Annual Report

31 December 2021

PhosEnergy Limited | ABN 31 164 573 728

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CORPORATE INFORMATION

ABN 31 164 573 728

Directors
Anthony Kiernan
Bryn Jones
Timothy Goyder
Timothy Wise
Lucy Gauvin

Company secretary
Damien Connor

Registered office
Level 10, 111 Gawler Place
Adelaide, SOUTH AUSTRALIA 5000

Principal place of business
Level 10, 111 Gawler Place
Adelaide, SOUTH AUSTRALIA 5000

Share registry
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
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Auditors
HLB Mann Judd (WA Partnership)
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 2021.

DIRECTOR DETAILS

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

Mr Anthony Kiernan LLB Non-executive Chairman (Appointed 1 July 2013)	Mr Kiernan is a corporate advisor with extensive experience in the administration and operation of listed public companies. Mr Kiernan is Chairman of Pilbara Minerals Limited and Redbank Copper Ltd and is a former Director of Northern Star Resources Limited. In the past three years, Mr Kiernan was Chairman of Venturex Resources Limited and Saracen Resources Limited (prior to the merger with Northern Star Resources Limited), and a Director of Danakali Limited and Chalice Mining Limited (formerly Chalice Gold Mines Limited).
Mr Bryn Jones BAppSc, MMinEng, FAusIMM Managing Director (Appointed 1 July 2013)	Mr Jones is an Industrial Chemist with extensive evaluation, development and operational experience in the minerals industry across various commodities. Mr Jones has also been at the forefront of PhosEnergy's technology commercialisation and has participated in several other technology commercialisation and innovation efforts over his career. Mr Jones is also a Non-Executive Director of Boss Resources Ltd (ASX: BOE), DevEx Resources Ltd (ASX: DEV) and Australian Rare Earths Ltd (ASX:AR3).
Mr Timothy Goyder Non-executive Director (Appointed 1 July 2013)	Mr Goyder is a Perth-based mining investor with a strong record of successful investments and value creation in the Australian and international resources sector. He is a major shareholder of PhosEnergy Limited. Mr Goyder is experienced in all facets of the exploration and mining industries both in Australia and internationally and has a thorough understanding of the Australian and global equities markets having raised significant capital on the ASX during his career. Mr Goyder is currently the Chairman of Liontown Resources Limited (ASX:LTR), Chairman of DevEx Resources Limited (ASX:DEV) and Non-Executive Director of Minerals 260 Limited (ASX: MI6) and was Chairman of Chalice Mining Limited (ASX:CHN) until November 2021.
Mr Timothy Wise BSc. Non-executive Director (Appointed 26 March 2019)	Mr Wise has over 25 years' experience in both public and private companies. He is a founder of Kalina Power, (ASX: KPO) and The Tap Doctor. He is an advisor to the Harry Butler Institute based at Murdoch University. Mr Wise is a Non-Executive Director of Environmental Clean Technologies (ASX:ECT), TMK Energy (ASX:TMK) and Melchor Pty Ltd.
Ms Lucy Gauvin BCom (CorpFin), LLB (Appointed 31 December 2021)	Ms Gauvin has near 20 years' experience as a corporate and commercial lawyer with a primary focus in the energy and resources industry. Ms Gauvin is presently General Counsel of ASX listed Strike Energy Limited, and prior to that was a Partner in the Corporate and Commercial team at national law firm Piper Alderman. Ms Gauvin's corporate and commercial experience includes asset acquisitions and disposals, commodity sales, joint ventures, project development and financing, IPOs, capital raisings, mergers and acquisitions, corporate governance and compliance.
Mr Richard Hacker B.Com, CA, ACIS (resigned as an Alternate Director to Mr T Goyder on 22 February 2022)	Mr Hacker has significant corporate and commercial experience in the energy and resources sector in Australia and the United Kingdom. He is a Chartered Accountant and Chartered Secretary. Mr Hacker has previously worked in senior finance roles with global energy companies. Mr Hacker is a director of DevEx Resources Limited and the Chief Financial Officer of Chalice Mining Limited (formerly Chalice Gold Mines Limited).

Company Secretary

Mr Damien Connor B.Com, CA, GAICD, AGIA (Appointed 6 August 2021)	Mr Connor is an experienced Company Secretary and CFO, with over 20 years finance and accounting experience including 15 years in the mining and mineral exploration industry. Damien is a member of the Chartered Accountants of Australia and New Zealand (Chartered Accountant), an associate member of the Governance Institute of Australia (Chartered Secretary) and a graduate of the Australian Institute of Company Directors. Damien has been providing Company Secretary and CFO services to a number of ASX Listed and unlisted entities since 2011.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activity of PhosEnergy is the development of innovative green-energy technologies aimed at recovering useful energy, resources and chemicals from unconventional or waste sources, ultimately unlocking commercial opportunities for Shareholders.

The Company's technology portfolio is divided into three pillars: Zero Carbon Fuels; Smart Semiconductor Structures and our Technology Incubator.

REVIEW OF OPERATIONS

Zero Carbon Fuels

The PhosEnergy Process

The Company's most advanced technology is the PhosEnergy Process, a patented science developed to recover uranium from phosphate fertiliser production. PhosEnergy and global uranium company Cameco Corporation ('Cameco') are jointly commercialising the PhosEnergy Process via a registered Colorado company called Urtek LLC ('Urtek'), which is beneficially owned 74.21% by Cameco and 25.79% by PhosEnergy.

2021 saw a resurgence in the uranium spot price recently achieving a high of US$59.75/lb U_3O_8[1].

The Company believes that the long-term fundamentals of the uranium/nuclear fuel market are strong with movement from major world economies to bolster nuclear programs to achieve ambitious carbon emission targets with long term, reliable power.

The PhosEnergy Process has the potential to play a significant role in the strengthening nuclear fuel market with sustainably sourced uranium. The 'Green' uranium from the PhosEnergy Process not only has the potential to provide cost-competitive uranium but also reduce the environmental distribution of uranium through the broad-acre application of phosphate fertilizers.

With a recovering uranium price and a projected future shortfall in uranium supply, the Company is reviewing opportunities for deployment of the PhosEnergy Process.

LCH2 Hydrogen Hub

The Company has been reviewing opportunities to leverage its CarbonX technology into clean, blue hydrogen projects where CarbonX can be applied to the CO_2 waste stream to create valuable products, such as methanol, thereby lowering the levelised cost of hydrogen.

