PhosCo Ltd

ABN 82 139 255 771

Half-year Financial Report - 31 December 2022

Directors	Mr Robin Widdup (Chairman) Mr Simon Eley (Managing Director) Mr Tarecq Aldaoud (Executive Director)
Interim CFO	Mr Craig Smyth
Company secretary	Mr Stefan Ross
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Australia +61 3 9692 7222
Principal place of business	Level 4, 100 Albert Road South Melbourne VIC, 3205 Australia +61 3 9692 7222
Perth office	Unit 27, 210 Queen Victoria Street North Fremantle, WA 6159 Australia +61 439 993 146
Share register	Automic Group Level 5, 126 Philip Street Sydney, NSW 2000 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia)
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Stock exchange listing	PhosCo Limited shares are listed on the Australian Securities Exchange (ASX code: PHO)
Website	www.phosco.com.au

PhosCo Ltd
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of PhosCo Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors
The following persons were directors of PhosCo Limited during the financial half-year and up to the date of this report, unless otherwise stated:

Mr Robin Widdup, Chairman
Mr Simon Eley, Managing Director
Mr Tarecq Aldaoud, Executive Director

Principal activities
During the six months ended 31 December 2022 (1H FY 2023), the principal activities of the Consolidated Entity are the exploration for, development and realisation of mineral resource projects in Tunisia.

Review of operations
Tunisian projects
The Company's key project is a 50.99% interest in the Chaketma Phosphate Project. The Company has also applied for additional research permits including the Sekarna phosphate project and the Simutu and Oued Belief base and precious metals projects.

Chaketma
Chaketma is a potential large-scale, world-class phosphate development asset, which comprises six prospects over a total area of 56km^2. As announced on 17 November 2022, it hosts a total JORC compliant Resource of 146.4Mt @ 20.6% P_2O_5 with access by road, and proximal to rail and gas pipelines. The Chaketma Exploration Permit was held by a Tunisian joint venture company, Chaketma Phosphates S.A. (CPSA), in which the Company holds a 50.99% interest.

Chaketma Phosphate Project Global Mineral Resources

CHAKETMA	JORC 2012	Mt	% P_2O_5
KEL (March 2022)	Measured	49.1	21.3
	Indicated	6.4	20.3
	Total	**55.5**	**21.2**
GK (November 2022)	Indicated	83.7	20.2
	Inferred	7.2	20.1
	Total	**90.9**	**20.2**
Global Resources	Measured	49.1	21.3
	Indicated	90.1	20.2
	Inferred	7.2	20.1
	Total	**146.4**	**20.6**

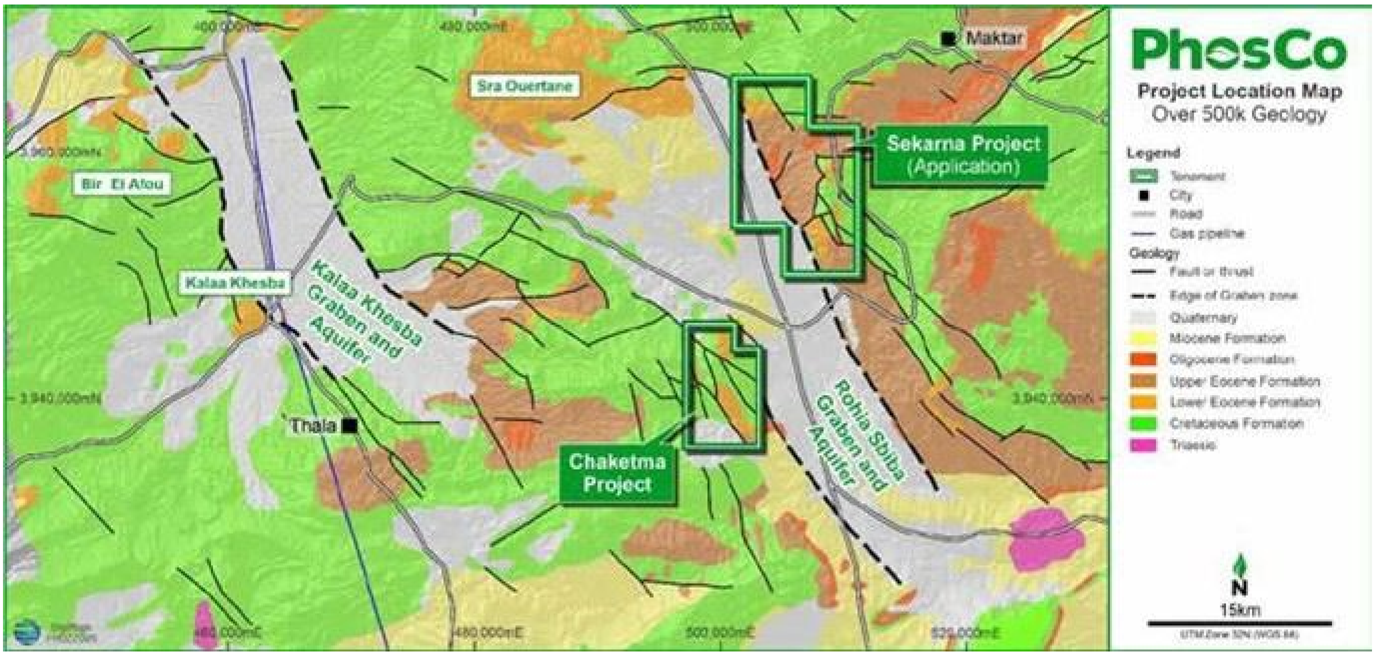
As announced on 3 January 2023, on 19 December 2022, the Consolidated Entity received the Minister's Decision rejecting the application and terminating the validity of CPSA's exploration permit. PhosCo has formally requested the Minister to revisit this decision under Tunisian administrative processes. The Company has engaged with the Tunisian Ministry of Industry, Mines and Energy (Ministry) regarding the permit status for the Chaketma Phosphate Project and notes comments made by the Ministry stating the importance of Australian-Tunisian relations and the willingness of both countries to work together. The Company will update the market when it receives any formal correspondence from the Ministry or the administration.

