PhosEnergy Limited
ABN 31 164 573 728

Half-Year Report
30 June 2019

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PhosEnergy Limited

Directors' Report

For the half-year ended 30 June 2019

Your Directors submit the financial report of PhosEnergy Limited ('PhosEnergy' or "the Group") for the half-year ended 30 June 2019. In compliance with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

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

Mr Anthony W Kiernan	**Chairman (Non- Executive)**	
Mr Bryn L Jones	**Managing Director**	
Mr Timothy N Wise	**Executive Director**	**Appointed 26 March 2019**
Mr Timothy R B Goyder	**Non-Executive Director**	
Mr Richard K Hacker	**Alternate Director (Mr T Goyder)**	**Appointed 19 February 2019**

Review of Operations

During the period, PhosEnergy Limited ("the Company" or "the Group") acquired a 100% interest in the intellectual property (IP) for the CarbonX Process, the GenX Energy system and associated technology developments. The developer of that intellectual property, Dr Julian Kelly, is now a key executive of the Company.

Carbon X Process

The **CarbonX Process** is the Company's latest technology and has the potential to convert carbon dioxide (CO_2) into methanol, generating a significant commercial opportunity and contributing towards the global challenge of reducing greenhouse gas emissions. The process utilises waste radioactive isotopes to provide the energy required to activate CO_2 conversion when combined with specific ceramic semiconductors. Until now, the conversion of CO_2 to methanol has been technically possible but commercially challenging, with existing technologies hampered by the large amount of energy input required.

The Company's aim is to rapidly add shareholder value by demonstrating the commercial utilisation of CO_2 to produce methanol, and or other valuable products including formaldehyde and formate. The Company has achieved positive results from an International Type Search on the CarbonX Process previously lodged with the Australian Patent Office, providing the confidence to progress CarbonX to the next stage of the patent procedure. This represents an important step towards securing the Intellectual Property and in advancing development of the technology.

Following the completion of a capital raising during the period, the Company has commenced engaging with Australian and International institutions in the fields of isotope handling and ceramic semiconductor design with the aim of producing significant quantities of specific radioactive isotopes intimately combined with certain ceramic semiconductors (Beta Activated Ceramic or BAC).

GenX Energy

GenX Energy produces GenX Units which uniquely combine metals, semiconductors and beta-radiation into smart structures that produce constant DC power over very long-time frames. Highly reliable, low voltage power is vital for a range of devices in critical industry applications such as sub-sea telecommunications and sensing systems.

GenX Units are driven by waste, and can potentially replace sub-optimal remote power sources with a simple and safe generator that supplies constant DC power for up to several decades without the need for refuelling or recharging. PhosEnergy believes that GenX Units may be manufactured at scale and utilised for everything from small telecommunications applications to larger scale power installations (if coupled with battery storage) by utilising advanced manufacturing techniques.

The Company has lodged two additional Australian Provisional Patent Applications for the GenX Energy technology.

PhosEnergy Process

The **PhosEnergy Process** effectively recovers uranium as a by-product in the manufacture of phosphate fertilizer ("the PhosEnergy Process" or the "Process"). The Process has been co-developed to PFS by the Company and Cameco Corporation, one of the world's leading uranium producers.

Due to the low uranium price environment, the Company and Cameco have curtailed unnecessary expenditure on the PhosEnergy Process during the period under review. However, the Process and the accompanying intellectual property have been maintained in good standing.

Financial Review

At 30 June 2019, the Group had net assets of $375,594 (31 December 2018: deficiency $192,046) and cash at bank totalled $626,319 (31 December 2018: $23,949).

At balance date, current liabilities of $322,664 (31 December 2018: $219,969) consisted of share application monies held in trust of $215,000, trade payables of $77,576 and accrued expenses of $28,293.

The Group reported a net loss for the period of $195,307, compared to a net loss of $21,873 for the half year ended 30 June 2018. The increased loss was mainly due to increased activity following the engagement of key personnel to advance the CarbonX Process.