In investigating potential blue hydrogen locations in the Limestone Coast region, the Company has identified a number of both blue and green hydrogen business models which could form a cluster of connected hydrogen projects within Australia, with multiple off-take customers.

The Company has signed a Memorandum of Understanding ("MOU") with Kimberly-Clark Australia (KCA), the largest natural gas user in the Limestone Coast area of South Australia, to investigate initial partial replacement of up to 20% of their existing energy supply input with hydrogen. This replacement, combined with other electrification initiatives, have the potential to assist KCA in meeting their target of net zero carbon emissions by 2030.

In December 2021, the Company commissioned GPA Engineering to complete a Scoping Study on the supply of green hydrogen to the facility which is expected to be completed in Q1 2022.

Smart Semiconductor Structures

GenX Energy

GenX Energy Units ("GenX Units") uniquely combine metals, semiconductors and beta-radiation into smart structures that produce constant DC power over very long time frames.

The highly reliable, low voltage power that can be produced by GenX Units is vital for a range of terrestrial devices in critical industry applications such as telecommunications and remote sensing systems.

The most immediate application for GenX Units is in the space industry, where high reliability, low maintenance power is critical to the success of missions where the cost of deployment is very high.

GenX Units can potentially replace sub-optimal remote power sources with a simple and safe generator that supplies constant DC power for up to several decades without the need for refuelling or recharging.

The global space sector is growing rapidly driven, mainly, by the use of low-earth orbit ("LEO") satellite telecommunications and the Internet of Things (IoT). Industry projections (Haver Analytics - Morgan Stanley Research[2]) see the global space sector spend growing from >US$250 billion per annum today to over US$1 Trillion by 2040. The Company believes energy supply to the space sector may account for 5 to 10% of this total spend.

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[1] TradeTech Daily U Price March 11, 2022

[2] Space – Investing in the Final Frontier – Morgan Stanley Jul 24, 2020

The Company has identified very few competitors, globally, developing the capability to provide whole of system or sub-system power supplies with the proposed reliability, power to weight performance and longevity of the GenX system. It is for this reason that the Company has received overwhelming engagement from the space and defence sectors, both within Australia and globally, supporting the potential for development of GenX markets.

Throughout 2021 the Company completed critical material developments and designed a system for the production of prototype GenX units. Demonstration GenX units are expected to be produced in Q1 2022 with commercial prototypes scheduled for late 2022.

GenT Energy

GenT is a thermovoltaic (TV) technology which utilises the unique GenX electrode system in combination with selected low bandgap semiconductors to convert infrared radiation (waste heat) to electrical energy. GenT may provide an opportunity for the energy from waste heat in industrial processes to be effectively utilised to create power that may be recycled to the operation.

In 2021 the Company received a grant from the Innovative Manufacturing Co-operative Research Centre (IMCRC) to develop prototype GenT system for testing in various temperature environments.

On successful completion of the demonstration testing, the Company will assess the viability of commercial scale manufacture of GenT units.

Technology Incubator

The Technology Incubator monitors trends in sector and technology development and conceptualises or acquires new technology opportunities for rapid testing and evaluation.

CarbonX Process

The CarbonX Process is a ground-breaking technology, which has the potential to profitably convert CO_2 to methanol and other commercial products. Until now, the conversion of CO_2 into useable chemicals has been technically possible but commercially challenging, with existing technologies hampered by the large amount of energy input required. The Company's CarbonX Process offers the opportunity of a low-cost solution to deliver a range of commercially viable products, including methanol and other C1 and C2 carbon compounds.

In 2020 the Company completed proof of concept testing at ANSTO using the world's first beta activated catalyst (BAC). The results obtained exceeded the Company's expectations of CO_2 conversion rate. Through 2021 the Company has identified and arranged for the manufacture of several catalytic phases that show the potential to further improve CO_2 conversion rates for further testing.

Developing an Australian supply chain for Radioisotope Heater Units ("RHUs")

RHUs have been used in the global space industry for many years to provide internal heat to keep electronics warm in extreme environments, such as lunar night and deep space.

The Company, with its partners Moonlode (Space Engineering) and Auranos (Radioisotope modelling), were successful in obtaining an Australian Space Agency Moon to Mars Demonstrator Feasibility grant (the "RHU Grant") to develop an Australian supply chain RHU for lunar night survival.

The project is due to be completed in the first half of 2022. If successful, the partners intend to apply for the next phase of Moon to Mars funding – Demonstrator Mission, which will take the project from prototype to demonstration.

The Company's unique RHU design will provide cost, permitting, safety and proliferation advantages over the incumbent RHU technology, thereby creating a commercial opportunity for the Company to develop RHUs for sale to the global space industry.

Team

Following the completion of a placement and rights issue in June 2021, the Company moved quickly to secure key staff for the rapid development of its key projects:

Dr Scott Edwards joined the Company as General Manager – Generation Technologies, with a background in automotive technology commercialisation. Scott holds a PhD in chemistry and has significant experience in taking new technologies from concept to large scale production.

Leigh Whicker joined the Company as Commercial Manager with unique experience in the energy, defence and technology development sectors.

Bryn Jones, the part time Managing Director, accepted a full-time role with the Company.

Capital Raising

To further develop its suite of technologies the Company completed a placement to sophisticated and institutional investors of $4,195,000 (before costs) at $0.10 per share. Shortly following the placement, a non-renounceable entitlement issue and associated placement of shortfall shares raised a further $2,000,000 (before costs) at $0.10 per share.

FINANCIAL REVIEW

For the year ended 31 December 2021 the Company recorded a loss of $1,529,966 (2020: Loss $201,149). The increased loss is predominantly the result of the increased staffing and activity associated with progression of the Company's technologies during the year.

Research and development expenses were $486,543 (2020: $277,894). The increase is predominantly the result of an increase in costs incurred for work performed by technical personnel.

Corporate and administration costs were $924,143 (2020: $184,389) during the year. The increase was primarily due to greater personnel costs. Additionally, a non-cash accounting expense of $205,570 associated with the valuation of unlisted options issued to directors and other employees was recognised during the year.

As at 31 December 2021, the Group had net assets of $4,796,114 (2020: $199,127) including cash at bank of $4,686,819 (2020: $256,972). The increased cash balance during the year was attributed to a successful capital raising involving the issue of 61,950,000 fully paid ordinary shares at an issue price of $0.10 per share to raise $6.195 million (before costs), comprising a Share Placement ($4.195 million) and an Entitlement Offer to existing shareholders ($2 million).

