
FERTOZ LTD ACN 145 951 622

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

Notice is hereby given that the Extraordinary General Meeting of the Shareholders of Fertoz Ltd ACN 145 951 622 to which this Notice of Meeting relates will be held at:

TIME: 11:00 am Australian Eastern Daylight Time (AEDT)

DATE: Friday 18 March 2016

PLACE: Christie Offices
Shang Room Mezzanine Level
3 Spring Street
Sydney NSW 2000

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 (0)408 704 446.

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IMPORTANT INFORMATION

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The persons eligible to vote at the General Meeting are those who are registered Shareholders at 11:00 am, Friday 18 March 2016.

VOTING IN PERSON

To vote in person, attend the General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

BUSINESS OF THE MEETING

ORDINARY BUSINESS

RESOLUTION 1 – APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR – MR STEPHEN KEITH

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes the Shareholders approve the allotment and issue to Mr Stephen Keith (or to an entity associated with Mr Keith) 1,100,000 options (**Keith Options**) as follows:*

- (a) 100,000 options with an exercise price of 15 cents each;*
- (b) 250,000 options with an exercise price of 20 cents each;*
- (c) 250,000 options with an exercise price of 25 cents each;*
- (d) 250,000 options with an exercise price of 30 cents each; and*
- (e) 250,000 options with an exercise price of 35 cents each.”*

Information about the terms of the Keith Options, including performance hurdles attaching to the Keith Options, is set out in the Explanatory Memorandum.

RESOLUTION 2 – APPROVAL OF GRANT OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR STEPHEN KEITH

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant 1,000,000 Plan Shares to Mr Stephen Keith pursuant to the Company’s Employee Share Plan, on the terms and conditions set out in the Explanatory Memorandum.”

RESOLUTION 3 – RATIFICATION OF ISSUE OF SECURITIES UNDER DISCRETIONARY PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.4 and all other purposes, the shareholders hereby ratify the allotment of up to 5,600,000 Shares at an issue price of 15 cents and 5,600,000 attaching Listed Options, on the terms and conditions set out in the Explanatory Memorandum.”

RESOLUTION 4 – RATIFICATION OF ISSUE OF UNDERWRITER OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the shareholders hereby ratify the allotment of up to 2,000,000 Underwriter Options on the terms and conditions set out in the Explanatory Memorandum”

RESOLUTION 5 – ISSUE OF UNDERWRITER OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue up to 2,333,333 Underwriter Options on the terms and conditions set out in the Explanatory Memorandum”

RESOLUTION 6 – APPROVAL OF AN ISSUE OF SECURITIES TO RELATED PARTY – MR JAMES CHISHOLM

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with ASX Listing Rule 10.11 and for all other purposes, the Company be authorised to issue up to 1,733,333 Shares at an issue price of 15 cents per Share and 1,733,333 attaching Listed Options to Lenark Pty Ltd atf the Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm), on the terms and conditions set out in the Explanatory Memorandum.”

RESOLUTION 7 – AUTHORITY TO ISSUE SHARES TO DIRECTOR – MR STEPHEN KEITH

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 314,068 Shares at an issue price of \$0.15 per Share and 314,068 attaching Listed Options to Mr Stephen Keith (or his nominee), in lieu of directors' fees on the terms and conditions set out in the Exploratory Statement.”

RESOLUTION 8 – AUTHORITY TO ISSUE SHARES TO DIRECTOR – MR ADRIAN BYASS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 216,000 Shares at an issue price of \$0.15 per Share and 216,000 attaching Listed Options to Mr Adrian Byass (or his nominee), in lieu of directors' fees on the terms and conditions set out in the Exploratory Statement.”

RESOLUTION 9 – AUTHORITY TO ISSUE SHARES TO RELATED PARTY (FORMER DIRECTOR) – DR LESLIE SZONYI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 880,000 Shares at an issue price of \$0.15 per Share and 880,000 attaching Listed Options to Dr Leslie Szonyi (or his nominee), in lieu of directors' fees on the terms and conditions set out in the Exploratory Statement.”

