PhosCo Ltd

ABN 82 139 255 771

Interim Financial Report
For the half-year ended 31 December 2024

Directors	Mr Robin Widdup (Chairman) Mr Tarecq Aldaoud (Managing Director) Mr Mehdi Ben Abdallah (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
Share register	Automic Pty Ltd 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

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 2024.

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 Tarecq Aldaoud (Managing Director)
Mr Mehdi Ben Abdallah (Executive Director - appointed on 4 July 2024)
Mr Simon Eley (Non-Executive Director - resigned on 4 July 2024)

Principal activities
During the half-year ended 31 December 2024, the Consolidated Entity's principal activities are the exploration for development and realisation of mineral resource projects in Tunisia.

Review of operations
Financial Performance
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $4,790,211 (31 December 2023: loss of $1,031,717).

Operating expenses for the half-year were $786,768 (31 December 2023: $734,350), which remained largely consistent with the corresponding half-year ended 31 December 2023.

The Consolidated Entity incurred finance costs of $4,310,063 (31 December 2023: $167,587), largely driven by the accounting fair value losses related to Convertible Notes amounting to $3,666,934.

Financial Position
At 31 December 2024, the Consolidated Entity had cash and cash equivalents of $716,204 (30 June 2024: $548,154). The Consolidated Entity's net liabilities at 31 December 2024 were $14,030,768 as at 31 December 2024 (30 June 2024: net liabilities of $8,669,959), which consists of substantial carried forward liabilities associated with Chaketma Phosphates S.A (CPSA) and convertible notes accounted at fair values.

The Directors would like to draw your attention to the following matters:

- The Consolidated Entity consolidates the 51% owned CPSA that previously held the Chaketma permit. The Consolidated Accounts recognise CPSA’s liabilities due to TMS despite these amounts being disputed by CPSA and also ring fenced within CPSA. CPSA’s re-application for the Chaketma permit was recently rejected, and subject to full compliance with applicable law, PhosCo does not intend to provide further investment to the CPSA joint venture, including paying any amount claimed by TMS.

- The Financial Statements accounts for convertible notes on issue as a liability measured at the fair value as at 31 December 2024. These notes have two potential conversion prices, either at a 20% discount to the lowest 5-day VWAP between 17 January 2024 to the Maturity Date (15 March 2025) or a 20% discount to a capital raising of at least $1M. Subsequent to the end of the half-year, it was confirmed that these notes would convert into equity at 4cps being a 20% discount to the fully underwritten $5M rights issue announced on 11 March 2025, with the noteholders agreeing to allow additional time to allow the capital raising to take place. At 31 December 2024 a materially lower conversion price was assumed for accounting fair value, and the notes were accounted for as a liability despite there being no need for cash settlement.

The analysis below seeks to provide a clearer picture of the financial position adjusting for these matters. The Consolidated Entity's net asset position after adjusting for convertible notes and contested liabilities is presented herein based on the legal structure of the active members of the Consolidated Entity:

	PhosCo Ltd $	Celamin Limited $	Subgroup $	CPSA $	Total $
Cash and cash equivalents, net of overdrafts	660,468	55,736	716,204	(488)	715,716
Other current assets	97,774	54,213	151,987	25,344	177,331
Non-current assets	-	3,090	3,090	-	3,090
Total assets	758,242	113,039	871,281	24,856	896,137
Trade and other payables	(158,321)	(41,105)	(199,426)	(1,455,606)	(1,655,032)
Employee benefits and other payables	(93,662)	-	(93,662)	(1,287)	(94,949)
CPSA borrowings	-	-	-	(6,846,995)	(6,846,995)
Convertible notes	(6,680,092)	-	(6,680,092)	-	(6,680,092)
Total liabilities	(6,932,075)	(41,105)	(6,973,180)	(8,303,888)	(15,277,068)
Contested trade and other payables	-	-	-	1,249,682	1,182,234
Contested borrowings	-	-	-	6,846,995	6,846,995
Convertible notes	6,680,092	-	6,680,092	-	6,680,092
Net assets/(deficit) after adjusting for contested liabilities and convertible notes.	506,259	71,934	578,193	(182,355)	328,390