There was a working capital surplus as at 31 December 2021 of $4,451,450 (2020: surplus of $134,784).

CHANGES IN EQUITY

The following changes in equity took place during the year ended 31 December 2021:

<u>Shares</u>

The number of fully paid ordinary shares on issue increased from 58,087,609 (1 January 2021) to 120,037,609 (31 December 2021).

During the year 61,950,000 fully paid ordinary shares, in aggregate, were issued at a price of $0.10 per share to raise $6,195,000 (before costs), pursuant to a share placement to sophisticated and institutional investors ($4.195m) and a non-renounceable entitlement issue and associated placement of shortfall shares ($2m).

<u>Unlisted Options</u>

The number of unlisted options (Options) on issue increased from 10,250,000 (1 January 2021) to 26,910,416 (31 December 2021).

During the year, 16,660,416 Options, in aggregate, were issued to Directors and Key Management Personnel. Refer Note 19 of the consolidated financial statements for further details of Options issued during the year.

<u>Performance Rights</u>

The number of performance rights on issue during the year did not change, remaining at 3,000,000 (31 December 2020: 3,000,000).

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 31 January 2022, the Company issued 1,500,000 fully paid ordinary shares at an issue price of $0.10 per share to a third party pursuant to a services agreement between the Company and the service provider, raising $150,000.
- On 2 February 2022, the Company incorporated CarbonX Developments Pty Ltd, GenT Developments Pty Ltd, GenX Energy Pty Ltd and RHU Solutions Pty Ltd ("New Subsidiaries"). The New Subsidiaries are each wholly owned by PhosEnergy Limited.
- On 22 February 2022, Richard Hacker resigned as an alternate Director to Mr T Goyder.

There were no further significant events after the reporting date.

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 formal meetings of directors held during the year and the number of meetings attended by each director are tabled below.

Director	A	B
Anthony Kiernan	9	9
Bryn Jones	9	8
Timothy Goyder	9	8
Timothy Wise	9	9
Lucy Gauvin [1]	-	-

[1] Appointed on 31 December 2021.

Where:

Column A is the number of meetings the Director was entitled to attend.

Column B is the number of meetings the Director attended.

OPTION HOLDINGS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of Options over ordinary shares in the Company held directly, indirectly or beneficially by each Director and other members of the Key Management Personnel, including their related parties, is listed below.

	Held at 1 January 2021	Granted as compensation	Exercised	Lapsed/Forfeited	Held at 31 December 2021	Vested and exercisable at 31 December 2021
Directors						
Anthony Kiernan	1,000,000	1,250,000	-	-	2,250,000	1,416,667
Timothy Goyder	1,000,000	1,000,000	-	-	2,000,000	1,333,334
Bryn Jones	2,000,000	4,327,083	-	-	6,327,083	2,000,000
Timothy Wise	2,000,000	1,000,000	-	-	3,000,000	2,333,334
Lucy Gauvin	-	1,000,000			1,000,000	333,334
Richard Hacker [1]	750,000	-	-	-	750,000	750,000
Executives						
Julian Kelly	2,000,000	1,500,000	-	-	3,500,000	2,500,000
Damien Connor	-	750,000	-	-	750,000	250,000
Total	**8,750,000**	**10,827,083**	**-**	**-**	**19,577,083**	**10,916,669**

[1] Mr Hacker resigned as an Alternate Director to Mr T. Goyder subsequent to year end, on 22 February 2022.

No further Options have been issued, exercised into shares, forfeited or cancelled subsequent to the end of the reporting period and as at the date of this report.

PERFORMANCE RIGHT HOLDINGS OF DIRECTOR AND OTHER KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially, by each Director and other members of the Key Management Personnel, including their related parties, is listed below.

	Held at 1 January 2021	Granted as compensation	Exercised	Lapsed/Forfeited	Held at 31 December 2021	Vested and exercisable at 31 December 2021
Directors						
Bryn Jones	1,000,000	-	-	-	1,000,000	-
Timothy Wise	1,000,000	-	-	-	1,000,000	-
Executives						
Julian Kelly	1,000,000	-	-	-	1,000,000	-
Total	**3,000,000**	**-**	**-**	**-**	**3,000,000**	**-**

No performance rights have been issued, exercised into shares, forfeited or cancelled since the end of the reporting period and as at the date of this report.

UNISSUED SHARES UNDER OPTIONS AND PERFORMANCE RIGHTS

At the date of this report, there are 26,910,416 Options and 3,000,000 performance rights on issue. Refer to Note 19 of the consolidated financial statements for further details of the options and performance rights outstanding at 31 December 2021.

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.

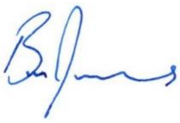
NON-AUDIT SERVICES

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 section 307C of the Corporations Act 2001 is included on page 10 of this annual report and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors



Bryn Jones
Managing Director
16 March 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of PhosEnergy Limited for the year ended 31 December 2021, 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
16 March 2022

D I Buckley
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 $	2020 $
Continuing operations			
Revenue	**5(a)**	52,704	52,704
Other income	**5(b)**	173,068	193,557
Foreign exchange gains/(losses)		89	(229)
Corporate and administrative expenses	**6(a)**	(924,143)	(184,389)
Research and development expenses	**6(b)**	(486,543)	(277,894)
Business development expenses		(129,728)	-
Share based payments	**19**	(205,570)	15,102
Loss before financing costs		**(1,520,123)**	**(201,149)**
Finance costs		(9,843)	-
Loss before income tax		**(1,529,966)**	**(201,149)**
Income tax benefit	**7**	-	-
Loss attributable to owners of the parent		**(1,529,966)**	**(201,149)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,269)	(96)
Other comprehensive loss net of tax		**(1,269)**	**(96)**
Total comprehensive loss attributable to owners of the parent		(1,531,235)	(201,245)
Basic loss per share (cents per share)	**8**	(1.74)	(0.35)
Diluted loss per share (cents per share)	**8**	(1.74)	(0.35)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	**9**	4,686,819	256,972
Trade and other receivables	**10**	239,790	24,866
Total current assets		**4,926,609**	**281,838**
Non-current assets			
Intangible Assets	**12**	201,894	61,961
Property, plant and equipment		53,080	2,381
Right to use asset – office Lease	**15**	355,476	-
Total non-current assets		**610,450**	**64,342**
Total assets		**5,537,059**	**346,180**
Liabilities			
Current liabilities			
Trade and other payables	**13**	202,156	126,041
Lease liability	**15**	115,356	-
Employee benefits	**18**	157,647	21,012
Total current liabilities		**475,159**	**147,053**
Non-current liabilities			
Lease liability	**15**	265,108	-
Employee benefits	**18**	678	-
Total non-current liabilities		**265,786**	**-**
Total liabilities		**740,945**	**147,053**
Net assets		**4,796,114**	**199,127**
Equity			
Issued capital	**16**	8,714,104	2,791,452
Reserves	**17**	537,055	332,754
Accumulated losses		(4,455,045)	(2,925,079)
Total equity		**4,796,114**	**199,127**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