RESOLUTION 10 – APPROVAL OF THE GRANT OF OPTIONS TO RELATED PARTY (FORMER DIRECTOR) – MR ALEXANDRE PENHA

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purpose of Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes the Shareholders approve the allotment and issue to Mr Alexandre Penha (or to an entity associated with Mr Penha) 500,000 options (**Penha Options**) as follows:*

- (a) 125,000 options with an exercise price of 20 cents each;*
- (c) 125,000 options with an exercise price of 25 cents each;*
- (d) 125,000 options with an exercise price of 30 cents each; and*
- (e) 125,000 options with an exercise price of 35 cents each."*

Information about the terms of the Penha Options, including performance hurdles attaching to the Penha Options, is set out in the Explanatory Memorandum.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company and the Corporations Act.

BY ORDER OF THE BOARD

JAMES CHISHOLM
CHAIRMAN

DATE: 9 FEBRUARY 2015

VOTING EXCLUSION STATEMENT:

The Company will disregard any votes cast on:

- Resolution 1 by Mr Stephen Keith or any of his associates.
- Resolution 2 by any Director in the Company or any of their associates.
- Resolutions 3 by a person or an associate of such person who participated in the Discretionary Placement.
- Resolution 4 and 5 by the Underwriter, the Sub-underwriter or any of their associates.
- Resolutions 6 by Lenark Pty Ltd atf the Lenark Investment Trust (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm) or its nominee or Mr James Chisholm or any of their associates.
- Resolution 7 by Mr Stephen Keith or any of his associates.
- Resolution 8 by Mr Adrian Byass or any of his associates.
- Resolution 9 by Dr Leslie Szonyi or any of his associates.
- Resolution 10 by Mr Alexandre Penha or any of his associates.

However, the Company need not disregard a vote if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.

Notes

1. The Company has determined that for the purpose of determining voting entitlements at the Annual General Meeting all shares in the Company that are quoted on the ASX will be taken to be held by the persons who held them as registered shareholders at 11:00 am (AEDT) on 16 March 2016. Accordingly, share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the Meeting.
2. On a poll, a member will have one vote for every fully paid ordinary Share held.
3. On a show of hands every member present has one vote (Subject to note 6 below).
4. A member entitled to attend and vote may attend and vote in person or by proxy, or attorney or (where the member is a body corporate) by representative.
5. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of the member's votes each proxy is entitled to exercise. If the appointment does not specify the proportion or number of the member's votes, each proxy may exercise one half of those votes.
6. Where a member appoints two proxies, in one instrument and both are present, on a show of hands only the first named proxy may vote
7. The proxy of a member does not need to be a member of the Company.
8. Proxy forms must be signed by a member or the member's attorney or, if a corporation, executed under seal or in accordance with section 127 of the Corporations Act 2001 (Cth) (if an Australian Company) or signed by an authorised officer or attorney for any overseas companies.
9. If proxy holders vote, they must cast all directed proxies as directed and any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

10. A proxy form accompanies this Notice of Meeting and to be effective must be received by the Company's corporate registry by 11:00 am (AEDT) on 16 March 2016:

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to

(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only

(custodians) www.intermediaryonline.com

For all enquiries in relation to completing your proxy call Computershare on:

(within Australia) 1300 850 505 or (outside Australia) +61 3 9415 4000

EXPLANATORY MEMORANDUM

THIS EXPLANATORY MEMORANDUM SHOULD BE READ IN ITS ENTIRETY. IF SHAREHOLDERS ARE IN DOUBT AS TO HOW THEY SHOULD VOTE, THEY SHOULD SEEK ADVICE FROM THEIR ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER PRIOR TO VOTING.

This Explanatory Memorandum should be read in conjunction with the Notice of Annual General Meeting to which this Explanatory Memorandum is attached and forms part of.

Terms used in this Explanatory Memorandum are defined in Schedule 1 of this Explanatory Memorandum.

1. RESOLUTION 1 – APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR – MR STEPHEN KEITH

1.1 Background

By the resolution sought under Resolution 1, the Company is seeking the approval of shareholders for a proposed grant of the Keith Options to the Managing Director, Mr Stephen Keith.

The terms of the Keith Options were approved by the Board as part of Mr Keith's remuneration contract dated 31 July 2015 and consequently amended by the board on 5 September 2015.

Mr Keith is a related party of the Company under the Corporations Act by virtue of his directorship in the Company.

Approval is being sought under Resolution 1 to approve the grant of the Keith Options to Mr Keith (or to an entity associated with Mr Keith), as a reflection of Mr Keith's future contribution to the Company as Managing Director and to provide him with a continued commitment to the Company.