The Tunisian mining code provides a range of protections for permit holders, including an exclusive right for the exploration permit holder to apply for a mining concession, subject to compliance with the requirements set out in the mining code. Importantly, CPSA has fulfilled all commitments relating to the required research and studies and has complied with the conditions specified in the mining code and specific technical matters requested.

PhosCo is also protected by Tunisian investment law and international treaties that Tunisia has adopted addressing investments in certain sectors, including those made by foreign investors. Key provisions of the investment law include a guarantee of the freedom of investments, a guarantee against nationalisation, confiscation, sequestration and expropriation.

Sekarna

On 11 July 2022, PhosCo announced that an Exploration Permit application to be held 100% by PhosCo has been lodged with the Tunisian Department of Mines over the Sekarna Phosphate Project (Sekarna). The application covers over $128km^2$ in area and is located 10km northeast of Chaketma.



PhosCo's Tunisian exploration team observed phosphate in outcrop below the upper Eocene cap rock exposed by steep-sided mesa topography. No exploration targeting phosphate has been carried out over Sekarna. The phosphate mineralisation was investigated by A Zaier (1999), a PhD student who studied and documented phosphate deposits of the central and western basin of Tunisia.

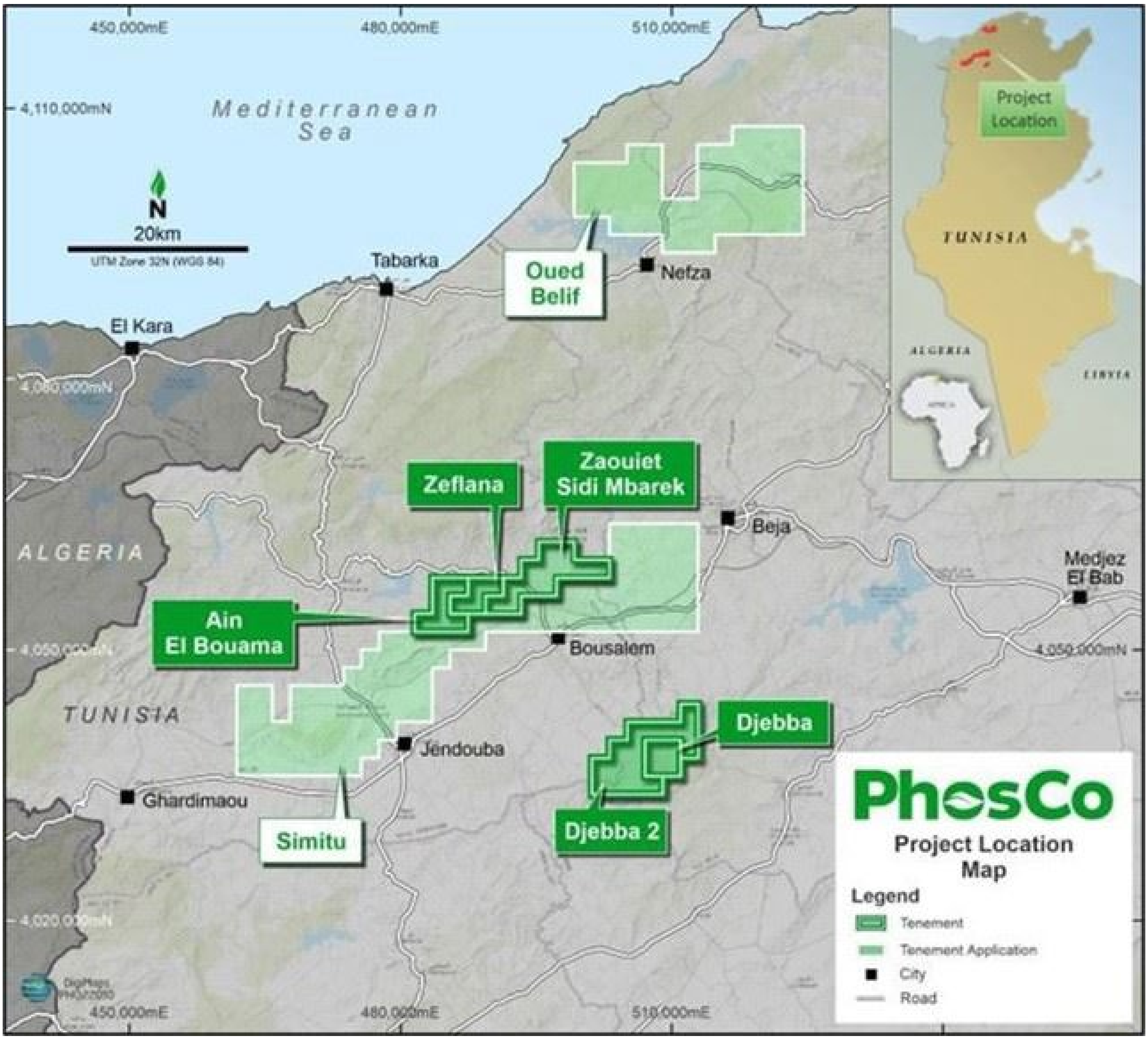
Historic diamond drilling by Reminex Exploration in 2007 that targeted lead zinc mineralisation intersected phosphate over an interval of 8 metres in drill hole SRLE3. The phosphate was not analysed. A 2011 geological paper on lead-zinc mineralisation at Sekarna reported phosphate grades of between 19.7% and 27.8% P_2O_5 in five core samples (Garnit et al 2011).