Capital Structure

At 30 June 2019 the Company had 52,028,509 (31 December 2018: 36,542,899) fully paid ordinary shares on issue, 10,250,000 (31 December 2018: 4,000,000) options over ordinary shares and 3,000,000 (31 December 2018: nil) performance rights on issue. During the half-year ended 30 June 2019, the following changes in the capital structure of the Company occurred:

- In March 2019, the Company entered into an Asset Sale Agreement with Dr Kelly to acquire the CarbonX Process IP for consideration of 1,000,000 fully paid ordinary shares in the Company at a deemed issue price of 5 cents per share (that is, an aggregate value of $50,000);
- On 14 June 2019, the Company issued 10,270,713 fully paid ordinary shares at $0.05 each for cash being the acceptances under the 3:7 Entitlement Offer and placement of shortfall shares to raise $513,535 before costs;
- In March 2019, the Company entered into a loan settlement agreement on arm's length terms with Mr Kiernan in order to settle the outstanding loan payable of $31,525 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 630,505 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;
- In March 2019, the Company entered into a loan settlement agreement on arm's length terms with Mr Goyder and his associate in order to settle the outstanding loan payable of $43,535 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 870,702 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;
- In March 2019, the Company entered into a loan settlement agreement on arm's length terms with DevEx Resources Limited in order to settle the outstanding loan payable of $82,684 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 1,653,690 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;
- In March 2019, the Company entered into a letter agreement with Inception Consulting Engineers Pty Ltd for the conversion of outstanding management fees into fully paid ordinary shares to settle the $27,000 debt owed, subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 540,000 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;
- On 14 June 2019, Mr Jones, Managing Director, was issued 390,000 fully paid ordinary shares, at a deemed issue price of $0.05 per share as a non-cash settlement of a sign-on bonus of $19,500;
- On 18 June 2019, Mr Wise, Executive Director, was issued 130,000 fully paid ordinary shares, at a deemed issue price of $0.05 per share as a non-cash settlement of a sign-on bonus of $6,500**;**
- In March 2019, the Board and respective options holders resolved to cancel 4,000,000 options previously issued to Directors and other individuals;
- As part of revamping the Company's operations the Board further resolved to issue 10,250,000 options to Directors, key executives and employees. These options are exercisable at $0.075 and expire on 31 March 2022,

- To incentivise key executives 3,000,000 performance rights were issued equally to Mr Jones, Mr Wise and Dr Kelly. The performance rights will be converted into ordinary shares upon satisfaction of certain performance conditions.

Events Arising Since the End of the Reporting Period

During July 2019, the Company issued 5,360,000 fully paid ordinary shares at an issue price of $0.05 to raise $268,000 following a shortfall under the Entitlement Offer completed in June 2019.

During July 2019, the Company issued 240,000 fully paid ordinary shares to Taylor Collison as payment for assisting with the placement of shortfall shares. The deemed issue price was $0.05 per share for a total value of $12,000.

Apart from the above, there has not been any other significant event that has occurred after balance date.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the half-year ended 30 June 2019.

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

Anthony Kiernan
Chairman
12 September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PhosEnergy Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
12 September 2019

L Di Giallonardo
Partner

PhosEnergy Limited

Condensed Statement of Comprehensive Income

For the half-year ended 30 June 2019

		Consolidated	
		30 June	**30 June**
	Note	**2019**	**2018**
		$	**$**
Continuing Operations			
Revenue	3a	26,498	26,352
Foreign exchange gain		9	81
Corporate and administrative expenses	3b	(157,351)	(44,294)
Share-based payments	8	(62,458)	-
		(193,302)	(17,861)
Financial expenses		(2,005)	(4,012)
Loss before income tax		(195,307)	(21,873)
Income tax benefit		-	-
Loss attributable to owners of the parent		(195,307)	(21,873)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(205)	(193)
Other comprehensive loss net of tax		(205)	(193)
Total comprehensive loss attributable to owners of the parent		**(195,512)**	**(22,066)**
Basic loss per share (cents per share)		(0.5)	(0.03)
Diluted loss per share (cents per share)		(0.5)	(0.03)

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Condensed Statement of Financial Position

As at 30 June 2019

	Note	Consolidated 30 June 2019 $	31 December 2018 $
Current assets			
Cash and cash equivalents		626,319	23,949
Trade, other receivables and prepayments		15,094	3,974
Total current assets		**641,413**	**27,923**
Non-current assets			
Intangible assets	4	56,845	-
Equity accounted investment	5	-	-
Total non-current assets		56,845	-
Total assets		**698,258**	**27,923**
Current liabilities			
Trade and other payables	6	320,869	84,229
Employee benefits		1,795	-
Borrowings	7	-	135,740
Total current liabilities		**322,664**	**219,969**
Total liabilities		**322,664**	**219,969**
Net assets/(liabilities)		**375,594**	**(192,046)**
Equity			
Issued capital	8	2,488,497	1,761,803
Reserves		316,545	459,199
Accumulated losses		(2,429,448)	(2,413,048)
Total equity/(deficiency)		**375,594**	**(192,046)**

