



PhosEnergy Limited

ABN 31 164 573 728

Half-Year Report

30 June 2015

PhosEnergy Limited

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PhosEnergy Limited

Directors' Report

For the half-year ended 30 June 2015

Your directors submit the financial report for PhosEnergy Limited ('PhosEnergy' or "the Group") for the half-year ended 30 June 2015. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

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

Review of operations

Development of the process of recovering uranium as a by-product in the manufacture of phosphate fertilizer ("**the PhosEnergy Process**") continued throughout the year with significant technical progress having been made. The process is a co-development between the Company and Cameco Corporation, one of the world's leading uranium producers.

Global consulting firm and phosphate industry experts, Hatch, were commissioned to prepare a Pre-Feasibility Study (PFS) on the PhosEnergy Process following the completion of an on-site demonstration plant at a US Fertilizer production facility during the year. The PFS, which was completed in December 2014, confirmed the robust operating cost of the Process estimating a cash operating cost of **US\$21 per** pound. This was based on a facility producing approximately 400,000 lb U₃O₈ per annum. The capital intensity of such a small facility is high compared to conventional mine-mill operations however this needs to be put in the context of an effective life of mine exceeding 25 years in most phosphate facilities operating in the USA. In the event the Process is applied to a larger facility, it is estimated operating cost would be improved.

The estimated cash operating costs included toll milling, product transport, marketing and a contingency but excluded corporate and downstream phosphate processing costs. The estimated cash costs were derived using a methodology consistent with achieving an accuracy of +50%/-30% and an AACE Class IV estimate. The PFS estimated operating costs to produce an intermediate product which could be toll-milled through any one of a number of facilities in the United States, for which quotes have been received.

Following completion of the PFS, PhosEnergy, together with partner Cameco Corporation, have focused on engineering and process development work designed to address aspects of the PFS report and investigating methods to reduce the capital intensity of installing the Process on a brownfields facility. This work is scheduled to continue throughout the calendar year.

PhosEnergy and Cameco are also continuing to pursue business development opportunities around the world to potentially provide access to a larger fertilizer facility to improve the overall Process economics. This is proving challenging in the current market but with the technical work that has been achieved to date and the estimated cash operating costs from the PFS, the Company is hopeful in this regard in the short to medium term.

Financial Review

At 30 June 2015 the Group had a deficiency of net assets of \$8,257 (31 December 2014: net assets of \$267,639) and a working capital deficit of \$93,061 (31 December 2014: \$49,870). At 30 June 2015 cash at bank totalled \$21,204 (31 December 2014: \$152,985)

The Group reported a net loss for the period of \$293,124 (31 December 2013: \$364,924) which predominately related to process engineering consultants and personnel expenses.

PhosEnergy Limited
Directors' Report
For the half-year ended 30 June 2015

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 30 June 2015, non-executive director's total compensation accrued to date was \$30,023.

Events arising since the end of the reporting period

There were no significant events after balance date.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 30 June 2015.

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



Anthony Kiernan
Chairman
10 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PhosEnergy Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia
10 September 2015

L Di Giallonardo
Partner

PhosEnergy Limited
Condensed Statement of Comprehensive Income
For the half-year ended 30 June 2015

	Note	Consolidated	
		30 June 2015 \$	31 December 2013 \$
Continuing Operations			
Other income	3a	345,824	6,440
Foreign exchange gains		691	7
Operating expenses	3b	(387,788)	(20,971)
Share of equity accounted investee losses and impairment		(249,744)	(350,268)
		(291,017)	(364,792)
Financial income		-	89
Financial expenses		(2,107)	(221)
Loss before income tax		(293,124)	(364,924)
Income tax benefit		-	-
Loss attributable to owners of the parent		(293,124)	(364,924)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		17,228	(22,766)
Other comprehensive income/ (loss) net of tax		17,228	(22,766)
Total comprehensive loss attributable to owners of the parent		(275,896)	(387,690)
Basic loss per share (cents per share)		(0.80)	(0.02)
Diluted loss per share (cents per share)		(0.80)	(0.02)

PhosEnergy Limited
Condensed Statement of Financial Position
As at 30 June 2015

	Note	Consolidated	
		30 June 2015 \$	31 December 2014 \$
Current assets			
Cash and cash equivalents		21,204	152,985
Trade and other receivables		48,509	42,704
Total current assets		69,713	195,689
Non-current assets			
Equity accounted investment	4	84,804	317,320
Property, plant and equipment		-	189
Total non-current assets		84,804	317,509
Total assets		154,517	513,198
Current liabilities			
Trade and other payables		91,284	183,718
Borrowings		56,579	54,471
Employee benefits		14,911	7,370
Total current liabilities		162,774	245,559
Total liabilities		162,774	245,559
Net assets/(liabilities)		(8,257)	267,639
Equity			
Issued capital		1,761,803	1,761,803
Reserves		263,398	246,170
Accumulated losses		(2,033,458)	(1,740,334)
Total equity		(8,257)	267,639

PhosEnergy Limited
Condensed Statement of Changes in Equity
For the half-year ended 30 June 2015

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

	Issued capital	Consolidated Accumulated losses	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$
Balance at 1 July 2013	-	-	-	-
Loss for the reporting period	-	(364,924)	-	(364,924)
Exchange differences on translation of foreign operations	-	-	(22,766)	(22,766)
Total comprehensive loss for the period	-	(364,924)	(22,766)	(387,690)
Shares issued on incorporation	1	-	-	1
Shares issued to acquire subsidiary	1,087,235	-	-	1,087,235
Balance at 31 December 2013	1,087,236	(364,924)	(22,766)	699,546

