Half Year Report

30 June 2021

PhosEnergy Limited | ABN 31 164 573 728

CONTENTS

CORPORATE INFORMATION

ABN 31 164 573 728

Directors
Anthony Kiernan
Bryn Jones
Tim Goyder
Tim Wise
Richard Hacker (Alternate Director to Mr Tim Goyder)

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
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney NEW SOUTH WALES 2000
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Auditors
HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WESTERN AUSTRALIA 6000

DIRECTORS’ REPORT

Your Directors submit the financial report of PhosEnergy Limited (‘PhosEnergy’ or ’the Group’) for the half year ended 30 June 2021. 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	Non-Executive Chairman
Mr Bryn L Jones	Managing Director
Mr Tim N Wise	Executive Director
Mr Tim R B Goyder	Non-Executive Director
Mr Richard K Hacker	Alternate Director (Mr T Goyder)

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 most advanced technology is the PhosEnergy Process, a patented technology developed to recover uranium from phosphate fertiliser production. PhosEnergy and global uranium company Cameco Corporation (‘Cameco’) are jointly considering commercialisation opportunities for 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.

Other technologies in the Company’s Intellectual Property (‘IP’) portfolio include:

CarbonX Process: Utilising Waste Carbon Dioxide to produce Methanol and other valuable organic compounds

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.

GenX Energy: Long term, low maintenance, GenX constant DC power, driven by waste

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

Highly reliable, low voltage power is vital for a range of devices in critical industry applications such as sub-sea telecommunications and sensing systems. GenX Units 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.

GenT Energy: potential for a rapid commercialisation of systems with almost unlimited application in the field of thermal energy recovery

GenT is a thermovoltaic (TV) technology which utilises the GenX electrode system in combination with selected semiconductors - converting infrared radiation (waste heat) to electrical energy.

REVIEW OF OPERATIONS

A summary of the recent technical development activity is below:

CarbonX Process

In late 2019 the Company initiated a testwork program utilising the world’s first use of a Beta Activated Ceramic (BAC). The testwork program was conducted at the Australian Nuclear Science and Technology Organisation (ANSTO) and was aimed at gathering information on process parameters to advance the Company’s understanding of the commerciality of the CarbonX Process.

Results from this initial body of work exceeded the Company’s assumptions on the extent of chemical conversion achieved through beta energisation. The Company has now developed a program of work to leverage the learnings from these initial experiments incorporating several potential opportunities to greatly enhance the conversion rate in the process. This work will begin in H2, 2021.

GenX Energy

In March 2020 the Company was awarded an Innovation Connections Grant to work with Future Industries Institute ('FII') of the University of South Australia ('UniSA') to complete Proof of Concept ('PoC') experiments on GenX.

This work successfully demonstrated the effectiveness of the Company's unique electrode-semiconductor arrangements in harvesting electron-hole pairs from excited semi-conductor materials.

A second round of innovation connections grant funding was awarded with the aim of producing a functioning beta activated GenX unit in 2021. This work is ongoing at the time of this report.

From the learnings of the two phases of Innovation Connections work the Company has planned a program of activities leading to the fabrication of the first prototype GenX devices. Assessments will be made on the manufacturability and efficiency of tailored metal-semiconductor-metal junctions that will underpin the successful harvest of power from radioisotopes, encapsulated within the GenX semiconductor layer.

The Company has signed a Memorandum of Understanding with the Andy Thomas Centre for Space Resources, a part of the University of Adelaide, to collaborate in the commercialisation of the GenX technology for space applications.

GenT Energy

GenT is a thermovoltaic (TV) technology which utilises the GenX electrode system in combination with selected semiconductors converting infrared radiation (waste heat) to electrical energy.

Proof of Concept work on the GenT technology has been completed and a Provisional Patent filed. A program to optimise the semi-conductor layer is underway along with a plan to prototype the units to gather performance information.

PhosEnergy Process

Since 2018, due to the ongoing low uranium price environment, the Company decided to focus its efforts on the opportunities presented through its new technology developments, as listed above.

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

Recently, the uranium price has recovered to a 7-year high of over US$40/lb. The Company is monitoring this price trend in respect to a potential restart of activities in the Phosenergy Process development.

Radioisotope Heater Unit (RHU)

PhosEnergy has been awarded a Moon to Mars Demonstrator Feasibility Grant to develop our Radioisotope Heater Unit (RHU). The project will design and test a RHU prototype, sourced primarily through Australian supply chains, to allow a lunar surface payload to survive and operate over multiple lunar nights.