Condensed Statement of Changes in Equity

For the half-year ended 30 June 2019

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total
	$	$	$	$	$
Balance at 1 January 2019	1,761,803	(2,413,048)	278,768	180,431	**(192,046)**
Loss for the reporting period	-	(195,307)	-	-	**(195,307)**
Exchange differences on translation of foreign operations	-	-	(205)	-	**(205)**
Total comprehensive loss for the period	**-**	**(195,307)**	**(205)**	**-**	**(195,512)**
Shares issued	774,280	-	-	-	**774,280**
Transaction costs on share issue	(47,586)	-	-	-	**(47,586)**
Share based payments	-	-	-	36,458	**36,458**
Transfer between equity items	-	178,907	-	(178,907)	**-**
Balance at 30 June 2019	**2,488,497**	**(2,429,448)**	**278,563**	**37,982**	**375,594**

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total
	$	$	$	$	$
Balance at 1 January 2018	1,761,803	(2,440,350)	279,348	191,634	**(207,565)**
Loss for the reporting period	-	(21,873)	-	-	**(21,873)**
Exchange differences on translation of foreign operations	-	-	(193)	-	**(193)**
Total comprehensive loss for the period	**-**	**(21,873)**	**(193)**	**-**	**(22,066)**
Share based payments	-	-	-	-	**-**
Balance at 30 June 2018	**1,761,803**	**(2,462,223)**	**279,155**	**191,634**	**(229,631)**

Condensed Statement of Cash Flows

For the half-year ended 30 June 2019

	Consolidated	
	30 June 2019 $	30 June 2018 $
Cash flows from operating activities		
Cash receipts from customers	22,003	26,352
Cash paid to suppliers and employees	(124,854)	(34,600)
Interest received	146	-
Net cash used in operating activities	**(102,705)**	**(8,248)**
Cash flows from investing activities		
Payment for intangible assets	(7,678)	-
Net cash used in investing activities	**(7,678)**	**-**
Cash flows from financing activities		
Proceeds from issue of shares	513,535	-
Share application monies held on trust	215,000	-
Transaction costs on issue of shares	(35,586)	-
Proceeds from loans from Directors	20,000	7,500
Net cash inflows from financing activities	**712,949**	**7,500**
Net decrease in cash and cash equivalents	(602,566)	(748)
Cash and cash equivalents at the beginning of the period	23,949	3,104
Effects of exchange rate fluctuations on cash held	(196)	(112)
Cash and cash equivalents at the end of the period	**626,319**	**2,244**

1. Significant accounting policies

(a) Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2018 and any public announcements made by PhosEnergy Limited during the half-year.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. For the purpose of preparing the half-year report, the Company is a for profit entity.

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 31 December 2018.

(d) Adoption of new and revised Accounting Standards

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 January 2019.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 30 June 2019 and have determined that there is no material impact of the new and revised Standards and Interpretations on the group and, therefore, no change is necessary to Group accounting policies.

(e) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the Group. Amortisation is recognised together with depreciation in profit or loss.

Intangible assets with finite lives are amortised over their estimated useful economic lives and only tested for impairment where there is an indicator of impairment. The Directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired.

(f) Going Concern

The Group has incurred a loss for the 6 months ended 30 June 2019 of $195,307 (2018: $21,873) and based on planned activities, the Group will be required to raise additional funds through new share issues or debt. Notwithstanding these matters, the financial statements have been prepared on the going concern basis of accounting. The Directors consider that this basis is appropriate because they are of the opinion that the Group can raise additional funding in order to meet its operating expenditure and commitments for the period of 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 Group will be able continue as a going concern and, therefore, that it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

2. Segment reporting

Geographical segments

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

3. Revenue and expenses

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

		30 June 2019 $	30 June 2018 $
(a)	**Revenue**		
	Management fees	26,352	26,352
	Interest received	146	-
		26,498	**26,352**

		30 June 2019 $	30 June 2018 $
(b)	**Operating expenses**		
	Accounting fees	2,724	5,164
	Amortisation of intangible assets	832	-
	Audit fees [1]	2,890	5,500
	Consultants - corporate	20,910	10,800
	Consultants - process engineering	13,500	4,500
	Insurance	5,026	5,548
	Other	2,335	388
	Patent applications	9,220	-
	Personnel expenses	86,347	6,668
	Printing and stationery	5,136	3,652
	Rent and outgoings	-	-
	Share registry	2,255	2,074
	Travel	6,176	-
		157,351	**44,294**

[1.] The current period expense has been reduced due to an over accrual in the previous period.