31 December 2021	Issued capital	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 January 2021	**2,791,452**	**278,190**	**54,564**	**(2,925,079)**	**199,127**
Loss for the year	-	-	-	(1,529,966)	**(1,529,966)**
Other comprehensive loss, net of income tax	-	(1,269)	-	-	**(1,269)**
Total comprehensive loss	**-**	**(1,269)**	**-**	**(1,529,966)**	**(1,531,235)**
Shares issued during the year	6,195,000	-	-	-	**6,195,000**
Cost of shares issued during the year	(272,348)	-	-	-	**(272,348)**
Share based payments	-	-	205,570		**205,570**
Balance as at 31 December 2021	**8,714,104**	**276,921**	**260,134**	**(4,455,045)**	**4,796,114**

31 December 2020	Issued capital	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 January 2020	**2,791,452**	**278,286**	**69,666**	**(2,723,930)**	**415,474**
Loss for the reporting year	-	-	-	(201,149)	**(201,149)**
Other comprehensive loss, net of income tax	-	(96)	-	-	**(96)**
Total comprehensive income	**-**	**(96)**	**-**	**(201,149)**	**(201,245)**
Share based payments	-	-	(15,102)	-	**(15,102)**
Balance as at 31 December 2020	**2,791,452**	**278,190**	**54,564**	**(2,925,079)**	**199,127**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		103,674	52,704
Interest received		13	-
Government incentives received		-	76,046
Research and development refund		-	78,611
Payments to suppliers and employees		(1,423,667)	(479,699)
Net cash outflows from operating activities	**9**	**(1,319,980)**	**(272,338)**
Cash flows from investing activities			
Grant income received		66,000	38,900
Payments for property, plant and equipment		(54,209)	(2,726)
(Payments) / Refund for intangible assets	**12**	(146,395)	1,100
Net cash inflows/(outflows) from investing activities		**(134,604)**	**37,274**
Cash flows from financing activities			
Repayment of lease liability	**15**	(34,069)	-
Proceeds from issue of shares	**16**	6,195,000	-
Costs of shares issued	**16**	(272,348)	-
Proceeds from loans from directors	**14**	100,000	-
Proceeds of loans from directors	**14**	(100,000)	-
Interest paid		(3,062)	-
Net cash inflows from financing activities		**5,885,521**	**-**
Net increase/(decrease) in cash and cash equivalents		4,430,937	(235,064)
Cash and cash equivalents at beginning of the year		256,972	492,590
Effect of exchange rate fluctuations on cash held		(1,090)	(554)
Cash and cash equivalents at 31 December	**9**	**4,686,819**	**256,972**

The accompanying notes form part of these financial statements.

BASIS OF PREPARATION

This Section of the financial report sets out the Group's (being PhosEnergy Limited and its controlled entities) accounting policies that relate to the Financial Statements as a whole. Where the accounting policy is specific to one Note, the policy is described in the Note to which it relates.

The Notes include information which is required to understand the Financial Statements and is material and relevant to the operations and the financial position and performance of the Group.

Information is considered relevant and material if:

- The amount is significant due to its size or nature
- The amount is important in understanding the results of the Group
- It helps to explain the impact of significant changes in the Group's business
- It relates to an aspect of the Group's operations that is important to its future performance.

NOTE 1: CORPORATE INFORMATION

The consolidated financial report of PhosEnergy Limited for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of Directors on 16 March 2022.

PhosEnergy is an Australian company developing innovative green-energy technologies aimed at recovering useful energy resources and chemicals from unconventional or waste sources.

NOTE 2: REPORTING ENTITY

The consolidated financial report comprises the financial statements of PhosEnergy Limited ("Company" or "Parent") and its subsidiaries ("the Group") for the year ended 31 December 2021. A list of the Group's subsidiaries is provided at Note 23.

NOTE 3: BASIS OF PREPARATION

The financial report is a general purpose financial report which has 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. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for financial assets, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for certain assets. PhosEnergy is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise indicated.

(a) Significant accounting judgements, estimates and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

Uncertainty about these assumptions and estimates could require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Group also discloses its exposure to risks and uncertainties in Note 21. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share-based payment transactions

The Group measures the cost of equity-settled share-based payments of options at fair value at the grant date using a Black-Scholes Option model and performance rights are measured using a binomial model, taking into account the terms and conditions upon which the instruments were granted.

The details and assumptions used in determining the value of these transactions are detailed in Note 19.

(ii) Non-market vesting conditions

At each reporting period non-market vesting conditions in relation to performance rights are assessed in order to determine the probability of the likelihood that the non-market vesting conditions are met.

NOTE 3: BASIS OF PREPARATION…continued

(b) Foreign currency translation

The functional currency of the Company is Australian dollars and the functional currency of subsidiaries based in the United States of America is United States Dollars (USD).

The Group's consolidated financial statements are presented in Australian Dollars (AUD), which is also the parent company's 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 functional currency spot rates of exchange at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss as incurred. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates as at the date of the initial transaction. As at the balance date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of PhosEnergy at the rate of exchange ruling at the balance date and profit or loss is translated at the average exchange rate for the year. The exchange differences arising on the translation are recognised in the foreign currency translation reserve in equity.

(c) Impairment of assets other than financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of profit or loss. Receivables with a short duration are not discounted.

PERFORMANCE FOR THE YEAR

This section provides additional information about those line items in the Statement of Profit or Loss and Other Comprehensive Income that the directors consider most relevant in the context of the operations of the Group.

NOTE 4: SEGMENT REPORTING

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

NOTE 5: REVENUE

a) Revenue

	2021	2020
	$	$
Management fees	52,704	52,704

The Group's revenue comprises management fees charged to Urtek LLC. Refer to Note 11 for details in relation to Urtek LLC and to Note 25 for details in relation to the management services provided to Urtek LLC.