Field inspection by PhosCo's Tunisian team traced the phosphate unit, which was exposed in outcrop with mapped thicknesses of between 5m to more than 20m for 2.7km along the margin of the Rohia Graben.

The application process is well advanced and awaits official grant.

Northern Tunisia Base and Precious Metals

As advised in the March 2022 Quarterly Report, in April 2022 PhosCo lodged two Exploration Permit applications in Northern Tunisia. The applications cover over $424km^2$ and 244 Km^2 respectively targeting copper-lead-zinc with anomalous gold. The interpretation is that the Tunisian nappe zone is the extension and eastern termination of Iberian Pyrite Belt along the Mediterranean coast through Morocco and Algeria.



The applications target copper-lead-zinc and gold occurrences that have had some historical geochemical and geophysical work over old mine workings. Historic exploration work announced by Albidon Limited in April 2005 is the basis of the new applications and the PhosCo's in-country team continues the process of recovering and collating this data.

In October 2022, the Consolidated Entity commenced an auger drilling program on PhosCo's Zeflana Project in northern Tunisia. The drilling program aimed to test target areas that are considered highly prospective due to the following:

- highly anomalous zinc and lead from soil sampling of transported cover conducted by OZ Minerals in 2008;
- along strike from the Sidi Bou Aouane zinc-lead deposit mined in the early 20th century;
- within a region that contain many Mississippi Valley Type (MVT) zinc-lead deposits;
- gravity high, with similar characteristics to the historic Sidi Bou Aouane mine approximately to the north-east; and
- nearby historical workings.

The rig completed a 25-hole program with samples collected pending sample preparation and assay.

Financial Performance
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $6.80 million (31 December 2021: loss of $0.70 million) and was primarily incurred as a result of the following:

(i) In December 2022, the Consolidated Entity, as detailed in "Significant changes in the state of affairs", was notified by the Minister of Industry, Mines and Energy (Minister) that the Consolidated Entity's Application for a mining concession was rejected and that the validity of the Consolidated Entity's research permit in respect of the Chaketma tenement was terminated. As a result, the Consolidated Entity recognised an impairment of $5.16 million.
(ii) Corporate and administrative expenses increased by $0.80 million to $1.09 million (31 December 2021: $0.29 million), primarily as a result of increased activity following the regaining of control and management of CPSA (the operating company that holds the Chaketma permit);
(iii) Employment expenses increased by $0.30 million to $0.39 million (31 December 2021: $0.09 million) as a result of the engagement of additional personnel supporting the development of the Consolidated Entity's prospective interests in Tunisia;
(iv) Interest expense on cash calls due by CPSA to Tunisia Mining Services (TMS) during 1H FY2023 to $0.16 million (1HFY 2022: $0.08 million).

Financial Position
The Consolidated Entity's net liabilities was $4.80 million as at 31 December 2022 (30 June 2022: net liabilities of $1.37 million). The net liabilities at 31 December 2022 was primarily as a result of the impact of the impairment of exploration and evaluation assets by $5.16 million to nil during the six months ended 31 December 2022 (for details refer to note 7) and $5.77 million in cash calls and related interest payable to TMS, the Consolidated Entity's partner in CPSA. Cash calls and interest payable to TMS of $5.77 million should be considered in light of the Consolidated Entity's legal claims contesting the validity of the amounts owing. In addition, the Consolidated entity has an entitlement to the Arbitration Award of $6.1 million, as detailed further in note 12, as well as legal claims contesting the validity or otherwise of the amounts owing.

At 31 December 2022, the Consolidated Entity had cash and cash equivalents of $2.68 million (30 June 2022: $1.81 million), the increase of $0.87 million primarily arising from the receipt of $2.91 million from the exercise of options during the period ended 31 December 2022, offset by operating cashflows and investment in exploration and evaluation assets.

Cashflow
The Group's cash outflows from operations over the period ended 31 December 2021 was $1.39 million (31 December 2021: outflow of $0.55 million) and $0.61 million in outflows from investing activities (31 December 2021: nil). The net increase in cash and cash equivalents during the period ended 31 December 2022 was $0.89 million (31 December 2021: $1.51 million). The increase in 1H FY2023 is primarily as a result of the proceeds from the issue of shares upon the exercise of options.

Significant changes in the state of affairs
During the six months ended 31 December 2022, upon the exercise of options over fully paid ordinary shares, the Consolidated Entity issued 29,095,789 fully paid ordinary shares with an exercise price of $0.10 (10 cents), as a result of which the Consolidated Entity received $2.91 million in proceeds from the issue of shares.

On 15 July 2022, 12,000,000 options over fully paid ordinary shares with various exercise prices, expired.

On 31 August 2022, 3,588,988 options over fully paid ordinary shares with an exercise price of $0.10 (10 cents) expired.

On 9 December 2022, the Consolidated Entity issued 1,702,995 fully paid ordinary shares in settlement of outstanding obligations to the Directors and related parties for services rendered during the period from December 2021 through to and including September 2022.

