



PhosEnergy Limited

ABN 31 164 573 728

Half-Year Report

30 June 2017

PhosEnergy Limited

Contents

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Statement of Comprehensive Income	6
Condensed Statement of Financial Position	7
Condensed Statement of Changes in Equity	8
Condensed Statement of Cash Flows	9
Notes to the Condensed Financial Statements	10
Directors' Declaration	15
Independent Auditor's Review Report	16

PhosEnergy Limited

Directors' Report

For the half-year ended 30 June 2017

Your directors submit the financial report for PhosEnergy Limited ('PhosEnergy' or "the Group") for the half-year ended 30 June 2017. In compliance with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

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

Review of operations

PhosEnergy manages the development of the process of recovering uranium as a by-product in the manufacture of phosphate fertilizer ("**the PhosEnergy Process**" or the "**Process**"). The Process is a co-development between the Company and Cameco Corporation, one of the world's leading uranium producers.

Following completion of a demonstration plant at the site of a major US fertilizer production facility and completion of a Pre-Feasibility Study (PFS) by global consulting firm, Hatch, the Company and Cameco have continued to pursue business development opportunities around the world to potentially provide access to a larger fertilizer facility to improve the overall Process economics.

Mindful of the continued challenges in the uranium market, Cameco and the Company agreed to continue to reduce development activity level this year to preserve capital within the jointly owned operating entity. The Company remains confident that with the technical work that has been achieved to date and the estimated cash operating costs from the PFS an upturn in the uranium market would see a renewed interest in the application of the Process.

The Company continues to evaluate opportunities to apply the Process to other commodities and sectors and also is actively evaluating complimentary projects which may utilise the intellectual property and knowledge within the Group.

Financial Review

At 30 June 2017 the Group had a deficiency of net assets of \$163,643 (31 December 2016: \$128,231). At 30 June 2017 cash at bank totalled \$11,017 (31 December 2016: \$21,923). As set out in Notes 5, 6 and 7 to the Financial Statements, at balance date, current liabilities of \$129,169 mainly consisted of accrued directors' fees (\$70,069) and outstanding loans (inclusive of interest payable) to Mr Tim Goyder (\$20,461) and Mr Tony Kiernan (\$20,461). Non-current liabilities consisted of an outstanding loan (including interest payable) to Uranium Equities Ltd (\$65,090).

The Group reported a net loss for the period of \$49,558, compared to a net loss of \$195,008 for the half year ended 30 June 2016. The reduction in loss was mainly due to reduced share based payment expenses recognised for the half year ended 30 June 2017.

Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees and defer payment until further notice. At 30 June 2017, non-executive directors' total compensation accrued from 1 July 2013 to date was \$70,069.

Events arising since the end of the reporting period

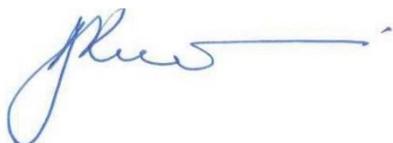
There were no significant events after balance date.

PhosEnergy Limited
Directors' Report
For the half-year ended 30 June 2017

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 2017.

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

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

Anthony Kiernan
Chairman
13 September 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of PhosEnergy Limited for the half-year ended 30 June 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo

L Di Giallonardo
Partner

Perth, Western Australia
13 September 2017

PhosEnergy Limited
Condensed Statement of Comprehensive Income
For the half-year ended 30 June 2017

		Consolidated	
	Note	30 June 2017 \$	30 June 2016 \$
Continuing Operations			
Revenue	3a	36,000	110,613
Foreign exchange loss		(102)	(123)
Corporate and administrative expenses	3b	(71,466)	(156,887)
Share based payments		(10,960)	(146,492)
		(46,528)	(192,889)
Financial expenses		(3,030)	(2,119)
Loss before income tax		(49,558)	(195,008)
Income tax benefit		-	-
Loss attributable to owners of the parent		(49,558)	(195,008)
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		3,186	15,062
Other comprehensive income net of tax		3,186	15,062
Total comprehensive loss attributable to owners of the parent		(46,372)	(179,946)
Basic loss per share (cents per share)		(0.14)	(0.53)
Diluted loss per share (cents per share)		(0.14)	(0.53)