4. Intangible Assets

	30 June 2019 $	31 December 2018 $
Intangible assets	57,677	-
Less: accumulated amortisation	(832)	-
	56,845	-

Intangible assets consist of the patent and intellectual property associated with the CarbonX Process measured at cost. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful life of the CarbonX process is 20 years, being the term of the patent.

5. Equity Accounted Investment

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

The beneficial ownership in the PhosEnergy Process held in Urtek by Cameco is 74.21% (2018: 74.21%) and PhosEnergy Limited 25.79% (2018: 25.79%).

The share of associate's losses of nil (2018: nil) represents the Group's equity accounted share of the movement in UFP's net assets. Principally, UFP's investment in Urtek was written off reflecting research and development expenditure made within Urtek during the period.

6. Trade and other payables

	30 June 2019 $	31 December 2018 $
Trade payables	77,576	34,040
Accrued expenses (1)	28,293	50,188
Share application monies held on trust (2)	215,000	-
	320,869	84,228

(1) Accrued expenses at 30 June 2019 includes non-executive directors' fees payable to Mr Kiernan of $5,000 (31 December 2018: nil). Due to market conditions and with an emphasis on conserving cash reserves, Mr Kiernan has agreed to deferring the payment of his directors' fees until further notice.

(2) Share application monies held on trust at 30 June 2019 relates to funds received prior to the issue of shares subscribed for under the shortfall placement. The shares were subsequently issued after the reporting date.

7. Borrowings – Current

	30 June 2019	31 December 2018
Unsecured – Directors	**$**	**$**
Principal	-	47,500
Accrued interest	-	6,575
	-	54,075
Unsecured – DevEx Resources Limited		
Principal	-	60,000
Accrued interest	-	21,665
	-	81,665
Total borrowings	-	135,740

Movement in Borrowings	**6 Months to 30 June 2019**	**12 Months to 31 December 2018**
Balance at the beginning of the period	135,740	109,869
Increase in loan from directors	20,000	7,500
Increase in loan from DevEx Resources Limited	-	10,000
Interest accrued on loans from directors	984	3,939
Interest accrued on loan from DevEx Resources Limited	1,020	4,432
Issue of ordinary shares as settlement of loans	(157,744)	-
Balance at end of the period	-	135,740

In February 2019, Director, Mr Goyder provided an additional loan of $20,000 to the Company with the same terms of the original loans provided by Mr Goyder (via a family trust controlled by Mr Goyder) and Mr Anthony Kiernan. The effective interest rate on each loan was 8.5% per annum.

DevEx Resources Limited provided a $50,000 loan to the Company for working capital purposes upon the demerger of PhosEnergy Process assets in September 2013. DevEx Resources Limited loaned an additional $10,000 to the Company in October 2018 with the same terms and conditions of the original loan. The effective interest rate on the loan is 8.5% per annum.

In March 2019, the Company entered into agreements with Mr Goyder (and his controlled entities), Mr Kiernan and DevEx Resources Ltd to settle the outstanding loans plus accrued interest of $157,745 in full by the issue of fully paid ordinary shares in the Company, at a deemed issue price of $0.05 per share upon the completion of a minimum capital raising of $500,000. This condition was satisfied on 14 June 2019. Refer to Note 7 for further information.