On 9 December 2022, the Consolidated Entity issued 10,600,000 performance rights to Directors and employees over fully paid ordinary shares in the Company for nil consideration, expiring on 31 December 2024, with a fair value of $0.07 per performance right. The performance rights are subject to the satisfaction of performance hurdles specific to each of the recipients.

On 19 December 2022, the Consolidated Entity received the Minister’s Decision rejecting the application and terminating the validity of CPSA’s exploration permit. PhosCo has formally requested the Minister to revisit this decision under Tunisian administrative processes.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Robin Widdup
Chairman

16 March 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of PhosCo Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of PhosCo Limited for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 16 March 2023

PhosCo Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $	Consolidated 31 December 2021 Restated $
Revenue			
Interest revenue		19,050	22
Expenses			
Corporate and administrative expenses	6	(1,087,955)	(290,302)
Employment expenses		(390,558)	(87,140)
Legal expenses		(161,752)	(124,203)
Impairment of exploration and evaluation asset	7	(5,159,936)	-
Depreciation and amortisation		(48,356)	(7,440)
Exploration expenses		-	(3,570)
Share based payments	17	(91,000)	(161,655)
Interest and finance costs	8	(155,890)	(82,805)
Foreign exchange (loss)/gain		278,938	59,923
Loss before income tax expense		(6,797,459)	(7,158,674)
Income tax expense		(94)	(120)
Loss after income tax expense for the half-year		(6,797,553)	(697,290)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		175,260	74,464
Other comprehensive income for the half-year, net of tax		175,260	74,464
Total comprehensive income for the half-year		(6,622,293)	(622,826)
Loss for the half-year is attributable to:			
Non-controlling interest		(1,946,115)	(20,657)
Owners of PhosCo Ltd	10	(4,851,438)	(676,633)
		(6,797,553)	(697,290)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(1,885,368)	15,837
Owners of PhosCo Ltd		(4,736,925)	(638,663)
		(6,622,293)	(622,826)
		Cents	**Cents**
Basic loss per share	16	(1.80)	(0.34)
Diluted loss per share	16	(1.80)	(0.34)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

PhosCo Ltd
Statement of financial position
As at 31 December 2022

	Note	Consolidated 31 December 2022 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents		2,683,302	1,809,683
Trade and other receivables		82,502	147,567
Other assets and deposits		169,117	176,660
Total current assets		2,934,921	2,133,910
Non-current assets			
Property, plant and equipment		22,260	26,503
Exploration and evaluation assets	7	-	4,026,625
Total non-current assets		22,260	4,053,128
Total assets		2,957,181	6,187,038
Liabilities			
Current liabilities			
Trade and other payables		1,842,815	1,862,628
Bank overdraft		328	17,602
Employee benefits		125,226	161,156
Provisions		26,627	-
Borrowings	8	5,765,329	5,511,281
Total current liabilities		7,760,325	7,552,667
Total liabilities		7,760,325	7,552,667
Net liabilities		(4,803,144)	(1,365,629)
Equity			
Issued capital	9	59,893,637	56,799,859
Reserves		307,205	407,692
Accumulated Losses	10	(59,533,323)	(54,987,885)
Equity attributable to the owners of PhosCo Ltd		667,519	2,219,666
Non-controlling interest		(5,470,663)	(3,585,295)
Total deficiency in equity		(4,803,144)	(1,365,629)

The above statement of financial position should be read in conjunction with the accompanying notes

PhosCo Ltd
Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated - Restated	Contributed equity $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interests $	Total equity $
Balance at 1 July 2021	53,512,814	336,198	-	(53,798,570)	-	50,442
Acquisition of Chaketma Phosphates S.A. - **Restated**	-	-	-	-	(3,456,504)	(3,456,504)
Loss after income tax expense for the half-year - **Restated**	-	-	-	(676,633)	(20,657)	(697,290)
Other comprehensive income for the half-year, net of tax - **Restated**	-	-	37,970	-	36,494	74,464
Total comprehensive income for the half-year	-	-	37,970	(676,633)	15,837	(622,826)
Transactions with owners in their capacity as owners:						
Expiry of options	-	(30,198)	-	30,198	-	-
Share Capital Issued	2,194,263	-	-	-	-	2,194,263
Capital raising costs	(131,657)	-	-	-	-	(131,657)
Balance at 31 December 2021 - **Restated**	55,575,420	306,000	37,970	(54,445,005)	(3,440,667)	(1,966,282)

Consolidated	Contributed equity $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interests $	Total deficiency in equity $
Balance at 1 July 2022	56,799,859	566,657	(158,965)	(54,987,885)	(3,585,295)	(1,365,629)
Loss after income tax expense for the half-year	-	-	-	(4,851,438)	(1,946,115)	(6,797,553)
Other comprehensive income for the half-year, net of tax	-	-	114,513	-	60,747	175,260
Total comprehensive income for the half-year	-	-	114,513	(4,851,438)	(1,885,368)	(6,622,293)
Share capital issued (note 9)	2,909,578	-	-	-	-	2,909,578
Equity settled share based payments	202,419	-	-	-	-	202,419
Cost of capital raised	(18,219)	-	-	-	-	(18,219)
Transactions with owners in their capacity as owners:						
Share-based payments (note 17)	-	91,000	-	-	-	91,000
Transfer of lapsed options	-	(306,000)	-	306,000	-	-
Balance at 31 December 2022	59,893,637	351,657	(44,452)	(59,533,323)	(5,470,663)	(4,803,144)