ACCOUNTING POLICY

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when control of the good or service passes to the customers.

NOTE 5: REVENUE…continued

b) Other Income

	2021 $	2020 $
R&D tax concession	100,436	78,611
Grant income	16,722	38,900
Rental income – corporate office	55,854	-
Interest income	56	-
Government incentives	-	76,046
	173,068	193,557

ACCOUNTING POLICY

Government and other grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on the systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTE 6: EXPENSES

a) Corporate and administrative expenses

	Note	2021 $	2020 $
Accounting, Tax & Secretarial fees		74,605	12,508
Audit fees		13,300	25,284
Consultants – corporate and other		184,750	53,897
Depreciation and right-of-use asset amortisation		55,786	345
Insurance		17,034	3,045
Travel		1,907	783
Other		8,944	6,212
Personnel expenses (net of allocations to R&D activities)	6(c)	491,386	75,931
Office, website and IT expenses		49,724	2,264
Share registry		26,707	4,120
		924,143	184,389

b) Research and development expenses

	Note	2021 $	2020 $
Technologies research and development expenses		306,399	83,708
Personnel expenses	6(c)	173,682	190,749
Amortisation of intangibles	12	6,462	3,437
		486,543	277,894

Technologies research and development expenses relates to expenditure incurred on the CarbonX, GenX, GenT and RHU technologies.

ACCOUNTING POLICY

Costs that do not meet the recognition criteria of an intangible asset and are expensed against profit or loss as incurred. An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and can be measured reliably. Amortisation on intangible assets with a finite life are expensed to profit or loss. (Refer to Note 12).

NOTE 6: EXPENSES...continued

c) Personnel expenses

	2021 $	2020 $
Salaries, wages and Directors' fees	522,346	223,632
Superannuation	56,047	21,245
Annual Leave and long service leave	72,380	10,020
Bonus provision	64,933	-
Other personnel expenses	1,797	11,783
Total personnel expenses	**717,503**	**266,680**
Personnel expenses allocated to research & development expenses	173,682	190,749
Personnel expenses allocated to corporate and administrative expenses	491,386	75,931
Personnel expenses allocated to business development expenses	52,435	-
	717,503	**266,680**

NOTE 7: INCOME TAX

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

	2021 $	2020 $
Accounting profit/(loss) before income tax	(1,529,966)	(201,149)
Income tax benefit calculated at 25% (2020: 27.5%)	(382,492)	(55,316)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-Deductible expenses	87,186	2,279
Current and deferred tax expense not recognised	320,415	74,655
Non-assessable Income	(25,109)	(21,618)
Income tax expense benefit on profit/(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 25% 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:

	2021 $	2020 $
Unrecognised tax losses – Revenue	1,805,938	731,886
Unrecognised deferred tax asset on unused tax losses	451,484	201,269

These tax losses may be available for offset against future taxable profits of the Group subject to continuing to meet the relevant statutory tests.

ACCOUNTING POLICY

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 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 7: INCOME TAX...continued

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.

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.

NOTE 8: LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic loss per share for the year ended 31 December 2021 was based on the loss attributed to ordinary equity holders of the parent of $1,529,966 (2020: Loss of $201,149) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2021 of 87,742,527 (2020: 58,087,609).

ASSETS

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the Group.

NOTE 9: CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank and on hand	4,686,819	256,972

Reconciliation of loss to net cash used in operating activities

	2021 $	2020 $
Loss for the reporting period	(1,529,966)	(201,149)
Share based payments	205,570	(15,102)
Amortisation of intangible assets	6,461	3,436
Depreciation of property, plant and equipment	3,510	345
Amortisation – right-of-use asset	52,276	-
Interest expenses	9,843	-
Grant income received	(16,722)	(38,900)
Foreign exchange (gain) / loss	(89)	459
Operating loss before changes in working capital	(1,269,117)	(250,911)
(Increase)/decrease in assets:		
Trade and other receivables	(220,509)	(7,645)
Increase/(decrease) in liabilities:		
Trade and other payables	32,333	(23,802)
Provision for annual leave, long-service leave/bonus	137,313	10,020
Net cash outflows from operating activities	(1,319,980)	(272,338)

ACCOUNTING POLICY

Cash and cash equivalents in the statement of financial position comprise cash balances which are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents is considered to approximate fair value.

NOTE 10: TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Prepayments [1]	120,582	10,241
Research and development tax concession [2]	100,436	-
Other receivables	18,772	14,625
	239,790	24,866

1 Balance includes $100,768 associated with prepayment of international patent application filing and associated fees.

2 Relates to research and development tax incentive for the claim year ended 31 December 2020. This amount was received subsequent to year end.

ACCOUNTING POLICY

Trade and other receivables are measured at fair value which is usually the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable (amortised cost less expected credit losses). Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days and are not discounted for expected losses.

NOTE 11: INVESTMENT IN ASSOCIATE

The Company and Cameco Corporation 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 incorporated company is the entity in which the research and development is being undertaken. UFP Investments LLC (UFP), a USA incorporated company in which the Company has a legal and beneficial interest of 28.66% (2020: 28.66%), holds the joint investment of 90% in Urtek LLC with Cameco owning the remaining 10% directly.

The beneficial ownership in the PhosEnergy Process held through Urtek LLC is Cameco 74.21% (2020: 74.21%): PhosEnergy Limited 25.79% (2020: 25.79%).

The share of the associate's losses for the year is US$18,494 (2020: US$19,010), which has not been recognised as the carrying amount of the Company's equity accounted interest in this associate is nil (2020: nil). The associate's net assets as at 31 December 2021 is $US81,583 (2020: US$151,447)

ACCOUNTING POLICY

An associate is an entity over which the Group has significant influence. 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.

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 requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate. Any impairment loss recognised forms part of 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.

NOTE 12: INTANGIBLE ASSETS

	2021 $	2020 $
Cost	214,085	67,690
Accumulated amortisation	(12,191)	(5,729)
Net carrying amount	201,894	61,961
Reconciliation of intangible assets		
Carrying amount at the beginning of the year	61,961	66,498
Additions/(refund fees)	146,395	(1,100)
Amortisation charges for the year	(6,462)	(3,437)
Carrying amount at the end of the year	201,894	61,961

Intangible assets consist of the patent and intellectual property associated with the CarbonX Process and GenT Energy Units measured at cost. Additional capitalised costs during the year ended 31 December 2021 included international patent application filing costs for the CarbonX Process and GenT Energy Unit patents.