Technologies such as RHUs establish opportunities to endeavour further into lunar dark-side environments including activities such as finding water, resources and collecting critical environmental data.

Under the grant PhosEnergy seeks to construct and test RHU prototypes in Q1 2022.

Corporate

With the increased activity on all of the Company's technology developments the PhosEnergy team has been strengthened with technical and commercial resources:

- **Scott Edwards** joins as **General Manager - Generation Technologies**. Scott will lead the development of the GenX, GenT and RHU technologies through to commercialisation. Scott's background is in collaborative-based research and development and launching new technologies into volume production in the automotive manufacturing industry.

- **Leigh Whicker** joins as **Commercial Manager.** Leigh has over 20 years of international experience, with technical and commercial roles across various industries. Following nearly 15 years in the resources and energy sectors Leigh transitioned to the defence sector where he ran a successful consulting business developing SME's business maturity for the energy, defence and space sectors. He brings a wealth of diverse knowledge and deep industry and government networks particularly in the space and defence sectors.

- **Damien Connor** has been appointed **CFO and Company Secretary.** Damien 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 and has been providing Company Secretary and CFO services to several ASX Listed and unlisted entities since 2011. Damien replaces Leanne Stevens who held the role previously as CFO and Company Secretary since December 2014.

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

Company commenced a non-renounceable entitlement issue to raise $2 million (before issue costs) by issuing 20,000,000 shares at an issue price of 10 cents per share.

FINANCIAL REVIEW

At 30 June 2021, the Group had net assets of $3,634,435 (31 December 2020: net assets of $199,127) and cash at bank totalled $4,060,972 (31 December 2020: $256,972).

The Group reported a net loss for the period of $489,263 (30 June 2020: $73,207).

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 29 June 2021 the Company commenced a 1 for 5 non-renounceable entitlement issue by issuing 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"). The Entitlement Offer was made to existing shareholders of the Company ("Eligible Shareholders") and any shortfall of funds raised under the Entitlement Offer formed part of the Additional Offer. At the date of this report, the Company raised approximately $1.6 million under the Entitlement and Additional Offer, with the remaining $0.4 million placed to sophisticated or professional investors.

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, and on settlement, Mr Goyder subscribed to an equal amount of shares under the Additional Offer (500,000 shares at 10 cents per share). Total loan outstanding at date of settlement was $51,095 (inclusive of interest).

There were no other significant events after reporting date.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' Report for the half year ended 30 June 2021.

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.

Bryn Jones
Managing Director
15 September 2021

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 30 June 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
15 September 2021

D I Buckley
Partner

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 $	30 June 2020 $
Continuing operations			
Revenue	**4(a)**	26,352	26,352
Other income	**4(b)**	-	114,946
Foreign exchange gains		35	32
Corporate and administrative expenses	**5(a)**	(214,171)	(95,596)
Research and development expenses	**5(b)**	(299,413)	(170,261)
Share based payments	**12**	(2,066)	(27,212)
Loss before income tax		**(489,263)**	**(151,739)**
Income tax benefit	**6**	-	78,532
Loss attributable to owners of the parent		**(489,263)**	**(73,207)**
Other comprehensive loss, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,056)	(356)
Other comprehensive loss net of tax		**(1,056)**	**(356)**
Total comprehensive loss attributable to owners of the parent		(490,319)	(73,563)
Basic loss per share (cents per share)		(0.84)	(0.13)
Diluted loss per share (cents per share)		(0.84)	(0.13)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 $	31 December 2020 $
Assets			
Current assets			
Cash and cash equivalents		4,060,972	256,972
Trade and other receivables		60,283	24,866
Total current assets		**4,121,255**	**281,838**
Non-current assets			
Property, plant and equipment		2,145	2,381
Intangible assets	**8**	60,247	61,961
Total non-current assets		**62,392**	**64,342**
Total assets		**4,183,647**	**346,180**
Liabilities			
Current liabilities			
Trade and other payables	**9**	420,511	126,041
Borrowings	**10**	100,000	-
Employee benefits		28,701	21,012
Total current liabilities		**549,212**	**147,053**
Total liabilities		**549,212**	**147,053**
Net assets		**3,634,435**	**199,127**
Equity			
Issued capital	**11**	6,715,013	2,791,452
Reserves		333,764	332,754
Accumulated losses		(3,414,342)	(2,925,079)
Total equity		**3,634,435**	**199,127**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 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 reporting period	-	-	-	(489,263)	**(489,263)**
Other comprehensive loss, net of income tax	-	(1,056)	-	-	**(1,056)**
Total comprehensive loss	**-**	**(1,056)**	**-**	**(489,263)**	**(490,319)**
Share based payments	-	-	2,066	-	**2,066**
Share issue (net of issue costs)	3,923,561	-	-	-	**3,923,561**
Balance at 30 June 2021	**6,715,013**	**277,134**	**56,630**	**(3,414,342)**	**3,634,435**