CPSA's obligations for the settlement of its unsecured cash call and related liabilities due to the former joint venture partner Tunisian Mining Services (TMS) and other trade and other payables are neither secured nor have been guaranteed by PhosCo Ltd or its subsidiary and owner of the 51% interest in CPSA, Celamin Limited. Accordingly, the obligation for any potential future settlement of these obligations is the sole obligation of CPSA. Both the unsecured cash call and related liabilities due to TMS and a number of trade and other payables incurred by CPSA prior to the Consolidated Entity gaining control in October 2021 are disputed by the Consolidated Entity. The ultimate resolution of this dispute subject to inherently uncertain legal and commercial processes and negotiations. Neither PhosCo nor Celamin have provided any security or guarantee in respect of CPSA's obligations. Furthermore, CPSA has unpaid obligations to Celamin amounting to $5,739,027, which are eliminated on consolidation in accordance with Australian Accounting Standards.

It should also be noted that the Consolidated entity has a separate entitlement to the recovery of the TND denominated Arbitration Award of $7,155,005, from TMS as detailed further in note 13.

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

Significant changes in the state of affairs
On 4 July 2024, the Company appointed Mr Mehdi Ben Abdallah as an Executive Director with Mr Simon Eley stepping down as Non-Executive Director.

On 29 August 2024, the Company announced that it has received binding commitments to issue $900,000 in Convertible Notes (before transaction costs). The Convertible Notes were approved at a general meeting of the shareholders on 14 October 2024 and were issued on 16 October 2024.

On 3 October 2024, the Company announced that the Consultative Committee of Mines (CCM) has approved the Consolidated Entity's application for the Sekarna Phosphate Project in Tunisia for a period of three (3) years, subject to final approval by the Ministry of National Defence. The Consolidated Entity was formally awarded the exploration permit for Sekarna Phosphate Project on 10 January 2025.

On 17 October 2024, the Company issued 2,000,000 shares in lieu of cash for services provided by suppliers and consultants.

On 26 November 2024, the Company announced that the CCM has approved the Consolidated Entity's application for the Gasaat Phosphate Exploration Permit (100% PhosCo). On the same day, PhosCo has signed a non-binding MoU with the Tunisian Ministry of Industry, Mines and Energy, and the European Bank for Reconstruction and Development (EBRD) to collaborate on exploring and developing Tunisia's Northern Phosphate basin hub, as well as study processing technology to convert phosphogypsum into inert materials. The Consolidated Entity was formally awarded the exploration permit for Gasaat Phosphate Project on 6 March 2025.

On 28 November 2024, the Company appointed Mr Sam Lancuba as Technical Board Advisor following the approval of the Sekarna and Gasaat exploration permits in Tunisia.

On 20 December 2024, the Company issued 2,043,957 fully paid ordinary shares in settlement of outstanding obligations to the Directors and related parties for services rendered during the period from October 2023 through to January 2024.

Matters subsequent to the end of the financial half-year
On 10 January 2025, Himilco Resources Pty Ltd (a 100% owned subsidiary) was formally granted the Sekarna Exploration Permit in Tunisia.

On 6 March 2025, Himilco Resources Pty Ltd was formally granted the Gasaat Phosphate Project exploration permit in Tunisia. The new permit is 100% owned by PhosCo through Himilco Resources Pty Ltd and is approximately double the size of the original Chaketma project.

On 11 March 2025, the Company launched a fully underwritten entitlement offer to raise gross proceeds of approximately $5 million with shareholders having the ability to take up oversubscriptions up to $1 million. The key terms and details of the entitlement offer are as follows:

- 1 for 2.84 Non-renounceable Entitlement Offer to raise up to approximately $5 million;
- Ability for shareholders to apply for oversubscriptions for up to additional $1 million;
- Directors Mr. Taz Aldaoud and Mr. Robin Widdup have agreed to sub-underwrite the Entitlement Offer on a priority basis for $2 million and $250,000 respectively, with cornerstone shareholder Lion Selection Group also sub-underwriting for $1 million on a priority basis. Mr. Taz Aldaoud and Lion Selection Group also agreed to advance loans to PhosCo for $1.0M and $0.5M respectively to be offset by the sub-underwriting commitments to fast track drilling including extensional drilling at Gasaat and scout drilling at Sekarna;
- All existing Converting Notes will convert upon completion of the entitlement offer at a price of $0.04 per share representing a discount of 20% to the entitlement offer price in accordance with the terms of the Converting Notes. All holders of the Converting Notes have agreed to extend the maturity date of the Converting Notes from 15 March 2025 to 24 April 2025 to allow completion of the Entitlement Offer. Converting Options will also be issued with an exercise price of $0.05 per share in accordance with the terms of the Converting Notes; and
- The Entitlement Offer is fully underwritten by Westar Capital Limited, with Cumulus Wealth acting as sole Lead Manager & priority sub-underwriter.