8. Issued Capital

	30 June 2019 $	31 December 2018 $
Ordinary shares fully paid	2,488,496	1,761,803

Movements in Ordinary Shares on Issue	**Note**	**No. of Shares**	**$**
As at 31 December 2018		36,542,899	1,761,803
Issued 18 March 2019 to acquire CarbonX Process	(i)	1,000,000	50,000
Issued 14 June 2019 for cash	(ii)	10,270,713	513,535
Issued 14 June 2019 settlement of loan	(iii)	630,505	31,525
Issued 14 June 2019 settlement of loan	(iv)	870,702	43,535
Issued 14 June 2019 settlement of loan	(v)	1,653,690	82,684
Issued 14 June 2019 settlement of creditor invoice	(vi)	540,000	27,000
Issued 14 June 2019 issued as payment of sign-on bonus	(vii)	390,000	19,500
Issued 18 June 2019 issued as payment of sign-on bonus	(viii)	130,000	6,500
Transaction costs on issue of shares	(ix)	-	(47,586)
As at 30 June 2019		**52,028,509**	**2,488,496**

(i) In March 2019, the Company entered into an Asset Sale Agreement with Dr Kelly to acquire the CarbonX Process IP for consideration of 1,000,000 fully paid ordinary shares in the Company at a deemed issue price of 5 cents per Share (that is, an aggregate value of $50,000);

(ii) On 14 June 2019, the Company issued 10,270,713 fully paid ordinary shares at $0.05 each for cash being the acceptances under the 3:7 Entitlement Offer and placement of shortfall shares;

(iii) In March 2019, the Company entered into a loan settlement agreement on arm's length terms with Mr Kiernan in order to settle the outstanding loan payable of $31,525 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 630,505 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;

(iv) In March 2019, the Company entered into a loan settlement agreement on arm's length terms with Mr Goyder and his associate in order to settle the outstanding loan payable of $43,535 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 870,702 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;

(v) In March 2019, the Company entered into a loan settlement agreement on arm's length terms with DevEx Resources Limited in order to settle the outstanding loan payable of $82,684 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 1,653,690 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;

(vi) In March 2019, the Company entered into a letter agreement with Inception Consulting Engineers Pty Ltd for the conversion of outstanding management fees into fully paid ordinary shares to settle the $27,000 debt owed, subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 540,000 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share;

(vii) On 14 June 2019, Mr Jones, Managing Director, was issued 390,000 fully paid ordinary shares, at a deemed issue price of $0.05 per share as a non-cash settlement of a sign-on bonus of $19,500;

(viii) On 18 June 2019, Mr Wise, Executive Director, was issued 130,000 fully paid ordinary shares, at a deemed issue price of $0.05 per share as a non-cash settlement of a sign-on bonus of $6,500, and

(ix) Transaction costs associated with the issue of shares recognised in equity.

8. Issued Capital (Cont'd)

(a) Share Options

	30 June 2019 No.	31 December 2018 No.
Movements in options over ordinary shares on issue:		
At 1 January	4,000,000	4,250,000
Options issued	10,250,000	-
Options exercised	-	-
Options cancelled	(4,000,000)	(250,000)
Outstanding at the end of the period	10,250,000	4,000,000

At 30 June 2019 the Company had 10,250,000 unlisted options on issue, exercisable at $0.075 each on or before 31 March 2022.

On 9 April 2019, the Company cancelled 4,000,000 unlisted options, exercisable at $0.20 each on or before 30 April 2021.

(b) Performance Rights

	30 June 2019 No.	31 December 2018 No.
Movements in Performance rights on issue:		
At 1 January	-	-
Performance rights issued	3,000,000	-
Performance rights lapsed	-	-
Outstanding at the end of the period	3,000,000	-

At 30 June 2019, the Company had 3,000,000 Performance rights on issue have an expiry date of 31 March 2022 and shall vest on:

(i) The Company being admitted to the official list of the ASX; or
(ii) The completion of a reverse takeover of the Company; or
(iii) The completion of an acquisition of the Company; or
(iv) The sale of the CarbonX Process.

9. Share-Based Payments

(a) Recognised share-based payment expense

The expense recognised for employee services received during the year is shown in the table below:

	30 June 2019 $	30 June 2018 $
Share options granted – equity settled	27,940	-
Performance rights granted	8,518	-
Shares issued as sign-on bonus	26,000	-
	62,458	-

(b) General terms of share-based payments

Options

In March 2019, the Board and respective options holders resolved to cancel all options previously issued to Directors and other individuals. The number of options cancelled was 4,000,000. The options were exercisable at $0.20 and had an expiry date of 30 April 2021.

As part of revamping the Company's operations the Board further resolved to issue 10,250,000 options to Directors, key executives and employees. These options are exercisable at $0.075 and expire on 31 March 2022. Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. An option may only be exercised after that option has vested.

