) The Company completed a private placement to sophisticated investors whereby 2,078,149 shares were issued at a share price of 20 cents, raising \$415,630 before issue costs.
- (3) In August 2014, the Company raised \$292,950 through a general offer to shareholders. A total of 1,464,750 shares were issued at a share price of 20 cents per share under the general offer.

Rights attaching to ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 12: ISSUED CAPITAL AND RESERVES (continued)

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTE 13: FINANCIAL INSTRUMENTS

Risk Management Framework

The Board are responsible for overseeing the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

The consolidated entity has exposures to the following risks:

a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Company and consolidated entity consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses, is disclosed in note 12 and the Consolidated Statement of Changes in Equity.

The board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company and the consolidated entity will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

b) Market risk exposures

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the consolidated entity's income or value of its holdings of financial instruments.

Foreign exchange rate risk

The Group undertakes certain transactions and has cash and investments denominated in foreign currencies giving rise to exposure to exchange rate fluctuations. The Group does not hedge this exposure. The Group manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its commitments.

Equity prices

Equity investments held for sale are recorded at their fair value. The consolidated entity is not holding any equity investments for sale at the end of the reporting period.

Interest rate risk

Interest rate risk is the risk that changes in bank deposit rates affect the consolidated entity's income and future cashflow from interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 13: FINANCIAL INSTRUMENTS (continued)

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Consolidated					Total
	Weighted average interest rate	1 year or less	Over 1 to 5 years	Floating interest	Non-interest bearing	
31 December 2014	%	\$	\$	\$	\$	\$
Financial assets						
Bank balances	1.57%	-	-	152,985	-	152,985
Trade and other receivables	-	-	-	-	42,704	42,704
Financial liabilities						
Borrowings	8.50%	54,471	-	-	-	54,471
Trade payables and accrued expenses	-	-	-	-	183,718	183,718

The Group has no material exposures to interest rate risk.

(c) Credit risk exposure

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The consolidated entity's exposure to credit risk is not significant and currently arises principally from sundry receivables (see note 7) which represent an insignificant proportion of the consolidated entity's activities and cash and cash equivalents.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the notes to the financial statements.

(d) Liquidity risk exposure

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The Board actively monitors the consolidated entity's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The consolidated entity has non-derivative financial liabilities which include trade and other payables of \$183,718 all of which are due within 60 days.

(e) Net fair values of financial assets and liabilities

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amounts of all financial assets and liabilities approximate their net fair values and are disclosed as level 3 fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 14: BUSINESS COMBINATION

Acquisition of PhosEnergy Inc

In September 2013 the Company acquired, by way of a share and asset sale agreement, all the shares in PhosEnergy Inc and certain plant and equipment from Uranium Equities Limited (UEQ) as part of its demerger of PhosEnergy Process assets. 32,999,999 shares were issued to UEQ as consideration.

UEQ also provided a loan to the Company for working capital purposes (see note 11) along with management and office services at nil cost until 30 September 2014.

PhosEnergy Inc's only identifiable asset is its 30% share in UFP Investments LLC (see note 8). UEQ also assigned its interest in a Strategic Alliance Agreement with Cameco Corporation relating to the development over the PhosEnergy Process.

Immediately prior to the acquisition, PhosEnergy Inc converted an intercompany loan from UEQ to equity and as such PhosEnergy Inc had no liabilities at the acquisition date.

Assets acquired and liabilities assumed at the date of acquisition

The Group has recognised the fair values of the identifiable assets and liabilities of PhosEnergy Inc - business combination accounting is as follows:

	2014
	\$
Fair value at acquisition date	
Investment in UFP Investments LLC (UFP)	1,086,999
Acquisition of plant and equipment	236
Total consideration	<u>1,087,235</u>

The Group's 30% investment in UFP was originally recognised at the Group's share of the book value of UFP's net assets consisting entirely of cash and cash equivalents.

Impact of acquisition on the results of the Group

There would be no impact on the profit or loss of the Group if the combination had taken place at the beginning of the reporting period as PhosEnergy Inc had no income or expenses prior to acquisition.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Guarantees

The Company has guaranteed its 27% beneficial share of a US\$5 million guarantee provided by Cameco Corporation to Urtek LLC over its operations at a fertilizer production facility in the USA.

Urtek LLC pays a guarantee fee of 1.025%. \$22,229 was received by the Company during the reporting period.

NOTE 16: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of PhosEnergy Limited and the subsidiary listed in the following table.

	Country of incorporation	% Equity interest 2014
PhosEnergy Inc.	USA	100%

PhosEnergy Limited is the ultimate Australian parent entity and ultimate parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 16: RELATED PARTY DISCLOSURE (continued)

Transactions with Key Management Personnel

Refer to note 20 for details of transactions with key management personnel.

