PhosEnergy Limited

ABN 31 164 573 728

Annual Report
31 December 2017

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CORPORATE INFORMATION

ABN 31 164 573 728

Directors
Anthony Kiernan
Bryn Jones
Tim Goyder

Company secretary
Leanne Stevens

Registered office
Level 2, 1292 Hay Street
West Perth WESTERN AUSTRALIA 6005

Principal place of business
Level 2, 1292 Hay Street
West Perth WESTERN AUSTRALIA 6005

Share register
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney NEW SOUTH WALES 2000
+612 9290 9600

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 year ended 31 December 2017.

Director details

The following persons were Directors of PhosEnergy during the financial year and since the end of the reporting period.

Mr Anthony W Kiernan LLB Chairman (Appointed 1 July 2013)	Mr Anthony Kiernan, previously a practising lawyer, is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is Chairman of Venturex Resources Limited and Pilbara Minerals Limited, all listed on ASX and a non-executive director of Chalice Gold Mines Limited. In the past three years, Mr Kiernan was previously a director of BC Iron Limited, Danakali Limited, Uranium Equities Limited (now DevEx Resources Limited) and Liontown Resources Limited.
Mr Bryn L Jones BAppSc, MMinEng, FAusIMM Managing Director (Appointed 1 July 2013)	Mr Bryn Jones 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. Mr Jones has also worked for Worley Parsons on the Olympic Dam Expansion Project and consulted on various ISR operations around the world. Mr Jones is a Director of ASX listed DevEx Resources Limited and Salt Lake Potash Limited and Chief Operating Officer of Laramide Resources Limited.
Mr Tim R B Goyder Non-executive Director (Appointed 1 July 2013)	Mr Tim Goyder has considerable experience in the resources 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. Mr Goyder is currently Chairman of DevEx Resources Limited and Liontown Resources Limited, Executive Chairman of Chalice Gold Mines Limited, and non-executive director of Strike Energy Limited, all listed on ASX.
Mr Thomas C Pool PE SME MAusIMM Non-executive Director (Appointed 1 July 2013, resigned 22 February 2018)	Mr Thomas Pool is a mining engineer with more than 38 years' experience in the resources industry, the last 28 years of which has focussed on assessment and evaluation of projects in the uranium and nuclear fuels sector. Mr Pool 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 2015)	Mrs Leanne Stevens is a Chartered Accountant who has over 15 years of accounting and governance experience within the mining and energy industries.

Principal activities

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 PhosEnergy Process ('Process') is a technology for the extraction of uranium from phosphate streams produced in the production of phosphate-based fertilisers. PhosEnergy Limited and global uranium company Cameco Corporation ('Cameco') are jointly commercialising the Process via a registered Colorado company called Urtek LLC ('Urtek'), which is beneficially owned 74.21% by Cameco and 25.79% by PhosEnergy.

Review of operations and financial results

Due to the low uranium price environment the Company and its development partner, Cameco Corporation, curtailed unnecessary expenditure on the PhosEnergy Process during the period under review but not to the detriment of the Process and the accompanying intellectual property which has been maintained in good standing.

Notwithstanding the expenditure curtailment during the period, the Company continues to evaluate opportunities to apply the PhosEnergy Process to other commodities and sectors and also is actively evaluating complimentary projects which may utilise the intellectual property and knowledge within the Group.

The work in the period principally involved summarising all project information and maintaining intellectual property protection over the asset which is the developed technology.

A summary of the more recent technical development activity is below.

PhosEnergy Process

In early 2015 a modular Demonstration Plant ('DP') was relocated to the site of a US based fertilizer producer and connected directly to their Filter Grade Acid (FGA) stream. The operation was jointly staffed between Cameco and PhosEnergy.

As previously reported, an independently conducted Pre-Feasibility Study ('PFS') on the Process was completed in December 2015, confirming the robust operating cost of the Process.

The PFS estimates that a 0.44Mtpa P_2O_5 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 results of the PFS were reviewed by the Company, Cameco and the US phosphate producer on which the PFS was based. The parties concluded that, while the operating costs of the Process were very attractive, the capital cost in a depressed uranium market environment, was somewhat prohibitive.

The Process remains ready to progress development once a stronger uranium price environment prevails.

New Technology Developments

The Company has continued to explore new technology applications which match the PhosEnergy Process philosophy by: recovering value from underutilised or waste materials; leveraging the technology already developed for the PhosEnergy Process; and working with established industries to add incremental value.