1.2 Reason for proposed Shareholder approval

The approvals in Resolution 1 are sought for the purposes of:

- (a) Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company—the issue of the Keith Options will constitute a giving of a financial benefit to a related party under section 229(3)(e) of the Corporations Act and consequently, approval under section 208 of the Corporations Act is sought; and
- (b) Listing Rule 10.11, which governs the issue of Equity Securities to directors and other related parties of a company,

and for all other purposes.

In accordance with Listing Rule 7.2 (Exception 14), if Resolution 1 is passed, separate shareholder approval under Listing Rule 7.1 is not required (as the issue of the Keith Options will be approved by Shareholders under Listing Rule 10.11).

1.3 Information required by Listing Rule 10.13 and Section 219 of Corporations Act

For the purposes of the Listing Rule 10.13 and section 219 of the Corporations Act information regarding the Keith Options is provided as follows.

- (a) The number of options to be issued to Mr Keith (or his nominee) is 1,100,000 options to acquire one fully paid ordinary share in the Company per option.
- (b) If Resolution 1 is approved, the Keith Options will be issued shortly after the General Meeting, but in any event, within 1 month after the date of the Meeting and on substantially the same terms as set out in Schedule 2 of this Notice.
- (c) In determining the number of options to be granted, consideration was given to the relevant experience and role of Mr Keith and his overall remuneration terms. Mr Keith's remuneration package is set out in section 1.4.
- (d) Mr Keith's existing interests in Fertoz (including interests held through his related entities) are 450,000 options each with a right to one ordinary share as follows:
 - (i) 150,000 options at an exercise price of 65 cents,
 - (ii) 150,000 options at an exercise price of 75 cents, and
 - (iii) 150,000 options at an exercise price of 85 cents.
- (e) The dilutionary effect of the Keith Options if all of the Keith Options are exercised would be 1.8%. If all the other options issued or agreed to be issued by the Company as at the date of this Notice of Meeting were exercised then the fully diluted effect of the Keith Options after all the other options are exercised would be 1.5%.
- (f) No funds are being raised by the grant of the Keith Options, however funds will be raised should Mr Keith exercise the Keith Options. The funds that would be raised on exercise of the Keith Options to be granted to Mr Keith are \$290,000. The Company intends to use these funds for the purpose of for working capital, exploration and mining of rock phosphate.
- (g) The Board believes Mr Keith is deserving of recognition for his role in the Company through the issue of the Keith Options. The proposed offer of the Keith Options is intended to:
 - (i) provide an appropriate and adequate incentive;
 - (ii) ensure the Company may retain Mr Keith's service;
 - (iii) reinforce the commitment of Mr Keith to the Company;
 - (iv) reflects the level of commitment provided or to be provided by Mr Keith to the Company, taking into account the responsibilities and time commitments required of him; and
 - (v) reflects the value Mr Keith brings to the Board, and to the enhancement of the Company and the level of commitment required by the Company from him.
- (h) Given the speculative nature of the Company's activities, it is considered the performance of the Directors and the performance and value of the Company are closely related. As such, the Keith Options granted will provide reward and incentive for future services provided to the Company to further the progress of the Company and to deliver growth and Shareholder value.

- (i) In the Company's circumstances, the Directors considered that the allotment of the Keith Options provides a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g., cash bonuses or increased remuneration).
- (j) For the purposes of the Listing Rule 10.13 and Section 219 of the Corporations Act, other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 1.

Further information in relation to Resolution 1 required to be disclosed to Shareholders under Listing Rule 10.13 and Section 219 of Corporations Act is set out in sections 1.4 to 1.6 below.

1.4 Overview of Managing Director's Remuneration

Mr Keith's remuneration package for the financial year ending 30 June 2016 consists of the following components:

Salary and fees	C\$250,000 per annum (equivalent to approximately A\$253,000 at an exchange rate of CAD 1.00:AUD 0.9881)
Superannuation	+ 3% per annum
Long term incentives	1,100,000 Keith Options (subject to shareholder approval being granted under Resolution 1). The Keith Options have a value of \$55,690 (see section 1.6 of this Notice).
	1,000,000 Plan Shares (subject to shareholder approval being granted under Resolution 2). The Plan Shares have a value of \$135,400 (see section 2.6 of this Notice).
Other	The Company will also: • reimburse Mr Keith for all reasonable travel expenses incurred in the performance of his duties; • pay for Canadian mobile telephone services for Mr Keith and reimburse Mr Keith for international telephone calls; and • pay for a health and life insurance policy.