The above statement of changes in equity should be read in conjunction with the accompanying notes

PhosCo Ltd
Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,405,291)	(532,745)
Payments for exploration and evaluation		-	(16,152)
		(1,405,291)	(548,897)
Interest received		19,050	22
Net cash used in operating activities		(1,386,241)	(548,875)
Cash flows from investing activities			
Payments for property, plant and equipment		(44,114)	-
Payments for exploration and evaluation		(568,366)	-
Net cash used in investing activities		(612,480)	-
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs	9	2,885,395	2,062,607
Net cash from financing activities		2,885,395	2,062,607
Net increase in cash and cash equivalents		886,674	1,513,732
Cash and cash equivalents at the beginning of the financial half-year		1,792,081	575,022
Effects of exchange rate changes on cash and cash equivalents		4,219	-
Cash and cash equivalents at the end of the financial half-year		2,682,974	2,088,754

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover PhosCo Limited as a consolidated entity consisting of PhosCo Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is PhosCo Limited's functional and presentation currency.

PhosCo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
100 Albert Road
South Melbourne VIC 3205

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity 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 adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern
The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group reported a net loss after income tax of $6.80 million during the six months ended 31 December 2022 (1H FY2022: net loss after tax of $0.70 million) and had net operating cash outflows of $1.39 million (1H FY2022: $0.55 million) and net cash outflows on investing activities of $0.61 million (1H FY2021: nil). The net loss after tax is directly attributable to the impairment of exploration and evaluation assets of $5.16 million, in addition to the increase in corporate and administrative expenditures by $0.80 million to $1.09 million and an increase in employee benefits of $0.3 million to $0.39 million, as the Group developed its in country resources for the realisation of its Tunisian assets.

The Consolidated Entity's total assets decreased by $3.23 million to $2.96 million at 31 December 2022 and total liabilities increased by $0.21 million to $7.76 million, all of which are current liabilities. Accordingly, at 31 December 2022, the Consolidated Entity had both a net deficit and a net working capital deficit of $4.80 million and $4.83 million, respectively (30 June 2022: $1.37 million and $5.42 million, respectively).

During the six months ended 31 December 2022, the Group received $2.91 million in proceeds from the exercise of 29,095,789 options over fully paid ordinary shares at an exercise price of $0.10 (10 cents) as detailed in note 9. The Group will consider further capital raising opportunities at the appropriate time, with several parties already expressing interest.

Note 2. Significant accounting policies (continued)

The Consolidated Entity's net deficit at 31 December 2022 of $4.80 million (30 June 2022: $1.37 million) is primarily as a result of the impairment of the Group's Chaketma exploration and evaluation assets, the rights to which were held by CPSA, the Company's subsidiary in Tunisia.

The Consolidated Entity's net deficit in working capital of $4.83 million (30 June 2022: $5.42 million net working capital, deficit) primarily is comprised of:

- cash and cash equivalents of $2.68 million (30 June 2022: $1.81 million);
- trade and other payables of $1.84 million (30 June $1.86 million); and
- borrowings of $5.77 million (30 June 2022: $5.51 million).

At 31 December 2022, CPSA, the Company's subsidiary, has a total of A$6.16 million payable to Tunisia Mining Services (TMS), comprising of $0.39 million in trade payables and unsecured cash call liabilities, including accrued and unpaid interest payable, to TMS in the Australian Dollar equivalent of A$5.77 million (30 June 2022: $5.51 million). The aforementioned amounts payable are unsecured and are not guaranteed by the Company or its wholly owned subsidiary Celamin Limited, the owner of a 50.99% controlling interest in CPSA. The Consolidated Entity has instigated legal claims contesting the validity of the amounts owing.

The Consolidated Entity's trade and other payables of $1.84 million includes $0.39 million in payables due to TMS that are being contested. Furthermore, of the remaining $1.45 million, the Consolidated Entity has undertaken a due diligence since gaining control in CPSA in October 2021, as a result of which it will defend its rights and obligations and ensure that only those obligations which have satisfied the terms of the due diligence processes and are legally verified, will be settled as agreed with the respective counterparties.

The Consolidated Entity, as a result of the Arbitration Award of 17 November 2017 and the successful application to the Tunisian Court of Cassation to enforce the Arbitration Award, also continues to pursue the execution of this award against TMS. As of the date of this report the Consolidated Entity is pursuing the execution of the award in the amount of A$6.1 million (TND 12.9 million). For further details of the Arbitration Award, refer to note 12.

As announced on 3 January 2023, on 19 December 2022, the Consolidated Entity received the Minister's Decision rejecting the application and terminating the validity of CPSA's exploration permit. PhosCo has formally requested the Minister to revisit this decision under Tunisian administrative processes. The Company has engaged with the Tunisian Ministry of Industry, Mines and Energy (Ministry) regarding the permit status for the Chaketma Phosphate Project and notes comments made by the Ministry stating the importance of Australian-Tunisian relations and the willingness of both countries to work together. The Company will update the market when it receives any formal correspondence from the Ministry or the administration.

The Directors would like to draw your attention to the inherent uncertainty with the process of the Minister revisiting its decision on the termination of CPSA's exploration license and the potential consequences of an adverse resolution. The Consolidated Entity will continue to evaluate the progression of the Chaketma project.

Furthermore, should the regulation of the relationship between the Group and TMS and other creditors not proceed positively, this may require the Consolidated Entity to refocus its efforts not only on its other projects in Tunisia which have been noted, but may result in the Consolidated Entity being required to defend its position in court, with the associated inherent uncertainty as to the nature, amount and timing of the resultant impact on the Group's future financial position and performance.