ACCOUNTING POLICY

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and can be measured reliability. The asset must be identifiable i.e. is capable of being separated or divided from the entity and sold or transferred. No intangible asset arising from research (or from the research phase of an internal project) shall be recognised.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful life of the CarbonX Process is 20 years, being the term of the patent. The estimated useful life of the GenT Energy Units is 20 years, being the term of the patent.

LIABILITIES AND EQUITY

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the Group.

NOTE 13: TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables	81,912	9,931
Accrued expenses	40,859	106,764
Deferred Grant income	49,278	-
Other payables	30,107	9,346
	202,156	126,041

ACCOUNTING POLICY

Trade 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 as they are part of the working capital used in the entities operating cycle. Refer note 5(b) for the accounting policy regarding Grant income.

NOTE 14: BORROWINGS

In May 2021, Mr Kiernan and Lotaka Pty Ltd ("Lotaka"), an entity of which Mr Goyder is the sole director, each provided an unsecured loan of $50,000 on normal commercial arm's length equivalent terms. The funds provided were for working capital purposes only, and repayable on or before six (6) months from drawdown, with an option to convert the outstanding balance into fully paid ordinary shares in the Company (at the election of Mr Kiernan and Lotaka) if not repaid by that date. The effective interest rate on each loan is 8.5% per annum.

In August 2021, the Company settled in cash, the unsecured loan payable to Lotaka Pty Ltd, an entity of which Mr Goyder is the sole director. The loan outstanding at date of settlement was $51,095 (inclusive of interest). In November 2021, the Company settled in cash, the unsecured loan payable to Mr Kiernan. The loan outstanding at date of settlement was $51,968 (inclusive of interest).

ACCOUNTING POLICY

Borrowings are recognised when the Group becomes a party to the contractual provisions to the instrument. Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. They are subsequently measured at amortised cost using the effective interest method.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

NOTE 15: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2021 $	2020 $
Lease Liabilities		
Balance on initial recognition	(407,752)	-
Interest in the period	(6,781)	-
Lease payment in period	34,069	-
Balance at the end of the period	**(380,464)**	**-**
Classified as:		
Current	(115,356)	-
Non-current	(265,108)	-
	(380,464)	**-**
Right-of-use asset		
Balance on initial recognition	407,752	-
Accumulated amortisation		
Balance at the beginning of the period	-	-
Amortisation in period	(52,276)	-
Balance at the beginning of the period	(52,276)	-
Balance at the end of the period	**355,476**	**-**

ACCOUNTING POLICY

During the year the Group entered into a lease contract for commercial office in Adelaide, South Australia. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Where a lease has an extension option the Group has used its judgement to determine whether or not an option would be reasonably certain to be exercised. The Group considers all facts and circumstances including any significant improvements, current stage of projects, location, and their past practice to help them determine the lease term. The Group have not included the current extension option in determining the lease term. The Adelaide office lease has a term of 3 years, with an option to extend for a further 5 years.

Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at commencement date of the lease. The weighted average incremental borrowing rate applied to the lease liability was 4.1%.

In the consolidated statement of cash flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

NOTE 16: ISSUED CAPITAL

The capital structure of the Group consists of equity attributable to equity holders consisting of issued capital, reserves and accumulated losses. 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, from the proceeds.

a) Movement in ordinary shares on issue

	2021		2020	
	Number	$	Number	$
Balance at beginning of period	**58,087,609**	**2,791,452**	**58,087,609**	**2,791,452**
Shares issued – Placement	41,950,000	4,195,000	-	-
Shares issued – Entitlement Offer and Additional Offer	20,000,000	2,000,000	-	-
Transaction costs on issue of shares	-	(272,348)	-	-
Balance at 31 December	**120,037,609**	**8,714,104**	**58,087,609**	**2,791,452**

Placement

In June 2021, the Company completed a Share Placement ("Placement") to sophisticated and institutional investors, by issuing 41,950,000 fully paid ordinary shares at 10 cents per share raising $4.195 million (before issue costs).

Entitlement Offer and Additional Offer

In June 2021 the Company commenced a 1 for 5 non-renounceable entitlement issue by offering 20,000,000 fully paid ordinary shares at an issue price of $0.10 per share to raise $2 million (before issue costs) ("Entitlement Offer") to existing shareholders of the Company ("Eligible Shareholders") with any shortfall forming part of the Additional Offer. During the year the Company issued 20,000,000 fully paid ordinary shares pursuant to the Entitlement Offer and Additional Offer, raising $2 million (before issue costs).

A total of $6.195 million (before issue costs) was raised from the issue of fully paid ordinary shares under a Placement ($4.195m) and Entitlement and Additional Offer ($2m) during the year.

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.

NOTE 17: RESERVES

a) Share based payments reserve

The share based payments reserve is used to recognise the value of equity-settled share based payment transactions provided to Directors, other key management personnel, staff and consultants. Refer to Note 19 for further details.

	2021	2020
	$	$
Share based payment reserve	260,134	54,564
Movement associated with performance rights (Rights) & Options during the period:		
Balance at the Opening Balance	54,564	69,666
Options granted	205,570	12,530
Rights granted	-	(27,632)
Closing Balance	260,134	54,564

b) 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.

	2021	2020
	$	$
Foreign currency translation reserve	276,921	278,190

EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the remuneration of employees, consultants and key management personnel of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 18: EMPLOYEE BENEFITS

	2021 $	2020 $
Current		
Annual leave accrued	50,080	21,012
Long Service Leave accrued	42,634	-
Bonus accrued	64,933	-
	157,647	**21,012**
Non-current		
Long Service Leave accrued	678	-
	678	-

ACCOUNTING POLICY

Liabilities for 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.

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. Those cashflows are discounted using market yields on high quality corporation bonds with terms to maturity that match the expected timing of cashflows.

NOTE 19: SHARE BASED PAYMENTS

a) Recognised share-based payment expense

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

	2021 $	2020 $
Share options	205,570	12,530
Performance rights	-	(27,632)
	205,570	(15,102)

Share-based payments expense recognised during the year was in relation to options and performance rights previously issued that were subject to vesting conditions. The expense recognised during the year is impacted by estimates in relation to timing and likelihood of vesting.