In determining the number of options to be granted to Mr Keith consideration was given to the relevant experience and role of Mr Keith and his overall remuneration terms. Full details of Mr Keith's remuneration is outlined in the 2015 Remuneration Report on page 10 of the Audited Financial Statement – 30 June 2015.

1.5 Keith Options

The options comprising the Keith Options and the relevant exercise price, expiry date and performance hurdle of the relevant Keith Options are set out below in Table 1.

Table 1			
No of Options	Exercise Price	Expiry Date	Performance Hurdle
100,000	15 cents	18/2/2018	Six months employment as Managing Director
250,000	20 cents	18/2/2017	Volume Weighted Average Price (VWAP) of the Company's shares exceeds 25 cents for 21 consecutive trading days
250,000	25 cents	19/8/2017	VWAP of the Company's shares exceeding 40 cents for 21 consecutive trading days
250,000	30 cents	18/2/2018	VWAP of the Company's shares exceeding 50 cents for 21 consecutive trading days
250,000	35 cents	19/8/2018	VWAP of the Company's shares exceeding 65 cents for 21 consecutive trading days

Each option will be exercisable by the option holder after the corresponding performance hurdle set out above is met and after giving notice in writing to the Company, along with payment of the exercise price for the corresponding option as set out above (**Exercise Price**).

Any Keith Options which have not been exercised as at the corresponding expiry date for those Keith Options will automatically lapse.

1.6 Valuation of Options

The Keith Options are not currently quoted on the ASX and as such have no market value. The Keith Options each grant the holder a right to subscribe for one ordinary share in the Company upon exercise of the Keith Options (**Keith Shares**) and payment of the Exercise Price (as disclosed in Table 1 above). Accordingly, the Keith Options may have a present value at the date of their issue.

The Keith Options may acquire future value dependent upon the extent to which the Keith Shares exceed the Exercise Price of the Keith Options during the term of the Keith Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares

that might be acquired upon exercise of the options represent a controlling or other significant interest);

- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated).

Based on the assumptions set out below, the Directors (excluding Mr Keith due to a conflict of interest) have estimated the value of the Keith Options to be worth \$55,690 in total as at 7 January 2016 (see Table 2 below for a break down).

The valuation was derived using the Black Scholes option valuation methodology after taking into account market based vesting conditions and the likelihood of meeting non-market based vesting conditions and in accordance with applicable accounting standards, based on the following assumptions:

- the valuation date for the options is 7 January 2016, although the Keith Options will not be granted until Shareholders have approved the issue of the Keith Options;
- the price of a fully paid Share is based on the Share price of the Company on 7 January 2016 which was 15 cents per Share;
- the Exercise Price of the Keith Options are as disclosed in Table 2 below;
- the Keith Options are estimated to expire on the corresponding expiry dates in Table 1 above;
- a risk free rate of 1.85%;
- an expected volatility rate of 80% has been applied; and
- the Keith Options will be issued at a price of \$0.00.

TABLE 2			
No of Options	Exercise Price (per share)	Option Value (cents per option)	Total Value (\$)
100,000	15 cents	8.84 cents	\$8,840
250,000	20 cents	4.86 cents	\$12,150
250,000	25 cents	4.45 cents	\$11,125
250,000	30 cents	4.66 cents	\$11,650
250,000	35 cents	4.77 cents	\$11,925
TOTAL			\$55,690

1.8 Directors' Recommendation

Mr Keith makes no recommendation on how to vote on Resolution 1, in light of his direct interest in the Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to Resolution 1 in accordance with good corporate governance practice. The Chairman of the Meeting intends to vote available proxies in favour of Resolution 1.

2. RESOLUTION 2 – APPROVAL OF THE GRANT OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR STEPHN KEITH

2.1 Background

The Company seeks the approval of Shareholders to grant the Managing Director, Stephen Keith (or a related entity of Mr Keith), 1,000,000 Plan Shares (**Plan Shares**) under the Employee Share Plan and on the terms and conditions in the Employee Share Plan (and the terms and conditions set out in section 2.4 of this Notice).