During the year the company made significant progress toward carrying out proof of concept experiments on two technologies that fit the above criteria:

- A novel carbon sequestration process designed to convert waste carbon dioxide into usable hydrocarbon products; and
- A constant, low voltage electric power generator driven by radioactive particles (such as waste products) with multiple applications in the defence and telecommunications industries;

More detail on these technologies will be supplied once initial proof of concept experiments and IP protection have been successfully completed.

For the year ended 31 December 2017, the Company made a net loss of $93,192 (2016: $244,982) predominately due to corporate and administration expenses not related to or covered under the management fee the Company receives from Urtek LLC. Corporate and administration costs were significantly lower than the previous year. The management fee was also significantly reduced in the current year.

Corporate

In March 2017, directors Mr Tim Goyder (via a family trust controlled by Mr Goyder) and Mr Anthony Kiernan agreed to provide the Company with loan facilities of $20,000 each. The loans both attract an interest rate of 8.5%, are unsecured and the Company has given a negative pledge not to incur any additional debt during the term of the loan (other than trading debt) without the consents of both Messrs. Goyder and Kiernan. The loans are repayable six months from drawdown (including any accrued interest) and if not repaid by this date Messrs. Goyder and Kiernan may elect to convert the outstanding balances (plus interest) into fully paid ordinary shares in the Company at a price to be agreed. Failing agreement the loans may be called. Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees and defer payment until further notice.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company not otherwise stated herein.

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

On 26 February 2018, Mr Anthony Kiernan agreed to provide the Company with an additional loan facility of $7,500 under the same terms and conditions as the initial loan facilities.

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

Likely developments

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

Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director are tabled below. During the year, certain matters were attended to by circular resolutions and in various informal conversations and communications amongst the directors.

	Directors' Meetings
Number of meetings held:	3
Number of meetings attended:	
Anthony Kiernan	3
Bryn Jones	3
Tim Goyder	3
Thomas Pool	2

Option holdings of key management personnel

The following options over ordinary shares in the Company were granted as compensation during the 2015/2016 reporting period:

	Held at 1 January 2017	Granted as compensation	Exercised/ Forfeited	Held at 31 December 2017	Vested during the year	Vested and exercisable at 31 December 2017
Directors						
Anthony Kiernan	750,000	-	-	750,000	-	750,000
Bryn Jones	1,000,000	-	-	1,000,000	-	1,000,000
Tim Goyder	750,000	-	-	750,000	-	750,000
Thomas Pool(1)	250,000	-	-	250,000	-	250,000
Officers						
L Stevens	250,000	-	-	250,000	-	250,000

These options have an exercise price of $0.20 and an expiry date of 30 April 2021.

(1) Options held by Thomas Pool lapsed on 22 February 2018 due to his resignation as a director.

Unissued shares under options

At the date of this report, 4,000,000 unissued ordinary shares (31 December 2016: 4,250,000) of the Company are under option on the following terms and conditions:

Number of options	Expiry Date	Exercise Price ($)
4,000,000	30 April 2021	0.20

Unless exercised, these options do not entitle the holder to participate in any share issue of the Company or Group Entities.

During the period between balance date and the date of this report, no options have been granted, however the options held by Tom Pool lapsed as a result of his resignation as a director.

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

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

Non-audit services

During the year, HLB Mann Judd, the Company's auditors, did not provide services in addition to their statutory duties.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included on page 8 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors

Bryn Jones
Managing Director
26 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of PhosEnergy Limited for the year ended 31 December 2017, 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	**L Di Giallonardo**
26 March 2018	**Partner**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $	2016 $
Continuing operations			
Revenue	2	72,000	206,500
Foreign exchange gains/(losses)		(123)	(150)
Corporate and administrative expenses	2	(147,223)	(266,396)
Share based payments	3	(10,960)	(180,674)
Loss before financing costs		**(86,306)**	**(240,720)**
Financial expenses		(6,886)	(4,262)
Loss before income tax		**(93,192)**	**(244,982)**
Income tax benefit	4	-	-
Loss attributable to owners of the parent		**(93,192)**	**(244,982)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		2,898	29
Other comprehensive income net of tax		**2,898**	**29**
Total comprehensive loss attributable to owners of the parent		(90,294)	(244,953)
Basic loss per share (cents per share)	6	(0.26)	(0.67)
Diluted loss per share (cents per share)	6	(0.26)	(0.67)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		2017	2016
	Notes	**$**	**$**
Assets			
Current assets			
Cash and cash equivalents	7	3,104	21,923
Trade and other receivables	8	11,256	9,534
Total current assets		**14,360**	**31,457**
Total assets		**14,360**	**31,457**
Liabilities			
Current liabilities			
Trade and other payables	10	112,056	96,705
Borrowings	11	109,869	62,983
Total current liabilities		**221,925**	**159,688**
Total liabilities		**221,925**	**159,688**
Net liabilities		**(207,565)**	**(128,231)**
Equity			
Issued capital	12	1,761,803	1,761,803
Reserves		470,982	457,124
Accumulated losses		(2,440,350)	(2,347,158)
Total deficiency		**(207,565)**	**(128,231)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

31 December 2017	Notes	Issued capital $	Foreign currency translation reserve $	Share based payment reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2017		**1,761,803**	**276,450**	**180,674**	**(2,347,158)**	**(128,231)**
Loss for the reporting period		-	-	-	(93,192)	**(93,192)**
Other comprehensive income, net of income tax		-	2,898	-	-	**2,898**
Total comprehensive loss		**-**	**2,898**	**-**	**(93,192)**	**(90,294)**
Share based payments		-	-	10,960	-	10,960
Balance as at 31 December 2017	12	**1,761,803**	**279,348**	**191,634**	**(2,440,350)**	**(207,565)**

31 December 2016	Notes	Issued capital $	Foreign currency translation reserve $	Share based payment reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2016		**1,761,803**	**276,421**	**-**	**(2,102,176)**	**(63,952)**
Loss for the reporting period		-	-	-	(244,982)	**(244,982)**
Other comprehensive income, net of income tax		-	29	-	-	**29**
Total comprehensive loss		**-**	**29**	**-**	**(244,982)**	**(244,953)**
Share based payments		-	-	180,674	-	180,674
Balance as at 31 December 2016	12	**1,761,803**	**276,450**	**180,674**	**(2,347,158)**	**(128,231)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		66,000	213,497
Payments to suppliers and employees		(127,620)	(253,225)
Net cash outflows from operating activities	7	**(61,620)**	**(39,728)**
Cash flows from financing activities			
Proceeds from borrowings		40,000	-
Net cash inflows from financing activities		**40,000**	-
Net decrease in cash and cash equivalents		(21,620)	(39,728)
Cash and cash equivalents at beginning of period		21,923	61,801
Effect of exchange rate fluctuations on cash held		2,801	(150)
Cash and cash equivalents at 31 December	7	**3,104**	**21,923**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

These consolidated general purpose financial statements 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 accounting policies and methods of computation adopted are consistent with those of the previous financial period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issued by the Board of Directors on 26 March 2018.

(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 2017. 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.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2017. 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 Group 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 2017 and the results of all subsidiaries. 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.

(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 and deficiency of assets of $207,565 at 31 December 2017 (2016: $128,231) and incurred a loss for the year then ended of $93,192 (2016: $244,982) 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 Group will be able to continue as a going concern and therefore, that it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

(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.

(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 assets' 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.

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.

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 and other 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 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) 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.

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.

(p) 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.

(q) 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 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 the 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.

(r) 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.

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.

(s) Trade payables 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.

(t) 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.

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.

(u) 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.

(v) 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.

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity, PhosEnergy Limited, disclosed in note 16 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.

NOTE 2: INCOME AND EXPENSES

a) Revenue

	2017	2016
	$	$
Management fees	72,000	206,500

b) Corporate and administrative expenses

	Note	2017	2016
		$	$
Accounting fees		13,590	13,235
Audit fees		19,500	21,500
Consultants – corporate		21,730	22,635
Consultants – process engineering		-	3,750
Insurance		14,762	20,631
Other		2,697	6,768
Personnel expenses	2(c)	68,000	142,273
Printing and stationery		2,687	5,049
Rent and outgoings		172	26,232
Share registry		4,085	4,323
		147,223	266,396

c) Personnel expenses

	2017	2016
	$	$
Salaries and fees	48,000	122,250
Directors' fees(1)	19,132	19,153
Superannuation fund contributions	868	870
	68,000	142,273

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

NOTE 3: SHARE BASED PAYMENTS

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

	Exercise price ($)	Number of options	Exercise price ($)	Number of options
	2017	2017	2016	2016
Outstanding at 1 January	0.20	4,250,000	-	-
Granted during the year	-	-	0.20	4,250,000
Forfeited during the year	-	-	-	-

Exercised during the year	-	-	-	-
Outstanding at 31 December	0.20	4,250,000	0.20	4,250,000
Exercisable at 31 December	0.20	4,250,000	0.20	3,000,000

The options outstanding at 31 December 2017 all have an exercise price of 20 cents and an average exercise life of 5 years. The fair value of the options is estimated at the grant date 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 financial year.