PhosEnergy Limited
Condensed Statement of Financial Position
As at 30 June 2017

	Note	Consolidated	
		30 June 2017 \$	31 December 2016 \$
Current assets			
Cash and cash equivalents		11,017	21,923
Trade and other receivables		19,599	9,534
Total current assets		30,616	31,457
Total assets		30,616	31,457
Non-current assets			
Equity accounted investment	4	-	-
Total non-current assets		-	-
Total assets		30,616	31,457
Current liabilities			
Trade and other payables	5	88,247	96,705
Borrowings	6	40,922	62,983
Total current liabilities		129,169	159,688
Non-current liabilities			
Borrowings	7	65,090	-
Total non-current liabilities		65,090	-
Total liabilities		194,259	159,688
Net liabilities		(163,643)	(128,231)
Equity			
Issued capital	8	1,761,803	1,761,803
Reserves		471,270	457,124
Accumulated losses		(2,396,716)	(2,347,158)
Total deficiency		(163,643)	(128,231)

PhosEnergy Limited
Condensed Statement of Changes in Equity
For the half-year ended 30 June 2017

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

	Issued capital	Accumulated losses	Consolidated Foreign currency translation reserve	Share based payments reserve	Total deficiency
	\$	\$	\$	\$	\$
Balance at 1 January 2016	1,761,803	(2,102,176)	276,421	-	(63,952)
Loss for the reporting period	-	(195,008)	-	-	(195,008)
Exchange differences on translation of foreign operations	-	-	15,062	-	15,062
Total comprehensive loss for the period	-	(195,008)	15,062	-	(179,946)
Share based payments	-	-	-	146,492	146,492
Balance at 30 June 2016	1,761,803	(2,297,184)	291,483	146,492	(97,406)

PhosEnergy Limited
Condensed Statement of Cash Flows
For the half-year ended 30 June 2017

	Consolidated	
	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities		
Cash receipts from customers	30,512	103,200
Cash paid to suppliers and employees	(81,316)	(139,755)
Net cash used in operating activities	(50,804)	(36,555)
Cash flows from financing activities		
Proceeds from loans from directors	40,000	-
Net cash inflows from financing activities	40,000	-
Net decrease in cash and cash equivalents	(10,804)	(36,555)
Cash and cash equivalents at the beginning of the period	21,923	61,801
Effects of exchange rate fluctuations on cash held	(102)	(123)
Cash and cash equivalents at the end of the period	11,017	25,123

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2017

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 2016 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 2016.

(d) Adoption of new and revised Accounting Standards

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 January 2017.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 30 June 2017 and have determined that there is no material impact of the new and revised Standards and Interpretations on the group and, therefore, no change is necessary to Group accounting policies.

(e) Going Concern

Notwithstanding the matter that the Group had a deficiency of net assets of \$163,643 at 30 June 2017, and incurred a loss for the 6 months then ended of \$49,558, the financial statements have been prepared on the going concern basis of accounting. The directors consider that this basis is appropriate because they are of the

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2017

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

2. Segment reporting

Geographical segments

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

3. Revenue and expenses

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

	30 June 2017	30 June 2016
	\$	\$
(a) Revenue		
Management Fees	36,000	103,200
Other Income	-	7,413
	36,000	110,613

	30 June 2017	30 June 2016
	\$	\$
(b) Operating expenses		
Accounting fees	7,314	10,860
Audit fees	5,500	20,000
Consultants - corporate	11,410	10,800
Consultants - process engineering	24,000	63,000
Insurance	7,902	10,917
Other	427	3,964
Personnel expenses	10,011	17,325
Printing and stationery	2,683	4,665
Rent and outgoings	173	13,104
Share registry	2,046	2,252
	71,466	156,887

4. Equity Accounted Investment

Reconciliation of movements in equity accounted investment:

	30 June 2017	30 June 2016
	\$	\$
Balance at beginning of period	-	-
Share of losses	-	-
Foreign currency translation difference	-	-
Balance at end of period	-	-

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2017

	30 June 2017	31 December 2016
	\$	\$
<u>Financial Position</u>		
Total assets	-	-
Total liabilities	-	-
Net assets	-	-
Group's share of associate's net assets	-	-

	30 June 2017	30 June 2016
	\$	\$
<u>Financial Performance</u>		
Total revenue	-	-
Total loss for the reporting period	(3,964)	(6,532)
Group's share of associate's loss	-	-

5. Trade and other payables	30 June 2017	31 December 2016
	\$	\$
Trade and other payables	36	-
Accrued expenses ⁽¹⁾	88,211	96,705
	<u>88,247</u>	<u>96,705</u>

⁽¹⁾ Accrued expenses at 30 June 2017 includes non-executive directors' fees outstanding of \$70,069. Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue to accrue directors' fees and defer payment until further notice.