9. Share-Based Payments (Cont'd)

The details of the options outstanding as at 30 June 2019 are as follows:

	No. of Options	Vesting Date
Exercisable at $0.075, expiry 31 March 2022	4,250,000	9 Apr 19
Exercisable at $0.075, expiry 31 March 2022	3,000,000	31 Mar 20
Exercisable at $0.075, expiry 31 March 2022	3,000,000	31 Mar 21
	10,250,000	

The number and weighted average exercise prices of share options is as follows:

	Weighted Average Exercise Price	30 June 2019	30 June 2018
Outstanding at the beginning of the period	$0.20	4,000,000	4,000,000
Exercised during the period	-	-	-
Cancelled during the period	$0.20	(4,000,000)	-
Granted during the period	$0.075	10,250,000	-
Outstanding at the end of the period	$0.075	10,250,000	4,000,000
Exercisable at the end of the period	$0.075	4,250,000	4,000,000

The fair value of the options is estimated at the date of grant using a Black-Scholes option-pricing model. The following table gives the assumptions made in determining the fair value of the options granted during the year.

	30 June 2019	30 June 2018
Underlying share price at grant date	$0.05	-
Exercise price	$0.075	-
Expected volatility	50%	-
Option life (years)	2.98	-
Expected dividends	-	-
Risk-free interest rate	1.43%	-
Discount for lack of marketability and transferability	50%	-

Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received. Where the grant of the options is a replacement for the cancellation of option, any incremental fair value in addition to the fair value of the original award is accounted for. The incremental fair value is the difference between the fair value of the replacement award and the net fair value of the cancelled award measured at the date the replacement award is issued. The fair value of the cancelled options was estimated to be $1,524.

Performance Rights

To incentivise key executives a total of 3,000,000 performance rights were issued equally to Mr Jones, Mr Wise and Dr Kelly. A performance right is a right to be issued an ordinary share upon the satisfaction of certain performance conditions that are attached to the performance right, the conditions of which are determined by the Board. The performance rights are granted for no consideration and expire on 31 March 2022. The performance rights will lapse if the performance conditions are not met by the expiry date.

The performance rights may be converted to ordinary shares upon meeting the following vesting conditions:

(i) The Company being admitted to the official list of the ASX; or
(ii) The completion of a reverse takeover of the Company; or
(iii) The completion of an acquisition of the Company; or
(iv) The sale of the CarbonX Process.

The fair value of performance rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of fair value of the rights allocated to this reporting period. The vesting period has been estimated to be two years.

9. Share-Based Payments (Cont'd)

The fair value of the performance rights outstanding at 30 June 2019 was estimated to be $0.025 cents per performance right (2018: Nil), being the price at which capital was raised during June/July 2019, less a 50% discount for an illiquid market. The number of performance rights outstanding at 30 June 2019 was 3,000,000 (2018: Nil)

Shares issued as sign-on bonus

In March 2019, Mr Jones and Mr Wise signed Executive Service Agreements with the Company, the terms of which included sign-on bonus $19,500 and $6,500, respectively. The sign-on bonus was to be settled in fully paid ordinary shares, subject to a capital raising to raise a minimum of $500,000. This condition was met during June 2019 and upon completion Mr Jones and Mr Wise were issued 390,000 and 130,000 fully paid ordinary shares respectively at a deemed issue price of $0.05 per fully paid ordinary share. The deemed issue price is the equivalent to the issue price of the entitlement issue completed. The total value of the shares issued during the period under this arrangement was $26,000.

10. Related Parties

Key management personnel

Directors:

Mr Anthony Kiernan	Chairman (Non-executive)
Mr Timothy Goyder	Non-executive Director
Mr Bryn Jones	Managing Director
Mr Timothy Wise	Executive Director (Appointed 26 March 2019)

Executives

Dr Julian Kelly	Senior Scientist (Appointed 11 June 2019)

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

Key management personnel compensation is as follows:

	30 June 2019 $	30 June 2018 $
Short-term benefits	83,223	14,863
Post-employment benefits	3,124	434
Share-based payments	62,458	-
	148,805	15,297

As at 30 June 2019, Mr Kiernan received total compensation of $5,000 (30 June 2018: $6,233). Due to market conditions and with an emphasis on conserving cash reserves, Mr Kiernan agreed to accrue the directors' fees and defer payment until further notice. At 30 June 2019, non-executive directors' total compensation accrued was $5,000 (31 December 2018: $nil).