No other matter or circumstance has arisen since 31 December 2024 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

14 March 2025

Grant Thornton Audit Pty Ltd
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Melbourne VIC 3001

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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 2024. 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 review; 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, 14 March 2025

PhosCo Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

	Note	Consolidated 31 December 2024 $	31 December 2023 $
Interest income		338	8,958
Expenses			
Corporate and administrative expenses	5	(542,886)	(458,445)
Legal expenses		(110,578)	(125,234)
Employment expenses		(122,380)	(38,477)
Depreciation and amortisation		(1,284)	(3,208)
Exploration expenses		(9,640)	(108,986)
Share based payments		-	(21,000)
Foreign exchange gain / (loss)		306,282	(117,738)
Interest and finance costs	6	(4,310,063)	(167,587)
Loss before income tax expense		(4,790,211)	(1,031,717)
Income tax expense		-	-
Loss after income tax expense for the half-year		(4,790,211)	(1,031,717)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(738,870)	320,191
Other comprehensive income for the half-year, net of tax		(738,870)	320,191
Total comprehensive income for the half-year		(5,529,081)	(711,526)
Loss for the half-year is attributable to:			
Non-controlling interest		(191,195)	(186,982)
Owners of PhosCo Ltd		(4,599,016)	(844,735)
		(4,790,211)	(1,031,717)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(553,315)	(30,056)
Owners of PhosCo Ltd		(4,975,766)	(681,470)
		(5,529,081)	(711,526)
		Cents	**Cents**
Basic loss per share	17	(1.64)	(0.31)
Diluted loss per share	17	(1.64)	(0.31)

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 2024

	Note	Consolidated 31 December 2024 $	30 June 2024 $
Assets			
Current assets			
Cash and cash equivalents	7	716,204	548,154
Trade and other receivables		21,908	28,736
Other assets and deposits		155,421	146,691
Total current assets		893,533	723,581
Non-current assets			
Equipment		4,016	61,087
Total non-current assets		4,016	61,087
Total assets		897,549	784,668
Liabilities			
Current liabilities			
Bank overdraft		488	361
Trade and other payables	8	1,655,032	1,644,699
Employee benefits		94,949	206,432
Borrowings	9	6,846,995	6,325,965
Convertible notes	10	6,330,853	1,277,170
Total current liabilities		14,928,317	9,454,627
Total liabilities		14,928,317	9,454,627
Net liabilities		(14,030,768)	(8,669,959)
Equity			
Issued capital	11	60,499,989	60,331,717
Reserves		(555,439)	(178,688)
Accumulated Losses		(67,121,618)	(62,522,603)
Deficiency in equity attributable to the owners of PhosCo Ltd		(7,177,068)	(2,369,574)
Non-controlling interest	12	(6,853,700)	(6,300,385)
Total deficiency in equity		(14,030,768)	(8,669,959)

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 2024

Consolidated	Contributed equity $	Share based payments reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interests $	Total deficiency in equity $
Balance at 1 July 2023	59,929,638	337,885	(72,809)	(61,034,585)	(5,956,283)	(6,796,154)
Loss after income tax expense for the half-year	-	-	-	(844,735)	(186,982)	(1,031,717)
Other comprehensive income for the half-year, net of tax	-	-	163,265	-	156,926	320,191
Total comprehensive income for the half-year	-	-	163,265	(844,735)	(30,056)	(711,526)
Transactions with owners in their capacity as owners:						
Share-based payments	-	21,000	-	-	-	21,000
Equity settled directors' fees	239,568	-	-	-	-	239,568
Issue of shares on exercise of vested performance rights	7,000	(7,000)	-	-	-	-
Balance at 31 December 2023	60,176,206	351,885	90,456	(61,879,320)	(5,986,339)	(7,247,112)