NOTE 19: SHARE BASED PAYMENTS…continued

b) General terms of share-based payments

Options

The following table outlines the details of outstanding options at 31 December 2021:

	Other terms	No. of Options	Earliest Vesting Date
Exercisable at $0.075, expiry 31 March 2022		4,250,000	9 Apr 19
Exercisable at $0.075, expiry 31 March 2022		3,000,000	31 Mar 20
Exercisable at $0.075, expiry 31 March 2022		3,000,000	31 Mar 21
Exercisable at $0.145, expiry 31 December 2024	*Vest immediately*	2,250,003	31 Dec 21
Exercisable at $0.145, expiry 31 December 2024	*Vest after 12 months*	2,249,999	31 Dec 22
Exercisable at $0.145, expiry 31 December 2024	*Vest after 24 months*	2,249,998	31 Dec 23
Exercisable at $0.04, expiry 31 December 2024	*Vest immediately*	250,000	31-Dec-21
Exercisable at $0.04, expiry 31 December 2024	*Incentive options* *Options vest subject to satisfaction of performance criteria over the period to the expiry date. Options not vested by the expiry date, will lapse.* *Performance criteria for the Incentive Options relate to the achievement of corporate and key project milestones.*	500,000	31-Dec-21
Exercisable at $0.04, expiry 31 December 2024	*Short-term incentive (STI) options* *Options vest subject to satisfaction of performance criteria for the performance period ended 31 December 2021. Unvested Options lapse.* *Performance criteria for the STI Options relate to the achievement of short-term corporate and technical milestones.* [1]	1,810,416	31 Dec 21
Exercisable at $0.04, expiry 31 December 2024	*Long-term incentive (LTI) options* *Options vest subject to satisfaction of performance criteria for the performance period ended 31 December 2023. Unvested Options lapse.* *Performance criteria for the LTI Options relate to the achievement of long-term corporate and technical milestones.*	7,350,000	31 Dec 23
		26,910,416	

[1] As at the date of this report, assessment against the performance criteria for the performance period ended 31 December 2021 has not been undertaken.

NOTE 19: SHARE BASED PAYMENTS...continued

The movement in the number of options and weighted average exercise prices is as follows:

	Weighted Average Exercise Price	2021	2020
Outstanding at the beginning of the period	$0.075	10,250,000	10,250,000
Exercised during the period	-	-	-
Cancelled during the period	-	-	-
Granted during the period	$0.083	16,660,416	-
Outstanding at the end of the period	$0.080	26,910,416	10,250,000
Exercisable at the end of the period	$0.087	12,570,003	7,250,000

All Options are unlisted and are exercisable into fully paid ordinary shares in the Company on a one for one basis. The fair value of the Options issued during the period was calculated by using a Black-Scholes option pricing model.

The fair value of the Options issued during the year was estimated on the date of grant using the following assumptions:

	14.5 cent Options	4 cent Options
Exercise price ($)	0.145	$0.04
Share price at date of grant ($)	0.10	0.10
Historic volatility (%)	87.9	87.9
Risk free interest rate (%)	0.86	0.86
Expected life of Options (days)	1,099	1,099

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate. The life of the Options is based on the historical exercise patterns, which may not eventuate in the future.

The total fair value at the grant date for the 16,660,416 Options issued was $1,057,463. Where vesting of Options is subject to the satisfaction of particular performance criteria, a probability factor has been applied to ensure the fair value reflects the estimated achievement against those criteria. Following the application of vesting probability, an amount of $690,524 is being expensed to the Statement of Profit or Loss and Other Comprehensive Income under 'share based payments' expense over the respective vesting periods applicable to the Options, which vary from immediately to December 2023.

An amount of $205,570 has been included in the Statement of Profit or Loss and Other Comprehensive Income under 'share based payments' expense for the year ended 31 December 2021 (31 December 2020: ($15,102)) relating to the fair value of options issued.

Performance Rights

No performance rights were issued during the year ended 31 December 2021. The number of performance rights outstanding at 31 December 2021 was 3,000,000 (2020: 3,000,000).

The performance rights were granted for no consideration and expire on 31 March 2022. The performance rights will lapse if the performance conditions are not met by the expiry date.

ACCOUNTING POLICY

The cost of share-based payments is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income, together with a corresponding increase in Share-based Payments Reserve in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

The Group measures the cost of equity-settled share based payments at fair value at the grant date using a Black Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel during the reporting period:

Directors:	
Mr Anthony Kiernan	Non-executive Chairman
Mr Bryn Jones	Managing Director
Mr Timothy Goyder	Non-executive Director
Mr Timothy Wise	Non-executive Director
Ms Lucy Gauvin	Non-executive Director
Mr Richard Hacker [1]	Alternate Director (Mr T Goyder)
Executives:	
Dr Julian Kelly	Senior Scientist
Mr Damien Connor	Chief Financial Officer and Company Secretary

[1] Mr Hacker resigned as an alternate director to Mr Goyder on 22 February 2022.

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

	2021 $	2020 $
Short-term employee benefits	431,519	247,232
Long-term employee benefits	67,845	10,020
Post-employment benefits	34,735	21,246
Share based payments	126,197	(15,102)
	660,296	263,396

Transactions with Key Management Personnel

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, short-term employee benefits, post-employment benefits and share-based payment awards. As at 31 December 2021, executive personnel received short-term employee benefits of $431,519 (2020: $247,232).

During the year, the Company entered into loan agreements on arm's length equivalent terms with both Mr Kiernan and Lotaka Pty Ltd ("Lotaka"), an entity of which Mr Goyder is the sole director. The loans were settled in cash during the year. Refer to Note 14 for further details.

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.

Option and performance rights holdings of Key Management Personnel

Options and performance rights holdings by Key Management Personnel are detailed in the Directors' report.