	2017	2016
Exercise price	-	$0.20
Expected volatility	-	50%
Option life (expressed as a weighted average life)	-	5 years
Expected dividends	-	Nil
Risk-free interest rate (expressed as a weighted average risk free interest rate)	-	1.92%

	2017	2016
	$	$
Share options granted – equity settled	10,960	180,674
	10,960	180,674

NOTE 4: 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:

	2017	2016
	$	$
Accounting loss before income tax	(93,192)	(244,982)
Income tax benefit calculated at 27.5% (2016: 28.5%)	(25,628)	(69,820)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non Deductible Expenses	(3,014)	(51,492)
Current and deferred tax expense/(benefit) not recognised	28,642	121,312
Income tax benefit on loss before tax reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2016: 28.5%) 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:

	2017	2016
	$	$
Unrecognised tax losses – Revenue	221,946	161,977
Unrecognised tax losses – Capital	-	-
Unrecognised tax losses – Total	221,946	161,977
Unrecognised deferred tax asset on unused tax losses	61,035	46,163

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 5: 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 6: EARNINGS PER SHARE

The calculation of basic and diluted loss per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of the parent entity of $93,192 (2016: $244,982) and a weighted average number of ordinary shares outstanding during the reporting period ended 31 December 2017 of 36,542,899 (2016: 36,542,899).

NOTE 7: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and on hand	3,104	21,923
	3,104	21,923

Reconciliation of loss to net cash used in operating activities

	2017 $	2016 $
Loss for the reporting period	(93,192)	(244,982)
Share based payments	10,960	180,674
Foreign exchange loss/gain	123	150
Operating loss before changes in working capital	(82,109)	(64,158)
(Increase)/decrease in assets:		
Trade and other receivables	(1,723)	11,667
Increase/(decrease) in liabilities:		
Trade and other payables	15,326	8,501
Borrowings	6,886	4,262
Net cash inflows/(outflows) from operating activities	(61,620)	(39,728)

NOTE 8: TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Prepayments	2,286	3,329
Other receivables	8,970	6,205
	11,256	9,534

NOTE 9: INVESTMENT IN ASSOCIATE

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

The beneficial ownership in the PhosEnergy Process held by Urtek is Cameco 74.21% (2016: 74.21%): PhosEnergy Limited 25.79% (2016: 25.79%).

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

The share of associate's losses of nil (2016: 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 in the year.

NOTE 10: TRADE AND OTHER PAYABLES (CURRENT)

	2017	2016
	$	$
Trade payables [1]	3,960	-
Other creditors and accrued expenses [2]	108,096	96,705
	112,056	96,705

[1]Trade payables are non-interest bearing and are normally settled on 30-day terms.
[2] Includes directors' fees owing of $80,059 (2016: $60,056).

NOTE 11: BORROWINGS

	2017	2016
	$	$
Unsecured		
Loan from DevEx Resources Limited (formerly known as Uranium Equities Limited)[i]:		
Principal	50,000	50,000
Accrued interest	17,233	12,983
Loan from directors[ii]:		
Principal	40,000	-
Accrued interest	2,636	-
Total borrowings	109,869	62,983

[i]DevEx Resources Limited provided a loan to the Company for working capital purposes upon the demerger of PhosEnergy Process assets in September 2013.

The loan is repayable by 31 December 2018, and the effective interest rate on the loan is 8.5% per annum.