Consolidated	Contributed equity $	Share based payments reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interests $	Total deficiency in equity $
Balance at 1 July 2024	60,331,717	-	(178,689)	(62,522,603)	(6,300,384)	(8,669,959)
Loss after income tax expense for the half-year	-	-	-	(4,599,016)	(191,195)	(4,790,211)
Other comprehensive income for the half-year, net of tax	-	-	(376,750)	-	(362,120)	(738,870)
Total comprehensive income for the half-year	-	-	(376,750)	(4,599,016)	(553,315)	(5,529,081)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 11)	168,272	-	-	-	-	168,272
Balance at 31 December 2024	60,499,989	-	(555,439)	(67,121,619)	(6,853,699)	(14,030,768)

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 2024

	Note	Consolidated 31 December 2024 $	Consolidated 31 December 2023 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(715,385)	(728,110)
Interest received		338	8,958
Net cash used in operating activities		(715,047)	(719,152)
Cash flows from investing activities			
Payments for equipment		-	(54,171)
Net cash used in investing activities		-	(54,171)
Cash flows from financing activities			
Proceeds from issue of convertible notes	10	900,000	-
Transaction costs related to issue of convertible notes		(15,949)	-
Net cash from financing activities		884,051	-
Net increase/(decrease) in cash and cash equivalents		169,004	(773,323)
Cash and cash equivalents at the beginning of the financial half-year		547,793	1,187,344
Effects of exchange rate changes on cash and cash equivalents		(1,081)	8,446
Cash and cash equivalents at the end of the financial half-year		715,716	422,467

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 ended 31 December 2024. 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 14 March 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

Basis of preparation
These general-purpose financial statements for the interim half-year reporting period ended 31 December 2024 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 2024 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*.

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The accounting policies adopted, methods of computation and areas of critical accounting judgements, estimates and assumptions 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.

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

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 Consolidated Entity reported a net loss of $4,790,211 (31 December 2023: $1,031,717) and incurred operating cash outflows of $715,047 during the half-year ended 31 December 2024. As at 31 December 2024, the Consolidated Entity had a net deficit of $14,030,768 and a net working capital deficit of $14,034,784 (30 June 2024: $8,669,959 and $8,731,046), respectively.

Note 2. Material accounting policy information (continued)

The Consolidated Entity continues to focus on exploration, evaluation and development activities at its mineral resource projects in Tunisia and is currently without an operating cash inflow.

As a result of these matters there is an indication of a material uncertainty that may cast doubt upon the Consolidated Entity's ability to continue as a going concern.

Notwithstanding the above results and financial position, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the Consolidated Entity's cash flow projections and application of a number of judgements and estimates. This assessment includes the following features:

Project approvals, entitlement offer, funding agreement and convertible notes extension
On 3 October 2024, the Consolidated Entity announced that Consultative Committee of Mines (CCM), has approved the Consolidated Entity's application for the Sekarna Phosphate Project in Tunisia for a period of three (3) years.

On 26 November 2024, the Consolidated Entity announced that the CCM has approved the Consolidated Entity's application for the Gasaat Phosphate Exploration Permit (100% PhosCo). On the same day, PhosCo has signed a non-binding MoU with the Tunisian Ministry of Industry, Mines and Energy, and the European Bank for Reconstruction and Development (EBRD) to collaborate on exploring and developing Tunisia's Northern Phosphate basin hub.

- On 10 January 2025, Himilco Resources Pty Ltd (a 100% owned subsidiary) was formally granted the Sekarna Exploration Permit in Tunisia.
- On 6 March 2025, Himilco Resources Pty Ltd was formally granted the Gasaat Phosphate Project exploration permit in Tunisia. The new permit is 100% owned by PhosCo through Himilco Resources Pty Ltd and is approximately double the size of the original Chaketma project.