FINANCIAL INSTRUMENTS

This section of the Notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

NOTE 21: FINANCIAL INSTRUMENTS

Risk Management Framework

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

The Group 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 16 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 Group 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 Group's income or value of its holdings of financial instruments.

c) Foreign exchange rate risk

The Group currently has no significant exposure to foreign exchange rates.

d) Equity prices

The Group does not hold any equity investments at the end of the reporting period.

e) Interest rate risk

Interest rate risk is the risk that changes in bank deposit rates affect the Group'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		
31 December 2021	**Weighted average effective interest rate %**	**Fixed Interest $**	**Floating interest $**	**Non-interest bearing $**	**Total $**
Financial assets					
Cash and cash equivalents	-	-	4,686,819	-	**4,686,819**
Trade and other receivables	-	-	-	239,790	**239,790**
	-	-	4,686,819	239,790	**4,926,609**
Financial liabilities					
Trade and other payables	-	-	-	(202,156)	**(202,156)**
Lease Liability	4.1%	(380,464)	-	-	**(380,464)**
		(380,464)	-	(202,156)	**(582,620)**
Net Financial Assets / (liabilities)		**(380,464)**	**4,686,819**	**37,634**	**4,343,989**

NOTE 21: FINANCIAL INSTRUMENTS…continued

	CONSOLIDATED					
	Weighted average effective interest rate	**1 year or less**	**Over 1 to 5 years**	**Floating interest**	**Non-interest bearing**	**Total**
31 December 2020	**%**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	-	-	-	256,972		**256,972**
Trade and other receivables	-	-	-	-	24,866	**24,866**
				256,972	24,866	**281,838**
Financial liabilities						
Trade and other payables	-	-	-	-	(126,041)	**(126,041)**
	-	-	-	-	(126,041)	**(126,041)**
Net Financial Assets / (liabilities)	**-**	**-**	**-**	256,972	**(101,175)**	**155,797**

The Group has no material exposures to interest rate risk.

f) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is not significant and currently arises principally from sundry receivables (see Note 10) which represent an insignificant proportion of the Group's activities and cash and cash equivalents.

The maximum exposure to credit risk, at balance date to recognised financial assets is the carrying amount, as disclosed in the notes to the financial statements.

g) Liquidity risk exposure

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board actively monitors the Group'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 Group has non-derivative financial liabilities which include trade and other payables of $202,156 (2020: $126,041) all of which are due within 60 days.

h) Fair value of financial instruments

The Directors consider the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

ACCOUNTING POLICY

The Group measures financial instruments at fair value at each balance date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The exception is for trade receivables which are measured at the transaction price due to their short-term maturities.

GROUP COMPOSITION

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the structure of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 22: PARENT ENTITY DISCLOSURES

Financial position	2021 $	2020 $
Assets		
Current assets	4,926,609	281,839
Non-current assets	610,450	64,342
Total assets	5,537,059	346,181
Liabilities		
Current liabilities	475,159	142,510
Non-current liabilities	265,786	-
Total liabilities	740,945	142,510
Equity		
Issued capital	8,714,104	2,791,452
Reserves	260,134	54,564
Accumulated losses	(4,178,124)	(2,642,345)
Total equity/(deficiency)	4,796,114	203,671

Financial performance	2021 $	2020 $
Profit/(Loss) for the reporting period	(1,535,779)	(201,697)
Other comprehensive income	-	-
Total comprehensive income/ (loss)	(1,535,779)	(201,697)

There were no parent entity contingencies or capital commitments as at 31 December 2021.

NOTE 23: LIST OF SUBSIDIARIES

The consolidated financial statements include the financial statements of PhosEnergy Limited and its subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity interest 2021	% Equity interest 2020
Parent Entity			
PhosEnergy Limited	Australia	100	100
Subsidiaries			
PhosEnergy Inc.	USA	100	100
HPEL Developments Pty Ltd [1]	Australia	100	-

[1] HPEL Developments Pty Ltd was incorporated in Australia on 9 July 2021 and is a wholly owned subsidiary of PhosEnergy Limited.

OTHER INFORMATION

This section of the Notes includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

NOTE 24: AUDITOR'S REMUNERATION

The auditor of PhosEnergy Limited is HLB Mann Judd.

	2021 $	2020 $
Audit or review of the financial statements	22,350	17,600

NOTE 25: RELATED PARTIES

The consolidated financial statements include the financial statements of PhosEnergy Limited and its subsidiaries, PhosEnergy Inc. and HPEL Developments Pty Ltd. PhosEnergy Limited is the ultimate parent of the Group.

Transactions with Key Management Personnel

During the year, the Company entered into loan agreements on arm's length equivalent terms with both Mr Kiernan and Lotaka Pty Ltd ("Lotaka"), an entity of which Mr Goyder is the sole director. The loans were settled in cash during the year. Refer to Note 14 for further details.

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

Transactions with other related parties

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

Related parties:	Note	2021 $	2020 $
UFP Investments LLC	(i)	-	-
Urtek LLC	(ii)	(52,704)	(52,704)

(i) The Group has a 28.66% (2020: 28.66%) legal and beneficial interest in UFP Investments LLC and is accordingly an associate – see note 11. The Group did not have any transactions with UFP during the reporting period.

(ii) The Group has a 25.79% (2020: 25.79%) beneficial interest in Urtek LLC and is accordingly an associate– see Note 11. The Company provided management services to Urtek LLC during the half year. Amounts were billed at an amount agreed between the Company and Cameco Corporation and are due and payable under normal payment terms. No amounts were outstanding at 31 December 2021 (31 December 2020: $8,784).

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.

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 26: COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies at 31 December 2021.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

- On 31 January 2022, the Company issued 1,500,000 fully paid ordinary shares at an issue price of $0.10 per share to a third party pursuant to a services agreement between the Company and the service provider, raising $150,000.
- On 2 February 2022, the Company incorporated CarbonX Developments Pty Ltd, GenT Developments Pty Ltd, GenX Energy Pty Ltd and RHU Solutions Pty Ltd ("New Subsidiaries"). The New Subsidiaries are each wholly owned by PhosEnergy Limited.
- On 22 February 2022, Richard Hacker resigned as an alternate Director to Mr T Goyder.

There were no further significant events after the reporting date.

ACCOUNTING POLICIES

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements and information relating to new and revised accounting standards and their impact.

NOTE 28: GOODS AND SERVICES (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated at the amount of GST included. The net amount of GST recoverable from, or payable, to the Australian Taxation Office ('ATO') is included as a current asset or current liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

NOTE 29: CHANGES IN ACCOUNTING POLICIES

During the year ended 31 December 2021, the Directors adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period. The adoption of these Standards and Interpretations did result in any material change to Group accounting policies.

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the year ended 31 December 2021. The Group has determined that there is no material impact of the Standards and Interpretations not yet mandatory or early adopted.

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 2021 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 16 March 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of PhosEnergy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PhosEnergy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income , the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group 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 2021 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.

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 2021, 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*

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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.
- 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.

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

D I Buckley
Partner

Perth, Western Australia
16 March 2022