The going concern basis is considered appropriate based on a combination of the existing net equity attributable to the Company's shareholders of $0.67 million (30 June 2022: $2.22 million), including cash and cash equivalents of $2.68 million (30 June 2022: $1.81 million), the expectation of the Group's ability to both regulate CPSA's financial position and resolve the Group's rights over the Chaketma tenement, continue the progress in developing the Group's other Tunisian assets and secure additional sources of financing as and when required. However, there remains significant inherent uncertainty as to the ultimate resolution of the aforementioned issues.

The Consolidated Entity had $2.68 million in cash and cash equivalents on hand at 31 December 2022 and given this and the extent and nature the Consolidated Entity's spending, including discretionary spending and the Consolidated Entity's ability to manage the regulation of the settlement of its liabilities, the Directors note that the future development of the Group's Tunisian assets, including but not limited to the Chaketma project, is dependent upon the Group's ability to raise the capital necessary.

Note 2. Significant accounting policies (continued)

The Directors believe that the Consolidated Entity has both sufficient existing and potential financial resources to develop its Tunisian assets in the ordinary course of business and if and as needed, has the ability to refocus discretionary spending into those areas, as needed, to optimise its cash outflows. The Group's primary focus remains on the successful and appropriate progression of all of its Tunisian projects.

The Directors continue to monitor the ongoing funding requirements of the Consolidated Entity and are confident that sufficient funds can be secured through further capital raising to continue. Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor to the amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except as otherwise stated herein.

Chaketma exploration and evaluation costs
During the period ended 31 December 2022, the facts and circumstances in respect of the validity of the exploration license over the Chaketma tenement were updated as a result of a confirmation in writing by the Minister of Industry, Mines and Energy that the exploration licenses was invalidated. The Consolidated Entity, until this confirmation was received, had applied their judgement based on legal advice, as to the application of the Tunisian laws and regulations as they pertain to the validity or otherwise of licenses granted. Accordingly, as a result of the aforementioned written confirmation and as detailed further in note 7, the Consolidated Entity has recognised an impairment expense of $5.16 million in the period ended 31 December 2022 in respect of previously capitalised Chaketma tenement exploration and evaluation costs, as from this date, there is no longer a basis upon which the future economic benefits associated with the Chaketma tenement may be realised, until and at such time as any legal challenges to the Minister's decision are successful.

Note 4. Restatement of comparatives

The statement of profit or loss and other comprehensive income for the six months ended 31 December 2021 reflected an error which has been identified by the Consolidated Entity upon further analysis of the consequences of the facts and circumstances as to whether and when it gained control over CPSA upon regaining control over its 50.99% in CPSA. In the previously issued results for the six month ended 31 December 2021, the regaining of control over 50.99% of CPSA was accounted for on a joint control basis. However, upon further clarification of the facts and circumstances, the Group has concluded that it had gained control in accordance with AASB 10, as disclosed in the annual financial report for the year ended 30 June 2022 and accordingly, the comparative statement of profit or loss and other comprehensive income has been restated to reflect the consolidation of CPSA from 1 October 2021, the date upon which control was obtained by the Consolidated entity over CPSA.

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income	**Restated $**	**Error $**	**As previously reported $**
Revenue			
Interest revenue	22	-	22
Expenses			
Corporate and administrative expenses	(290,302)	11,979	(278,323)
Employment expenses	(87,140)	(272)	(87,412)
Legal expenses	(124,203)	-	(124,203)
(Impairment)/reversal of impairment of exploration and evaluation asset	-	11,350,489	11,350,489
Depreciation and amortisation	(7,440)	7,440	-
Share of CPSA loss	-	(121,783)	(121,783)
Exploration expenses	(3,570)	-	(3,570)
Share based payments	(161,655)	-	(161,655)
Interest and finance costs	(82,805)	82,805	-
Foreign exchange (loss)/gain	59,923	59,923	-
Profit/(loss) before income tax expense	(697,170)	11,270,735	10,573,565
Income tax expense	(120)	120	-
Profit/(loss) after income tax expense for the half-year	(697,290)	11,270,855	10,573,565
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	37,970	37,970	-
Other comprehensive income for the half-year, net of tax	37,970	37,970	-
Total comprehensive income for the half-year	(659,320)	(11,232,885)	10,573,565
Loss for the half-year is attributable to:			
Non-controlling interest	(20,657)	20,657	-
Owners of PhosCo Ltd	(676,633)	11,250,198	10,573,565
	(697,290)	11,270,855	10,573,565
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest	15,837	(15,837)	-
Owners of PhosCo Ltd	(675,157)	11,248,722	10,573,565
	(659,320)	11,232,885	10,573,565
Basic (loss)/earnings per share	(0.34)	5.73	5.39
Diluted (loss)/earnings per share	(0.34)	5.73	5.39

Note 4. Restatement of comparatives (continued)

Statement of changes in equity

	Restated $	**Error** $	**As previously reported** $
Statement of changes in equity			
Contributed equity	55,575,420	-	55,575,420
Share based payment reserve	306,000	-	306,000
Foreign currency translation reserve	37,970	(37,970)	-
Accumulated losses	(54,445,005)	11,250,198	(43,194,807)
Non-controlling interests	(3,440,667)	3,440,667	-
Total deficiency in equity	(1,966,282)	14,652,895	12,686,613

Statement of financial position at the beginning of the earliest comparative period
When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2021. However, as there were no adjustments made as at 1 July 2021, the Consolidated Entity has elected not to show the 1 July 2021 statement of financial position.