On 11 March 2025, the Company launched a fully underwritten entitlement offer to raise gross proceeds of approximately $5 million with shareholders having the ability to take up oversubscriptions up to $1 million. The key terms and details of the entitlement offer are as follows:
- Directors Mr. Taz Aldaoud and Mr. Robin Widdup have agreed to sub-underwrite the Entitlement Offer on a priority basis for $2 million and $250,000 respectively, with cornerstone shareholder Lion Selection Group also sub-underwriting for $1 million on a priority basis;
- Mr. Taz Aldaoud and Lion Selection Group agreed to advance loans to PhosCo for $1.0M and $0.5M respectively to be offset by the sub-underwriting commitments to fast track exploration work including extensional drilling at Gasaat and scout drilling at Sekarna prospect;
- All existing Converting Notes will convert upon completion of the entitlement offer at a price of $0.04 per share representing a discount of 20% to the entitlement offer price in accordance with the terms of the Converting Notes;
- All holders of the Converting Notes have agreed to extend the maturity date of the Converting Notes from 15 March 2025 to 24 April 2025 to allow completion of the Entitlement Offer. Converting Options will also be issued with an exercise price of $0.05 per share in accordance with the terms of the Converting Notes; and
- The Entitlement Offer is fully underwritten by Westar Capital Limited, with Cumulus Wealth acting as sole Lead Manager & priority sub-underwriter.

The claims against CPSA
CPSA, a subsidiary, in which the Company holds a 51% stake through its wholly owned subsidiary Celamin Pty Limited (Celamin), previously owned the Chaketma Phosphate Project permit. At 31 December 2024, CPSA had a total liability of $14,020,687, of that $8,096,677 are contested and neither secured nor have been guaranteed by PhosCo or Celamin. These contested liabilities include trade and other payables of $1,249,682 (30 June 2024: $1,182,234) and unsecured cash call liabilities to Tunisian Mining Services (TMS) of $6,846,995 (*inclusive of accrued and unpaid interest payable, denominated in Tunisia Dinar*) (30 June 2024: $6,325,965). The Consolidated Entity has undertaken a forensic accounting exercise since gaining control of CPSA in October 2021, as a result of which it has identified a number of the CPSA's trade and other payables were incurred contrary to the terms of its joint venture agreement with TMS, CPSA's articles of association and Tunisian corporate law. The Consolidated Entity has instigated legal claims contesting the validity of the amounts owing.

Furthermore, CPSA has unpaid obligations to Celamin amounting to $5,739,027 which are eliminated on consolidation in accordance with Australian Accounting Standards.

Note 2. Material accounting policy information (continued)

The Consolidated Entity does not expect any cash outflows associated with these contested liabilities in the foreseeable future and will defend its rights and obligations and ensure that only those obligations which have been legally verified will be settled in accordance with the terms of any relevant agreement with the respective counterparties.

The Consolidated Entity, as a result of the Arbitration Award of 17 November 2017 and enforcement by the Tunisian Court of Cassation in September 2019, also continues to execute this award, having received its shares in CPSA and management control as well as pursuing outstanding costs, damages and accrued unpaid interest owing to the Consolidated Entity which as of the date of this report amounts to $7,155,005 (TND 14,084,565). For further details of the Arbitration Award, refer to note 13.

Conclusion
Based upon the aforementioned assumptions set out in the cashflow forecast, the directors of the Consolidated Entity have applied the going concern basis of accounting in these financial statements. In the event that all or some of these assumptions do not eventuate, this may mean that the actual amounts of assets and liabilities may differ from the amounts recorded for assets and liabilities in the financial statements, should the entity not continue as a going concern.

Note 3. Critical accounting judgements, estimates and assumptions

The significant judgements made by management in applying the Consolidated Entity’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Convertible notes
Significant judgement involved in determining whether the convertible notes represent liability, equity or compound financial instrument. Contractual terms, especially those conversion features require careful analysis to determine the nature of instrument. A convertible note will only be a compound instrument where the component relating to conversion satisfies the requirements of the ‘fixed for fixed’ test. Terms are carefully examined to determine whether separate components exist and, where they do, whether they are equity components or liability components. The classification as debt or equity may have a significant impact on the quantum of the Consolidated Entity’s net equity.

Existence of the conversion feature and arrangement having caps and floors, means that this conversion feature cannot be considered to be an equity instrument, as it will not result in a fixed number of shares for fixed consideration. Accordingly, conversion feature is treated as a derivative that will need to be classified at fair-value through profit or loss. The fair value of the host liability is determined first with the residual amount assigned as the conversion feature by deducting the host liability component from the fair value of the convertible notes as a whole.