PhosEnergy Limited
Condensed Statement of Cash Flows
For the half-year ended 30 June 2015

	Consolidated	
	30 June 2015 \$	31 December 2013 \$
Cash flows from operating activities		
Cash receipts from customers	358,827	-
Cash paid to suppliers and employees	(491,299)	(34,461)
Interest received	-	89
Net cash used in operating activities	(132,472)	(34,372)
Cash flows from financing activities		
Proceeds from borrowings	-	50,000
Net cash from financing activities	-	50,000
Net increase/(decrease) in cash and cash equivalents	(132,472)	15,628
Cash and cash equivalents at the beginning of the period	152,985	-
Effects of exchange rate fluctuations on cash held	691	7
Cash and cash equivalents at 30 June 2015	21,204	15,635

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2015

1. Significant accounting policies

(a) Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2014 and any public announcements made by PhosEnergy Limited during the half-year.

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

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 31 December 2014.

(d) Adoption of new and revised Accounting Standards

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2015.

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

(e) Going Concern

Notwithstanding the matter that the Group had a working capital deficit of \$93,061 and a deficiency of net assets of \$8,257 at 30 June 2015, and incurred a loss for the 6 months then ended of \$293,124, the financial statements have been prepared on the going concern basis of accounting. The directors consider that this basis is appropriate because they are of the opinion that the Group can raise additional funding in order to meet its operating expenditure and commitments for the 12 months from the date of signing these financial statements. Furthermore, the directors may also request an extension of credit terms from its major creditors, and will continue to defer directors' fees until further notice. Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Group will be able continue as a going

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2015

concern and, therefore, that it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

(f) Comparative Figures

When required by accounting statements, comparative figures have been adjusted to conform to changes in presentation for the current half-year. The comparative figures in the condensed consolidated statement of financial position are as at 31 December 2014. As the Group's first financial year covered the period 1 July 2013 to 31 December 2014, the first half-year of that period was 1 July 2013 to 31 December 2013, and as a result, the comparative figures in the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows are for the period 1 July 2013 to 31 December 2013.

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2015

2. **Segment reporting**
Geographical segments

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

3. **Revenue and expenses**

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

	30 June 2015	31 December 2013
	\$	\$
(a) Other Income		
Management Fees	285,000	-
Retainer Fees	27,375	-
Guarantee Fee Income	4,408	6,440
Other Income	29,041	-
	345,824	6,440

	30 June 2015	31 December 2013
	\$	\$
(b) Operating expenses		
Accounting fees	8,606	400
Audit fees	5,000	-
Consultants - corporate	8,767	108
Consultants – process engineering	141,613	-
Depreciation and amortisation	9	12
Insurance	10,974	7,038
Other	10,578	2,966
Personnel expenses	149,575	-
Printing and stationery	7,050	135
Rent and outgoings	43,480	101
Share registry	2,136	10,211
	387,788	20,971

4. **Equity Accounted Investment**

Reconciliation of movements in equity accounted investment:

	Half-year ended 30 June 2015	18 months ended 31 December 2014
	\$	\$
Balance at beginning of period	317,320	-
Acquired from Uranium Equities	-	2,176,663
Contributions	-	660,874
Share of losses	(249,744)	(1,197,147)
Impairment of investment	-	(1,140,525)
Foreign currency translation difference	17,228	(182,545)
Balance at end of period	84,804	317,320

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2015

	30 June 2015	31 December 2014
	\$	\$
<u>Financial Position</u>		
Total assets	288,227	1,057,732
Total liabilities	(5,552)	-
Net assets	282,675	1,057,732
Group's share of associate's net assets	84,804	317,320
	Half-year ended 30 June 2015	Half-year ended 31 December 2013
	\$	\$
<u>Financial Performance</u>		
Total revenue	-	-
Total loss for the reporting period	832,480	(1,167,560)
Group's share of associate's loss	(249,744)	(350,268)

5. Related Parties

Key management personnel

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. For the six months ended 30 June 2015, executive personnel received total compensation of \$56,940 (six months ended 31 December 2013: Nil).

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 30 June 2015, non-executive director's total compensation accrued to date was \$30,023.

Other related party transactions

The group receives corporate services including office rent and facilities, management, accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Mr Goyder is a Director of Chalice Gold Mines Limited. Mrs Stevens is the Company Secretary of Chalice Gold Mines Limited. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms. The total amount paid during the period was \$8,000 (six months ended 31 December 2013: Nil). An amount of \$2,000 (six months ended 31 December 2013: Nil) was outstanding and payable at the end of the period.

Uranium Equities Limited is a related party of PhosEnergy Limited as it controlled the Company prior to the demerger of PhosEnergy Limited's assets in July 2013. Uranium Equities provided a working capital loan to the Company of \$50,000 (plus interest) which is payable by 31 October 2015.

Associate

The Group has a 30% interest in UFP Investments LLC. The Group did not have any transactions with UFP during the reporting period.

Terms and conditions of transactions with related parties

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

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2015

6. Events Subsequent to Reporting Date

There were no significant events after reporting date.

7. Commitments and contingencies

Expenditure commitments

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

Contingent assets and liabilities

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

PhosEnergy Limited


Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 10th day of September 2015.

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

Anthony Kiernan
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PhosEnergy Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying financial report of PhosEnergy Limited ("the Company"), which comprises the condensed statement of financial position as at 30 June 2015, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**



Partner

**Perth, Western Australia
10 September 2015**