Note 5. Operating segments

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the Chief Operating Decision Makers ("CODM") in order to allocate resources to the segment and to assess its performance. The consolidated entity is currently organised into one operating segment: exploration and development of resource projects in North Africa.

This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are the CODM) in assessing performance and in determining the allocation of resources.

Geographic segment information
The Group operates in one principle geographic segment: Tunisia.

Note 6. Corporate and administrative expenses

	Consolidated	
	31 December 2022 $	**31 December 2021 Restated** $
Accounting and consulting	229,535	70,137
Taxes and charges	257,820	18,118
Travel and accommodation	183,066	32,373
Compliance and regulatory	151,578	53,936
Business development	25,976	9,660
Office costs	44,966	8,696
Insurance	20,141	13,694
Rent	53,082	6,941
Sundry expenses	121,791	76,747
	1,087,955	290,302

Note 7. Non-current assets - Exploration and evaluation assets

	Consolidated	
	31 December 2022	**30 June 2022**
	$	**$**
Exploration and evaluation assets	-	4,026,625

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	**Total $**
Balance at 1 July 2022	4,026,625
Additions	580,955
Impairment of assets	(5,159,936)
Effect of foreign exchange	552,356
Balance at 31 December 2022	-

Significant judgment is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure.

As announced on 3 January 2023, on 19 December 2022, the Consolidated Entity received the Minister's Decision rejecting the application and terminating the validity of CPSA's exploration permit. PhosCo has formally requested the Minister to revisit this decision under Tunisian administrative processes. The Company has engaged with the Tunisian Ministry of Industry, Mines and Energy (Ministry) regarding the permit status for the Chaketma Phosphate Project and notes comments made by the Ministry stating the importance of Australian-Tunisian relations and the willingness of both countries to work together.

The Tunisian mining code provides a range of protections for permit holders, including an exclusive right for the exploration permit holder to apply for a mining concession, subject to compliance with the requirements set out in the mining code. Importantly, CPSA has fulfilled all commitments relating to the required research and studies and has complied with the conditions specified in the mining code and specific technical matters requested.

PhosCo is also protected by Tunisian investment law and international treaties that Tunisia has adopted addressing investments in certain sectors, including those made by foreign investors. Key provisions of the investment law include a guarantee of the freedom of investments, a guarantee against nationalisation, confiscation, sequestration and expropriation.

Due to the aforementioned termination of the validity of CPSA's exploration permit, at 31 December 2022, the Consolidated Entity recognised an impairment of exploration and evaluation costs capitalised in respect of the Chaketma tenement of $5,159,936.

Note 8. Current liabilities - Borrowings

	Consolidated	
	31 December 2022 $	**30 June 2022 $**
Cash calls payable	3,702,941	3,650,118
Interest payable on cash calls	2,062,388	1,861,163
	5,765,329	5,511,281

Unsecured TMS cash call obligations arise from transactions between TMS and CPSA recognised through to and including 2021, prior to the Consolidated Entity obtaining control over CPSA. The outstanding amount of cash calls of $3.70 million (TND 7.81 million) at 31 December 2022 is denominated in Tunisian Dinar (TND) and the balance of cash calls principal and interest accrued at 31 December 2022 is A$5.77 million (TND 12.20 million). Interest accrues on unpaid balances at 8% per annum. The Consolidated Entity has instigated legal claims contesting the validity of the amounts owing.

Note 9. Equity - Issued capital

	Consolidated			
	31 December 2022 Shares	**30 June 2022 Shares**	**31 December 2022 $**	**30 June 2022 $**
Ordinary shares - fully paid	274,413,357	243,614,573	59,893,637	56,799,859

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2022	243,614,573		56,799,859
Exercise of options over fully paid ordinary shares	14 July 2022	20,162,407	$0.100	2,016,241
Exercise of options over fully paid ordinary shares	5 August 2022	2,685,820	$0.100	268,582
Exercise of options over fully paid ordinary shares	17 August 2022	1,770,519	$0.100	177,052
Exercise of options over fully paid ordinary shares	26 August 2022	1,680,850	$0.100	168,085
Exercise of options over fully paid ordinary shares	31 August 2022	2,796,193	$0.100	279,619
Issues of shares in lieu of director and other fees	9 December 2022	1,702,995	$0.119	202,418
Cost of capital raised				(18,219)
Balance	31 December 2022	274,413,357		59,893,637

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 10. Equity - Accumulated Losses

	Consolidated	
	31 December 2022 $	30 June 2022 $
Accumulated losses at the beginning of the financial half-year	(54,987,885)	(53,810,078)
Loss after income tax expense for the half-year	(5,035,622)	(1,208,005)
Transfer from options reserve	306,000	30,198
Accumulated losses at the end of the financial half-year	(59,717,507)	(54,987,885)

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Arbitration Award

On 29 November 2017, after initially being awarded by the Swiss Arbitration court, the Swiss Court of Appeal issued a Final Award, delivered by the Arbitrator appointed by the International Criminal Court (ICC) to conduct the arbitration of the Consolidated Entity's dispute with its joint venture partner TMS in relation to the fraudulent transfer to TMS of the Consolidated Entity's 50.99% shareholding in CPSA, the operating company which holds the Chaketma Phosphate permit.

The Arbitrator found in favour of Celamin Limited ordering TMS, amongst other matters, to return the Celamin Limited's 50.99% shareholding in CPSA and to pay damages and costs of totalling US$2.36 million, plus Euro 1.25 million, A$0.26 million and CHF 0.04 million, in addition to interest from the time of the issue of the Final Award until payment.