Note 4. Operating segments

AASB 8 Operating Segments 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 Consolidated Entity operates in one principle geographic segment: Tunisia.

Note 5. Corporate and administrative expenses

	Consolidated	
	31 December 2024 $	31 December 2023 $
Accounting and audit fees	115,179	125,697
Compliance and regulatory costs	105,869	61,879
Consultant fees	109,975	8,347
Travel and accommodation	116,154	84,689
Office costs	60,518	77,174
Insurance	20,603	23,735
Sundry expenses	14,588	76,924
	542,886	458,445

Note 6. Finance costs

	Consolidated	
	31 December 2024 $	31 December 2023 $
Interest on convertible notes at effective interest rate (Note 9)	501,167	-
Fair value adjustments on embedded derivatives on convertible notes (Note 9)	3,666,934	-
Finance charges related TMS payables	141,962	167,587
	4,310,063	167,587

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2024 $	30 June 2024 $
Cash on hand	176	641
Cash at bank	716,028	547,513
	716,204	548,154

Cash and Cash equivalents in the statement of cash flows	31 December 2024	31 December 2023
Cash on hand	176	48,132
Cash at bank	716,028	375,520
Bank overdraft	(488)	(1,185)
Cash and cash equivalents net of bank overdraft at the end of the financial half-year	715,716	422,467

Note 8. Trade and other payables

	Consolidated 31 December 2024 $	30 June 2024 $
Trade payables	1,148,514	1,062,765
Other payables	506,518	581,934
	1,655,032	1,644,699

Trade and other payables include liabilities of CPSA of $1,455,606, of which $1,249,682 are contested and neither secured nor have been guaranteed by the Consolidated Entity. The Consolidated Entity has undertaken a forensic accounting exercise since gaining control of CPSA in October 2021, as a result of which it has identified $903,316, in trade and other payables which were incurred contrary to the terms of its joint venture agreement with TMS, CPSA's articles of association and Tunisian corporate law. The Consolidated Entity will defend its rights and obligations and ensure that only those obligations which have been legally verified will be settled in accordance with the terms of any relevant agreement with the respective counterparties.

Note 9. Borrowings

	Consolidated 31 December 2024 $	30 June 2024 $
Cash calls payable	3,981,297	3,766,416
Interest payable on cash calls	2,865,698	2,559,549
	6,846,995	6,325,965

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 $3,981,297 (30 June 2024: $3,766,416) is denominated in Tunisian Dinar (TND). There have been no movements in the underlying TND value of the borrowings subsequent to the Consolidated Entity gaining control over CPSA in October 2021.

The outstanding, unpaid cash call balances incur interest at 8% p.a and are denominated in TND. During the half-year ended 31 December 2024, interest expense of $141,962 (31 December 2023: $156,000) was recognised.

As detailed in note 2, all cash call liabilities and related interest payable to TMS have been the subject of a forensic financial and legal audit and are the subject of legal challenge, the outcome of which is uncertain. There have been no amendments in these financial statements to reflect the conclusions reached in the forensic audit undertaken, any such amendments to be reflected as and when and to the extent determined by the conclusion of legal proceedings.

Note 10. Convertible notes

	Consolidated 31 December 2024 $	30 June 2024 $
Convertible notes	1,577,915	191,166
Embedded derivative - conversion rights	4,752,938	1,086,004
	6,330,853	1,277,170

On 15 March 2024, the Company entered into agreements to issue 1,000,000 Convertible Notes with an aggregate face value of $1,000,000 (Trench 1 convertible notes). Convertible notes bear interest at a rate of 10% per annum, capitalised into the face value of the convertible note. The Maturity Date of the Convertible Notes is 12 months from 14 March 2024.

Note 10. Convertible notes (continued)

In addition, on 16 October 2024, the Company issued an additional 900,000 convertible notes with an aggregate face value of $900,000 (Trench 2 convertible notes), on the same terms and conditions as that of Trench 1 convertible notes.

The Convertible Notes have a mechanism for the note holders to convert the face value of the loan, including accrued interest, into shares in the Company ("Conversion Right") at the respective conversion price, subject to shareholder approval which remains current at the relevant time, on one of the following conversion prices.