[ii] In March 2017, directors Mr Tim Goyder (via a family trust controlled by Mr Goyder) and Mr Anthony Kiernan agreed to provide the Company with loan facilities of $20,000 each. The loans both attract an interest rate of 8.5%, are unsecured and the Company has given a negative pledge not to incur any additional debt during the term of the loan (other than trading debt) without consent of both Messrs. Goyder and Kiernan. The loans are repayable six months from drawdown (including any accrued interest) and if not repaid by this date Messrs. Goyder and Kiernan may elect to convert the outstanding balances (plus interest) into fully paid ordinary shares in the Company at a price to be agreed. Failing agreement the loans may be called. Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to defer payment until further notice.

It is noted that in February 2018, Mr Kiernan loaned an additional $7,500 to the Company with the same terms and conditions of the original loan.

NOTE 12: ISSUED CAPITAL AND RESERVES

Movement in ordinary shares on issue

	2017		2016	
	Number	$	Number	$
Balance at beginning of period	36,542,899	1,761,803	36,542,899	1,761,803
Balance at 31 December	36,542,899	1,761,803	36,542,899	1,761,803

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.

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

Share options on issue

	2017	2016
	$	$
On issue at 1 January	4,250,000	-
Options issued during the year	-	4,250,000
Options exercised during the year	-	-
Options lapsed during the year	-	-
On issue at 31 December	4,250,000	4,250,000

At 31 December 2017 the Company had 4,250,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price ($)
4,250,000	30 April 2021	0.20

Nature and purpose of reserves
Foreign currency translation reserve
The foreign currency translation reserve is used to record the exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve
The share based payments reserve is used to recognise the value of equity-settled share based payment transactions provided to key management personnel and consultants. Please refer to note 3 for further details.

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.

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					
	Weighted average effective interest rate	**1 year or less**	**Over 1 to 5 years**	**Floating interest**	**Non-interest bearing**	**Total**
31 December 2017	**%**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Bank balances	0	-	-	3,104	-	3,104
Trade and other receivables	-	-	-	-	11,256	11,256
Financial liabilities						
Borrowings	8.5	109,869	-	-	-	109,869
Trade payables and accrued expenses	-	-	-	-	112,056	112,056

	Consolidated					
	Weighted average effective interest rate	**1 year or less**	**Over 1 to 5 years**	**Floating interest**	**Non-interest bearing**	**Total**
31 December 2016	**%**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Bank balances	0.6	-	-	21,923	-	21,923
Trade and other receivables	-	-	-	-	9,534	9,534
Financial liabilities						
Borrowings	8.5	62,983	-	-	-	62,983
Trade payables and accrued expenses	-	-	-	-	96,705	96,705

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 8) 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 $112,056 (2016: $96,705) 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.

NOTE 14: COMMITMENTS AND CONTINGENCIES
There are no commitments and contingencies at 31 December 2017.

NOTE 15: RELATED PARTY DISCLOSURE
The consolidated financial statements include the financial statements of PhosEnergy Limited and the subsidiary listed in the following table.

		% Equity interest	
	Country of Incorporation	**2017**	**2016**
PhosEnergy Inc.	USA	100%	100%

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

Transactions with Key Management Personnel
Refer to note 19 for details of transactions with key management personnel.

Transactions with other related parties
The following table provides the aggregate expense/(income) recognised during the year relating to related parties as follows:

	Note	**2017**	**2016**
Related parties:		**$**	**$**
DevEx Resources Limited (DEV)	(i)	67,233	62,983
Chalice Gold Mines Limited	(ii)	21,600	21,600
Associate:			
UFP Investments LLC (UFP)		-	-

Related Parties

(i) DevEx Resources Limited (previously Uranium Equities Limited) is a related party of PhosEnergy Limited as it controlled the Company prior to the demerger of its PhosEnergy Limited assets. DevEx provided a working capital loan at the time of the demerger to the Company – see note 11 for further details. Mr Goyder and Mr Jones are both directors of DevEx Resources Limited.

(ii) Chalice Gold Mines Limited provided corporate services including accounting and company secretarial services under a Corporate Services Agreement to PhosEnergy Limited. Mr Goyder and Mr Kiernan are both directors of Chalice Gold Mines Limited. $3,600 was outstanding at 31 December 2017 (2016: $1,800).

Associate

The Group has a 28.66% (2016: 28.66%) interest in UFP Investments LLC – see note 9. 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.