6. Borrowings – Current	30 June 2017	31 December 2016
	\$	\$
<i>Unsecured – Directors (i)</i>		
Principal	40,000	-
Accrued Interest	922	-
	<u>40,922</u>	<u>-</u>

(i) In March 2017, Mr Kiernan and Mr Goyder provided working capital loans to the company of \$20,000 (plus interest). The loans are repayable on or before six months from drawdown, with an option to convert the outstanding balance into fully paid ordinary shares in the Company (at the election of Mr Goyder and Mr Kiernan) if not repaid by that date. The effective interest rate on each loan is 8.5% per annum.

	30 June 2017	31 December 2016
	\$	\$
<i>Unsecured – Uranium Equities Limited (ii)</i>		
Principal	-	50,000
Accrued Interest	-	12,983
	<u>-</u>	<u>62,983</u>

(ii) Uranium Equities Limited provided a loan to the Company for working capital purposes upon the demerger of PhosEnergy Process assets in September 2013. The loan was repayable by 31 December 2016, and the effective interest rate on the loan is 8.5% per annum. During the period, the repayment date was extended to 31 December 2018. As a result, at 30 June 2016, the loan has been reclassified as a non-current liability. Refer to note 7.

PhosEnergy Limited
Notes to the Condensed Financial Statements
For the half-year ended 30 June 2017

7. Borrowings – Non-current	30 June 2017	31 December 2016
	\$	\$
<i>Unsecured-Uranium Equities Limited (Note 6)</i>		
Principal	50,000	-
Accrued Interest	15,090	-
	<hr/> 65,090	<hr/> -

8. Issued Capital	30 June 2017	31 December 2016
	No.	No.
(a) Issued and fully paid ordinary shares	<hr/> 36,542,899	<hr/> 36,542,899
(b) Share options	30 June 2017	31 December 2016
	No.	No.
Movements in options over ordinary shares on issue:		
At 1 January 2017	4,250,000	-
Options Granted	-	4,250,000
Outstanding at the end of the period	<hr/> 4,250,000	<hr/> 4,250,000

9. Related Parties

Key management personnel

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

Key management personnel compensation is as follows:

	30 June 2017	30 June 2016
	\$	\$
Short-term benefits	15,622	9,577
Post-employment benefits	435	435
Share based payments	4,655	104,062
Consulting fees	12,000	59,250
	<hr/> 32,712	<hr/> 173,324

As at 30 June 2017, non-executive directors received total compensation of \$10,011 (30 June 2016: \$10,011). Due to market conditions and with an emphasis on conserving cash reserves, directors agreed to continue accruing directors' fees and defer payment until further notice. At 30 June 2017, non-executive directors' total compensation accrued from 1 July 2013 to date was \$70,069 (Refer to note 5).

Mr Jones was paid consulting fees for services performed in his role as Managing Director through a related party (Inception Consulting Engineers Pty Ltd) in place of a monthly salary. At 30 June 2017, \$2,000 was owing to Inception Consulting Engineers Pty Ltd for the services performed by Mr Jones (30 June 2016: \$10,500).

Other related party transactions

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

PhosEnergy Limited

Notes to the Condensed Financial Statements

For the half-year ended 30 June 2017

The total amount paid during the period was \$10,800 (six months ended 30 June 2016: \$10,800). An amount of \$1,800 (six months ended 30 June 2016: \$1,800) 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 2016. Uranium Equities provided a working capital loan to the Company of \$50,000 (plus interest) which is payable by 31 December 2018. Mr Goyder and Mr Jones are both directors of Uranium Equities Ltd (Refer to notes 6 and 7).

Mr Kiernan and Mr Goyder provided working capital loans to the company of \$20,000 (plus interest), each on 23 March 2017. These loans are repayable on or before six months from drawdown, with an option to convert the outstanding balance into fully paid ordinary shares (at Mr Goyder and Mr Kiernan's election) in the Company if not repaid by that date. The effective interest rate on each loan is 8.5% per annum.

Associate

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

Terms and conditions of transactions with related parties

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

10. Events Subsequent to Reporting Date

There were no significant events after reporting date.

11. 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 2017 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 13th day of September 2017.

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 half-year financial report of PhosEnergy Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

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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 2017 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



L Di Giallonardo
Partner

Perth, Western Australia
13 September 2017