	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 period	-	-	-	(73,207)	**(73,207)**
Other comprehensive loss, net of income tax	-	(356)	-	-	**(356)**
Total comprehensive loss	**-**	**(356)**	**-**	**(73,207)**	**(73,563)**
Share based payments	-	-	27,211	-	**27,211**
Balance at 30 June 2020	**2,791,452**	**277,930**	**96,877**	**(2,797,137)**	**369,122**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2021

	30 June 2021 $	30 June 2020 $
Cash flows from operating activities		
Receipts from customers	30,744	26,352
Government incentives received	-	31,900
Payments to suppliers and employees	(520,759)	(270,171)
Net cash outflows from operating activities	**(490,015)**	**(211,919)**
Cash flows from investing activities		
Payments for property, plant and equipment	-	(2,729)
Payments for intangible assets	-	1,100
Net cash outflows from investing activities	**-**	**(1,629)**
Cash flows from financing activities		
Proceeds from share issue	4,195,000	-
Proceeds from loans from directors	100,000	-
Net cash inflows from financing activities	**4,295,000**	**-**
Net increase/(decrease) in cash and cash equivalents	3,804,985	(213,548)
Cash and cash equivalents at beginning of period	256,972	492,592
Effect of exchange rate fluctuations on cash held	(985)	(325)
Cash and cash equivalents at 30 June	**4,060,972**	**278,719**

The accompanying notes form part of these financial statements.

ACCOUNTING POLICIES

NOTE 1: 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 2020 and any public announcements made by PhosEnergy Limited during the half year.

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

NOTE 2: 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.

(a) Significant accounting judgements, estimates and assumptions

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 2020.

(b) Going concern

The financial statements have been prepared on the going concern basis of accounting. The Directors consider that this basis is appropriate because they are of the opinion that, should the need arise, the Company can raise additional funding in order to meet its operating expenditure and commitments for the 12 months from the date of signing these financial statements. Refer to Note 11 for capital raised during the period and to Note 15 for capital in the process of being raised subsequent to period end.

NOTE 3: ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all of the new and revised Standards and Interpretations in issue that are relevant to the Group and effective for the half year reporting periods beginning on or after 1 January 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The Group has determined there is no material impact of the new and revised standards.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 4: REVENUE

a) Revenue

	30 June 2021 $	30 June 2020 $
Management fees	26,352	26,352

The Group's revenue comprises management fees charged to Urtek LLC.

b) Other Income

	30 June 2021 $	30 June 2020 $
Government incentives	-	76,046
Grant income	-	38,900
	-	114,946

No government incentives were received during the half year ended 30 June 2021. In the prior period, the Company received government incentives which was introduced to respond to the economic ramifications of the COVID-19 outbreak. In the prior period, the Company received $38,900 relating to the Innovation Connections Grant awarded to the Company for Proof of Concept experiments on GenX.

NOTE 5: EXPENSES

a) Corporate and administrative expenses

	30 June 2021 $	30 June 2020 $
Regulatory and compliance	37,902	20,592
Personnel expenses	46,711	36,262
Consultants - corporate	83,566	13,726
Consultants - process engineering	-	13,500
Insurance	23,352	7,410
Office costs	20,733	3,824
Travel	1,907	282
	214,171	95,596

b) Research and development expenses

	30 June 2021 $	30 June 2020 $
Laboratory expenses	203,371	46,705
Patent application costs	-	12,138
Amortisation of intangibles	1,714	1,723
Depreciation of property, plant and equipment	236	85
Personnel expenses	94,092	109,610
	299,413	170,261

Research and development expenditure relates to costs incurred on the CarbonX, GenX and GenT technologies.