- If the Converting Notes convert on the occurrence of a Capital Raising Event, each conversion Note will be convertible into Shares at a conversion price equal to a 20% discount to the capital raising issue price of the relevant Capital Raising Event, subject to a ceiling price of $0.05 and a floor price of $0.01.
- If the Converting Notes convert on the Maturity Date, each Converting Note will be convertible into Shares at a conversion price of an amount equal to a 20% discount to the lowest 5-day VWAP during the period from 17 January 2024 to the Maturity Date, subject to a ceiling price of $0.05 and a floor price of $0.01.

On conversion of the Converting Notes, the Company will also issue the noteholder one Conversion Option for every one Share issued on conversion. Each Conversion Option is exercisable at $0.05 and expires two years from the issue date of the Conversion Option.

The balances at 31 December 2024 represent the amounts from initial recognition (at the fair value of the consideration received, net of transaction costs), fair value adjustments on embedded derivative and accrued interest measured at effective interest method as noted in the table below.

	Host liability(i) $	Derivative(ii) $	Total $
Opening balance	191,166	1,086,004	1,277,170
Amounts received	900,000	-	900,000
Transaction costs	(14,418)	-	(14,418)
Fair value adjustments recognised through profit or loss	-	3,666,934	3,666,934
Accrued interest	501,167	-	501,167
	1,577,915	4,752,938	6,330,853

(i) *Host liability of the convertible notes*
(ii) *Convertible notes derivative - conversion rights*

Convertible notes are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs such as quoted share price in estimating the fair values.

Note 11. Issued capital

	Consolidated			
	31 December 2024 Shares	**30 June 2024 Shares**	**31 December 2024 $**	**30 June 2024 $**
Ordinary shares - fully paid	283,792,134	279,748,177	60,499,989	60,331,717

Note 11. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2024	279,748,177		60,331,717
Issues of shares in lieu of other fees	17 October 2024	1,000,000	$0.030	30,000
Issues of shares in lieu of other fees	17 October 2024	1,000,000	$0.046	46,000
Issues of shares in lieu of director and other fees	20 December 2024	2,043,957	$0.060	122,272
Cost of capital raised		-	-	(30,000)
Balance	31 December 2024	283,792,134		60,499,989

Note 12. Non-controlling interest

	Consolidated 31 December 2024 $	Consolidated 30 June 2024 $
Contributed equity	(3,404,567)	(3,404,567)
Reserves	(533,869)	(171,749)
Accumulated losses	(2,915,264)	(2,724,069)
	(6,853,700)	(6,300,385)

Note 13. Contingent assets

On 29 November 2017 the sole Arbitrator appointed by the ICC to conduct the arbitration of the Consolidated Entity's dispute with its former joint venture partner TMS found in favour of Celamin Limited. The Arbitrator ordered TMS, amongst other matters, to return Celamin Limited's 51% shareholding in CPSA and to pay damages and costs totalling USD 2,358,000, plus Euro 1,252,936, AUD 260,597 and CHF 42,238, 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, and the damages were converted for execution to TND 10,134,079 and thereafter incur interest at 5.5% per annum on any unpaid balances. The Consolidated Entity's entitlement, including accrued interest as of 31 December 2024 is $7,155,005 (TND 14,084,565).

The Consolidated Entity had its 51% interest in CPSA legally restored following the appointment of a court appointed independent expert, reducing TMS to 49%. Although PhosCo has recovered the 51% interest, the Company notes that various criminal and civil actions related to the execution of the arbitration orders remain before the courts. The Consolidated Entity continues to pursue TMS for the outstanding costs and damages by forcing the seizure and sale of TMS assets and other means, the objective of which is to recover funds to offset the damages and costs owed and redefine the amounts owed by CPSA to TMS.

As announced on 23 July 2024, PhosCo has lodged a new seizure action over TMS's 49% interest in CPSA that remains in place (under Tunisian law, the Arbitral Award can be used for a seizure action even without an enforcement decision). PhosCo announced on 8 August 2024 that it has also opted to relodge an application to enforce the Arbitral Award with Tunisia's Court of Appeal for the avoidance of further challenge to this Tunisian legal right. This new action does not undermine previous enforcement decisions nor the fact that TMS remains liable to pay PhosCo damages, costs and interest which continues to accrue daily.