NOTE 16: PARENT ENTITY DISCLOSURES

Financial position

	2017	**2016**
	$	**$**
Assets		
Current assets	14,361	31,456
Non-current assets	-	-
Total assets	14,361	31,456
Liabilities		
Current liabilities	218,723	156,229
Non-current liabilities	-	-
Total liabilities	218,723	156,229
Equity		
Issued capital	1,761,803	1,761,803
Reserves	191,634	180,674
Accumulated losses	(2,157,799)	(2,067,248)
Total deficiency	(204,362)	(124,771)

Financial performance

	2017	**2016**
	$	**$**
Loss for the reporting period	(90,551)	(241,493)
Other comprehensive income	-	-
Total comprehensive loss	(90,551)	(241,493)

There were no parent entity contingencies or capital commitments for the purchase of property, plant and equipment as at 31 December 2017.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

On 26 February 2018, Mr Anthony Kiernan agreed to provide the Company with an additional loan facility of $7,500 under the same terms and conditions as the initial loan facilities.

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

NOTE 18: AUDITOR'S REMUNERATION
The auditor of PhosEnergy Limited is HLB Mann Judd.

	2017	2016
	$	$
Auditor of the parent entity		
Audit or review of the financial statements	19,500	21,500
	19,500	21,500

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES
Details of Key Management Personnel

Directors

Mr Anthony Kiernan	Chairman (Non-executive)
Mr Bryn Jones	Managing Director
Mr Tim Goyder	Non-executive Director
Mr Thomas Pool	Non-executive Director

The key management personnel compensation incurred during the year is as follows:

	2017	2016
	$	$
Short-term employee benefits	54,852	152,277
Post-employment benefits	868	870
Share based payments	4,655	118,579
	60,375	271,725

Mr Jones is paid consulting fees for services performed in his role as Managing Director, through a related party (Inception Consulting Engineers Pty Ltd) in place of a monthly salary. At 31 December 2017, $4,000 (2016: $10,500) was owing to Inception Consulting Engineers Pty Ltd for the services performed by Mr Jones.

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. As at 31 December 2017, executive personnel received total compensation of $20,000 (2016: $20,023).

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to accrue director fees and defer the payment of directors' fees until further notice. At 31 December 2017, non-executive directors' total compensation accrued to date was $80,059 (2016: $60,056).

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 ("KMP") and their related parties were as follows:

KMP	Transaction	Ref	2017	2016
Mr Bryn Jones	Consulting Fees	(i)	24,000	122,250

(i) Mr Jones was paid consulting fees for services performed in his role as Managing Director, through a related party (Inception Consulting Engineers Pty Ltd). $4,000 (2016: $10,500) was outstanding to Inception Consulting Engineers Pty Ltd at 31 December 2017 for services performed by Mr Jones.

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:

31 December 2017:

	1 January 2017	Granted as remuneration	Purchased	Sold	31 December 2017
	Number	Number	Number	Number	Number
Directors					
Anthony Kiernan	664,566	-	-	-	664,566
Bryn Jones	173,636	-	-	-	173,636
Tim Goyder	6,296,700	-	-	-	6,296,700
Thomas Pool	56,206	-	-	-	56,206

31 December 2016:

	1 January 2016	Granted as remuneration	Purchased	Sold	31 December 2016
	Number	Number	Number	Number	Number
Directors					
Anthony Kiernan	664,566	-	-	-	664,566
Bryn Jones	173,636	-	-	-	173,636
Tim Goyder	6,296,700	-	-	-	6,296,700
Thomas Pool	56,206	-	-	-	56,206

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

Option Holdings of Key Management Personnel

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

	1 January 2017	Granted as compensation	Exercised / Forfeited	31 December 2017	Vested during the year	Vested and exercisable at 31 December 2017
	Number	Number	Number	Number		Number
Directors						
Anthony Kiernan	750,000	-	-	750,000	-	750,000
Bryn Jones	1,000,000	-	-	1,000,000	-	1,000,000
Tim Goyder	750,000	-	-	750,000	-	750,000
Thomas Pool [1]	250,000	-	-	250,000	-	250,000
Officers						
Leanne Stevens	250,000	-	-	250,000	-	250,000

[1] Options held by Thomas Pool lapsed on 22 February 2018 due to his resignation as a director.

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 2017 and of its performance for the year 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.

Bryn Jones
Managing Director

Dated this 26 March 2018

HLB Mann Judd

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INDEPENDENT AUDITOR'S REPORT

To the members of PhosEnergy Limited

Opinion

We have audited the financial report of PhosEnergy Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of PhosEnergy Limited is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Going Concern

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
26 March 2018