NOTE 6: INCOME TAX BENEFIT

	30 June 2021 $	30 June 2020 $
Income tax benefit	-	78,532

NOTE 7: 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 based company is the entity in which the research and development is being undertaken. UFP Investments LLC (UFP) holds the joint investment of 90% in Urtek LLC with Cameco owning the remaining 10% directly.

The beneficial ownership in the PhosEnergy Process held by Urtek is Cameco 74.21% (31 December 2020: 74.21%): PhosEnergy Limited 25.79% (31 December 2020: 25.79%).

The share of the associate's losses for the half year is $nil (30 June 2020: $nil) and represents the Group's equity accounted share of the movement in UFP's net assets.

NOTE 8: INTANGIBLE ASSETS

	30 June 2021 $	31 December 2020 $
Cost	67,691	67,690
Accumulated amortisation	(7,444)	(5,729)
Net carrying amount	60,247	61,961
Reconciliation of intangible assets		
Carrying amount at the beginning of the period	61,961	66,498
Refund fees	-	(1,100)
Amortisation charges for the period	(1,714)	(3,437)
Carrying amount at the end of the period	60,247	61,961

NOTE 9: TRADE AND OTHER PAYABLES

	30 June 2021 $	31 December 2020 $
Trade payables	(118,952)	(9,931)
Accruals and other payables(1)	(301,559)	(116,110)
	(420,511)	(126,041)

(1) Accruals and other payables include non-executive directors' fees payable of $25,000 (31 December 2020: $20,000) to Mr Kiernan. Due to market conditions and with an emphasis on conserving cash reserves, Mr Kiernan has agreed to defer the payment his directors' fees until further notice.

NOTE 10: BORROWINGS - CURRENT

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 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.

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 11: 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

	30 June 2021 Number	$	31 December 2020 Number	$
Balance at beginning of period	58,087,609	2,791,452	58,087,609	2,791,452
Shares Placement[1]	41,950,000	4,195,000	-	-
Share issue costs	-	(271,439)	-	-
Balance at end of period	100,037,609	6,715,013	58,087,609	2,791,452

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

NOTE 12: SHARE BASED PAYMENTS

a) Recognised share-based payment expense

The share based payment expense recognised during the period:

	30 June 2021 $	30 June 2020 $
Share options	2,066	8,305
Performance rights	-	18,907
	2,066	27,212

b) Share Options

Movements in options over ordinary shares on issue:

	30 June 2021 No.	31 December 2020 No.
At 1 January	10,250,000	10,250,000
Options issued	-	-
Cancelled during period	-	-
Options exercised	-	-
Outstanding at the end of the period	10,250,000	10,250,000

c) Performance rights

Movements in performance rights on issue:

	30 June 2021 No.	31 December 2020 No.
At 1 January	3,000,000	3,000,000
Performance rights issued	-	-
Performance rights lapsed	-	-
Outstanding at the end of the period	3,000,000	3,000,000

NOTE 13: RELATED PARTIES

The consolidated financial statements include the financial statements of PhosEnergy Limited and its subsidiary, PhosEnergy Inc., 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 terms with both Mr Kiernan and Lotaka Pty Ltd ("Lotaka"), an entity of which Mr Goyder is the sole director. Refer to note 10 for further details.

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	30 June 2021 $	30 June 2020 $
UFP Investments LLC	(i)	-	-
Urtek LLC	(ii)	26,352	26,352

(i) The Group has a 28.66% (2020: 28.66%) interest in UFP Investments LLC and is accordingly an associate – see note 8. The Group did not have any transactions with UFP during the reporting period.

(ii) The Group has a 25.79% (2020: 25.79%) interest in Urtek LLC and is accordingly an associate– see note 8. 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. $nil was outstanding at 30 June 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 14: COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies at 30 June 2021.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

In June 2021 the Company commenced a 1 for 5 non-renounceable entitlement issue by issuing 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"). The Entitlement Offer was made to existing shareholders of the Company ("Eligible Shareholders") and any shortfall of funds raised under the Entitlement Offer formed part of the Additional Offer. At the date of this report, the Company raised approximately $1.6 million under the Entitlement and Additional Offer, with the remaining $0.4 million placed to sophisticated or professional investors.

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. To loan outstanding at date of settlement was $51,095 (inclusive of interest).

There were no other significant events after reporting date.

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 30 June 2021 and of its performance for the half 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

15 September 2021

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of PhosEnergy Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of PhosEnergy Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2021, 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, condensed notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 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*.

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 2021 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.

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Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
15 September 2021

D I Buckley
Partner