The Consolidated Entity's ability to realise the entitlements accruing from the damages 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 14. Contingent liabilities

Success fees and deferred benefits payable in respect of the resolution of the arbitration and subsequent related procedures are 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 51% interest in Chaketma; and
- 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 Limited's 50.99% interest and management control in Chaketma as well as recovery of any sizeable available asset in part or full satisfaction of damages.

The Company notes that these contingent liabilities require successful conclusion of the arbitration proceedings that remain subject to existing and potential litigation, including but not limited to 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. Furthermore, on 19 December 2022 CPSA received the Minister's Decision rejecting the application and terminating the validity of CPSA's exploration permit, creating further uncertainty around the successful conclusion of the arbitration proceedings. Accordingly, the conditions applicable to the contingent liabilities have not been triggered.

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 2024, management notes that no related obligations have arisen.

The Consolidated Entity's do not have any other contingent liabilities at the reporting date.

Note 15. Commitments

	Consolidated	
	31 December 2024 $	**30 June 2024 $**
Exploration Licenses - Commitments for Expenditure		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	282,000
One to five years	-	1,787,000
	-	2,069,000

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 not payable.

Note 16. Events after the reporting period

On 10 January 2025, Himilco Resources Pty Ltd (a 100% owned subsidiary) was formally granted the Sekarna Exploration Permit in Tunisia.

On 6 March 2025, Himilco Resources Pty Ltd was formally granted the Gasaat Phosphate Project exploration permit in Tunisia. The new permit is 100% owned by PhosCo through Himilco Resources Pty Ltd and is approximately double the size of the original Chaketma project.

On 11 March 2025, the Company launched a fully underwritten entitlement offer to raise gross proceeds of approximately $5 million with shareholders having the ability to take up oversubscriptions up to $1 million. The key terms and details of the entitlement offer are as follows:
- 1 for 2.84 Non-renounceable Entitlement Offer to raise up to approximately $5 million;
- Ability for shareholders to apply for oversubscriptions for up to additional $1 million;
- Directors Mr. Taz Aldaoud and Mr. Robin Widdup have agreed to sub-underwrite the Entitlement Offer on a priority basis for $2 million and $250,000 respectively, with cornerstone shareholder Lion Selection Group also sub-underwriting for $1 million on a priority basis. Mr. Taz Aldaoud and Lion Selection Group agreed to advance loans to PhosCo for $1.0M

Note 16. Events after the reporting period (continued)

and $0.5M respectively to be offset by the sub-underwriting commitments to fast track exploration including extensional drilling at Gasaat and scout drilling at Sekarna;
- All existing Converting Notes will convert upon completion of the entitlement offer at a price of $0.04 per share representing a discount of 20% to the entitlement offer price in accordance with the terms of the Converting Notes. All holders of the Converting Notes have agreed to extend the maturity date of the Converting Notes from 15 March 2025 to 24 April 2025 to allow completion of the Entitlement Offer. Converting Options will also be issued with an exercise price of $0.05 per share in accordance with the terms of the Converting Notes; and
- The Entitlement Offer is fully underwritten by Westar Capital Limited, with Cumulus Wealth acting as sole Lead Manager & priority sub-underwriter.

No other matter or circumstance has arisen since 31 December 2024 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 17. Loss per share

	Consolidated	
	31 December 2024 $	31 December 2023 $
Loss after income tax	(4,790,211)	(1,031,717)
Non-controlling interest	191,195	186,982
Loss after income tax attributable to the owners of PhosCo Ltd	(4,599,016)	(844,735)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	280,685,587	274,475,074
Weighted average number of ordinary shares used in calculating diluted loss per share	280,685,587	274,475,074
	Cents	**Cents**
Basic loss per share	(1.64)	(0.31)
Diluted loss per share	(1.64)	(0.31)

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 2024 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

14 March 2025

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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 2024, 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, including material accounting policy information, 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 2024 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 incurred a net loss of $4,790,211 during the half year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by $14,034,784. 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.

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 for the review of the financial report

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 2024 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 Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 14 March 2025