The Final Award was affirmed by the Court of Cassation in Tunisia and is therefore enforceable within Tunisia. In accordance with the terms of the Tunisian Code of Obligations and contracts, all executory awards must be defined in TND, the aforementioned amounts were therefore converted for execution to TND 10.13 million and thereafter incur interest at 5.5% per annum on any unpaid balances. The Consolidated Entity's entitlement as of 31 December 2022 is A$6.1 million (TND 12.9 million).

The Consolidated Entity had its 50.99% interest in CPSA legally restored following the appointment of a court appointed independent expert, reducing TMS to 48.99%. The Consolidated Entity continues to pursue TMS for the outstanding costs and damages by forcing the sale of TMS assets and other means, the objective of which is to recover funds to offset the damages and costs owed.

The Consolidated Entity's ability to realise the entitlements accruing from the aforementioned Award are subject to the ability to obtain the benefits awarded. The Consolidated Entity reserves the right to use the means necessary to execute the Award, this being subject to the resolution of various legal challenges from the respective parties.

Note 13. Contingent liabilities

Success fees in respect of the resolution of the arbitration and subsequent related procedures may be payable to the Company's arbitration lawyers as follows:

• A fixed amount of Euro 300,000 payable to Brown Rudnick upon recovery of Celamin’s 50.99% interest in Chaketma;
• An additional amount payable to Brown Rudnick equal to 2% of any damages awarded in favour of Celamin in the Final Award, payable upon payment of those damages and/or transfer to Celamin of an increased percentage interest in CPSA in lieu of payment of such damages; and
• A fixed amount of Euro 50,000 payable to Sami Houerbi upon return of Celamin’s 51% interest in Chaketma together with recovery of any sizeable available asset in part or full satisfaction of damages.

The Company notes that various actions related to the enforcement of the arbitration orders remain before the courts, including actions challenging the Company’s enforcement, clarification of the financial state of CPSA and the status of the CPSA equity. Accordingly, the conditions applicable to the contingent liabilities have not yet been triggered. The Company is also seeking advice on whether these success fees are payable should the actions finally resolve and, or alternatively, the parties settle the dispute in circumstances where the validity of the Chaketma permit is uncertain.

The element of the success fee dependent upon the settlement by TMS of any damages awarded is due and payable at and when this occurs. As of 31 December 2022, no related obligations have arisen.

Note 14. Commitments

At 31 December 2022, the Consolidated Entity had exploration commitments not recognised as liabilities of $0.25 million (30 June 2022: $0.48 million), of which $0.06 million are in respect of commitments during the year ended 31 December 2023. The exploration license commitments are in respect of the Zeflana tenement.

In order to maintain current rights to tenure to exploration licenses, the Consolidated Entity has the above exploration expenditure requirements up until expiry of licenses. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the licenses are not provided for in the financial report and are payable.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 16. Loss per share

	Consolidated	
	31 December 2022 $	31 December 2021 $
Loss after income tax	(6,797,553)	(697,290)
Non-controlling interest	1,946,115	20,657
Loss after income tax attributable to the owners of PhosCo Ltd	(4,851,438)	(676,633)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	268,929,680	196,164,708
Weighted average number of ordinary shares used in calculating diluted loss per share	268,929,680	196,164,708
	Cents	**Cents**
Basic loss per share	(1.80)	(0.34)
Diluted loss per share	(1.80)	(0.34)

Note 17. Share-based payments

A share incentive plan has been established by the Consolidated Entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the parent entity to certain key management personnel of the Consolidated Entity. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Issue of Shares
In December 2022, the Company issued 1,702,995 fully paid ordinary shares at various deemed issue prices per share, In lieu of a physical cash payment of salaries, directors fees, and fees for services provided, as contained in the Notice of Annual General Meeting announced on 27 October 2022.

Performance rights
During the period ended 31 December 2022, 10,600,000 million performance rights over fully paid ordinary shares in the Company were granted to employees and directors of the Consolidated Entity's subsidiaries. These performance rights have a number of performance hurdles and service conditions, the successful achievement of which enables the holder to exercise their performance rights.

For the purposes of determining the fair value of the performance rights, an assessment of the vesting of the performance rights has been made and concluded that the aforementioned performance hurdles are not market conditions and accordingly an expense in respect of these performance rights has not been recognised at 31 December 2022.

As of 31 December 2022, the performance hurdles had not been satisfied nor are expected to be and accordingly no expense reflected in the statement of comprehensive income.

For the performance rights granted during the period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/12/2022	31/12/2024	$0.140	$0.000	81.00%	-	3.04%	$0.140

PhosCo Ltd
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors:

Mr Robin Widdup
Chairman

16 March 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Review Report

To the Members of PhosCo Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of PhosCo Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group reported a net loss after income tax of $6.80 million during the six months ended 31 December 2022 and net operating cash outflows of $1.39 million and net current liabilities of $4.83 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of Matter – Chaketma Phosphates SA's (CPSA) exploration permit

We draw attention to Note 7 in the financial report, which indicates that the group received the Minister's Decision rejecting the application and terminating the validity of CPSA's exploration permit. As stated in Note 7, due to the uncertainty about the tenement status, at 31 December 2022, the group recognised an impairment of exploration and evaluation costs capitalised in respect of the Chaketma tenement of $5,159,936. Our conclusion is not modified in respect of this matter.

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 31 December 2022 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*.

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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 16 March 2023