Transactions with other related parties

The following table provides the total amount of transactions that were entered into with related parties during the reporting period:

		Consolidated			Amounts owed to related parties at balance date
		Income from related parties	Expenditure related parties	Amounts owed by related parties	
		\$	\$	\$	\$
Related party					
Uranium Equities Limited (UEQ)	2014	84,600	-	-	54,471
Associate:					
UFP Investments LLC (UFP)	2014	-	-	-	-

Uranium Equities Limited is a related party of PhosEnergy Limited as it controlled the Company prior to the demerger of its PhosEnergy Limited assets.

UEQ provided management and office services at no cost during the reporting period as part of the demerger process. This arrangement ended on 30 September 2014. From 1 April 2014, the Company seconded its Managing Director, Mr Bryn Jones, to UEQ under a services agreement to support the ongoing management of Urtek LLC, the US based company developing the PhosEnergy Process. There was no amount outstanding for this service as at the balance date.

UEQ has also provided a working capital loan to the Company – see note 11 for further details.

Associate

The Group has a 30% interest in UFP Investments LLC – see note 8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 17: PARENT ENTITY DISCLOSURES

Financial position

	2014
	\$
<u>Assets</u>	
Current assets	195,689
Non-current assets	317,509
Total assets	<u>513,198</u>
<u>Liabilities</u>	
Current liabilities	245,560
Non-current liabilities	-
Total liabilities	<u>245,560</u>
<u>Equity</u>	
Issued capital	1,761,803
Reserves	-
Accumulated losses	(1,494,165)
Total equity	<u>267,638</u>

Financial performance

	2014
	\$
Loss for the reporting period	(1,494,165)
Other comprehensive income	-
Total comprehensive income	<u>(1,494,165)</u>

There were no parent entity contingencies or capital commitments for the purchase of property, plant and equipment as at 31 December 2014.

NOTE 18: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since 31 December 2014 which significantly affected or may significantly affect the operations of the Group, the results of operations, or the state of affairs in future financial years.

NOTE 19: AUDITOR'S REMUNERATION

The auditor of HLB Limited is HLB Mann Judd.

	2014
	\$
<i>Auditor of the parent entity</i>	
Audit or review of the financial statements	23,000
	<u>23,000</u>

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

Directors

Anthony Kiernan	Chairman (non-executive)
Bryn Jones	Managing Director
Tim Goyder	Non-executive Director
Tom Pool	Non-executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 DECEMBER 2014

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

Executives

Rolf Heinrich Chief Financial Officer and Company Secretary (resigned 19 December 2014)

The key management personnel compensation included in 'personnel expenses' (see note 2c) are as follows:

	2014
	\$
Short-term employee benefits	221,952
Post-employment benefits	10,921
	<u>232,873</u>

Of the compensation, \$20,011 relates to non-executive director fees and superannuation which have been accrued but not paid at the balance date as a cash conservation measure.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Some of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the reporting period relating to key management personnel and their related parties were as follows:

KMP	Transaction	Ref	2014
Anthony Kiernan	Corporate Advisory Fees	(i)	2,500

- (i) The Company used the corporate advisory services of Anthony Kiernan during the course of the reporting period. The \$2,500 in fees was an outstanding trade creditor at the balance date.

Shareholdings of Key Management Personnel

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	1 July 2013	Granted as	On Demerger	Purchased	Sold	31 December
	Number	remuneration	from UEQ	Number	Number	2014
		Number	Number			Number
<i>Directors</i>						
Anthony Kiernan	-	-	539,566	125,000	-	664,566
Bryn Jones	-	-	123,636	50,000	-	173,636
Tim Goyder	-	-	5,160,856	1,135,844	-	6,296,700
Tom Pool	-	-	56,206	-	-	56,206
<i>Executives</i>						
Rolf Heinrich (resigned 19 December 2014)	-	-	16,071	-	-	16,071

No ordinary shares or other securities were issued to Key Management Personnel as remuneration during the reporting period.

DIRECTORS' DECLARATION

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

- a. the accompanying financial statements and notes:
 - i. give a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the reporting period then ended; and
 - ii. comply with Australian Accounting Standards.
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is signed in accordance with a resolution of the Board of Directors.

Anthony Kiernan
Chairman



Dated this 28th day of April 2015

INDEPENDENT AUDITOR'S REPORT

To the members of PhosEnergy Limited

Report on the Financial Report

We have audited the accompanying financial report of PhosEnergy Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2014, 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 period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of PhosEnergy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the 18 month period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(e) to the financial report which indicates that as at 31 December 2014, the Group had a working capital deficiency of \$49,870 and incurred a loss for the 18 months then ended of \$1,740,334. These conditions indicate 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.



HLB Mann Judd
Chartered Accountants



W M Clark
Partner

Perth, Western Australia
28 April 2015