10. Related Parties (Cont'd)

Other key management personnel transactions with the Company or its Controlled Entities

Mr Jones through a related party, Inception Consulting Engineers Pty Ltd provides management services to the Company. The total amount paid for these services during the period was $13,500 (six months to 30 June 2018 $4,500). An amount of $9,900 (31 December 2018: $11,250) was outstanding and payable at the end of the period and is included in Trade and other payables at that date.

In March 2019, the Company entered into an agreement with Inception Consulting Engineers Pty Ltd for the conversion of outstanding management fees into fully paid ordinary shares to settle the $27,000 debt owed, subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 540,000 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share.

The Group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a director of Chalice Gold Mines Limited. Mrs Stevens is the Company Secretary of Chalice Gold Mines Limited. Mr Hacker is the Chief Financial Officer of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms.

The total amount paid during the period was $13,545 (six months ended 30 June 2018: $10,800). An amount of $29,861 (31 December 2018: $23,400) was outstanding and payable at the end of the period and is included in Trade and other payables at that date.

Mr Goyder, Mr Jones and Mr Hacker are both directors of DevEx Resources Limited (DevEx), DevEx previously provided a loan to the Company of $60,000. During the period, the Company entered into a loan settlement agreement on arm's length terms with DevEx in order to settle the outstanding loan payable of $82,684 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 1,653,690 fully paid ordinary shares were issued to DevEx at a deemed issue price of $0.05 per share. (Refer to Note 7).

Mr Kiernan has previously provided a loan to the Company of $27,500. During the period, the Company entered into a loan settlement agreement on arm's length terms with Mr Kiernan in order to settle the outstanding loan payable of $31,525 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 630,505 fully paid ordinary shares were issued to Mr Kiernan at a deemed issue price of $0.05 per share. (Refer to Note 7).

Mr Goyder (via a family trust controlled by Mr Goyder) has previously provided a loan to the Company of $20,000. During the period Mr Goyder provided an additional working capital loan of $20,000 on the same terms and conditions. During the period, the Company entered into a loan settlement agreement on arm's length terms with Mr Goyder and his associate in order to settle the outstanding loan payable of $43,535 (including accrued interest) subject to raising a minimum of $500,000 under the Entitlement Offer. On 14 June 2019, this condition was met and 870,702 fully paid ordinary shares were issued at a deemed issue price of $0.05 per share. (Refer to Note 7).

Associate

The Group has a 28.67% interest in UFP Investments LLC. The Group did not have any transactions with UFP during the reporting period.

Terms and conditions of transactions with related parties

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

11. Events Subsequent to Reporting Date

During July 2019, the Company issued 5,360,000 fully paid ordinary shares at an issue price of $0.05 to raise $268,000 following a shortfall under the Entitlement Offer completed in June 2019.

During July 2019, the Company issued 240,000 fully paid ordinary shares to Taylor Collison as payment for assisting with the placement of shortfall shares. The deemed issue price was $0.05 per share for a total value of $12,000.

Apart from the above, there has not been any other significant event that has occurred after reporting date.

12. Commitments and Contingencies

Expenditure commitments

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

Contingent assets and liabilities

In March 2019, the Company entered into an asset sale agreement with Dr Julian Kelly pursuant to which Dr Kelly agreed to sell 100% of his legal and beneficial interest in the CarbonX Process IP. The terms and conditions of the agreement also include additional entitlements should the CarbonX Process IP be sold, subject to Dr Kelly being employed by the Company for 6 months. Specifically, 33% of net proceeds if the IP is sold within 12 months, 25% of net proceeds if sold within 24 months and 5% of net proceeds thereafter.

Other than as disclosed above, there has been no change in contingent assets or liabilities since the last annual reporting date.

13. Financial Instruments

The Directors consider that the carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair values.

PhosEnergy Limited

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
    a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    b. giving true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 12th day of September 2019.

Anthony Kiernan
Chairman

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PhosEnergy Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of PhosEnergy Limited ("the company") which comprises the condensed statement of financial position as at 30 June 2019, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

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

Material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

HLB Mann Judd

Chartered Accountants

L Di Giallonardo

Partner

Perth, Western Australia
12 September 2019