Mr Keith is a related party of the Company under the Corporations Act by virtue of his directorship in the Company.

2.2 Reason for proposed Shareholder approval

The above Shareholder approval is sought for the purposes of:

- (a) Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company—the issue of the Plan Shares will constitute a giving of a financial benefit to a related party under section 229(3)(e) of the Corporations Act and consequently, approval under section 208 of the Corporations Act is sought; and
- (b) Listing Rule 10.14, which provides that, an entity must only allow a Director or their associates to acquire securities under an employee incentive scheme with the approval of Shareholders,

and for all other purposes.

2.3 ASX Listing Rule 10.14

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

An exception to ASX Rule 10.11 is set out in ASX Listing Rule 10.12 (exception 4) which provides that ASX Listing Rule 10.11 does not apply to an issue made with the approval of Shareholders under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must only allow a Director or their associates to acquire securities under an employee incentive scheme with approval of Shareholders and provided the Notice of Meeting complies with ASX Listing Rules 10.15 or 10.15A.

The establishment and maintenance of the Employee Share Plan was approved by Shareholders at the 2014 AGM of the Company. Accordingly, the Company is able to issue Shares under the Employee Share Plan to eligible participants over a period of 3 years from the 2014 AGM without impacting on the Company's ability to issue up to 15% of its total issued capital without Shareholder approval in any 12 month

period. The Listing Rules require, however, that specific approval be obtained for the issue of Shares under the Employee Share Plan to Directors.

In accordance with Listing Rule 7.2 (Exception 14), if Resolution 2 is passed, separate shareholder approval under Listing Rule 7.1 is not required (as the issue of the issue of the Plan Shares to Mr Keith will be approved by Shareholders under Listing Rule 10.14.

2.4 Terms of Plan Shares

The following Plan Shares will be granted to Mr Keith at zero cost and will have the corresponding expiry dates as set out below in Table 3. The Plan Shares are subject to the corresponding performance hurdles as set out below in Table 3 (**Performance Hurdles**) which must be satisfied before the Plan Shares can be sold, transferred, or encumbered by Mr Keith (or his related entity, as applicable), in accordance with the terms and conditions in the Employee Share Plan.

Table 3		
No of Plan Shares	Expiry Date	Performance Hurdle
500,000	18/2/2018	Closing Share price has exceeded A\$0.50 for at least 21 consecutive trading days
250,000	19/8/2017	Completion of a total A\$1.75 million minimum capital raise (before costs) which was satisfied on 27 November 2015 however the shares are escrowed for 12 months from issue, with orderly market arrangements for any sales and the Managing Director to remain in the role for a minimum of six (6) months following the raise
250,000	19/8/2017	Signing of an 10,000tpa offtake agreement from any of the Company's projects or the Company's joint ventured projects

2.5 Information required by Listing Rule 10.15 and Section 219 of Corporations Act

For the purposes of the Listing Rule 10.15 and section 219 of the Corporations Act information regarding the Plan Shares is provided as follows.

- (a) the people that have received Shares under the Employee Share Plan since the last approval are set out below:

Name	No of Shares	Acquisition price per Share
Leslie Szonyi (former Managing Director)	1,000,000*	\$0.29
Julien McNally (Chief Financial Officer and Company Secretary)	250,000	\$0.29

* Note: Leslie Szonyi has retired as a Director on 27 November 2015. Accordingly, Mr Szonyi will forfeit the 1,000,000 Shares issued to him under the Employee Share Plan and (subject to approval of Resolution 2) such Shares will be transferred to Mr Keith and will constitute the Plan Shares.

- (b) The dilutionary effect of the issue of the Plan Shares if all of the Performance Hurdles are met would be 1.6%. If the options currently on issue in the Company were exercised then the fully diluted effect of the issue of the Plan Shares would be 1.37%.
- (c) Mr Keith's remuneration package is set out in section 1.4 of this Notice.
- (d) Mr Keith's existing interests in Fertoz are set out in section 1.3(d) of this Notice.
- (e) Under the Employee Share Plan, only 'Eligible Employees' (being Directors, full-time and part-time employees, consultants or independent contractors of the Company or any of its subsidiaries) whom the Board decides is to receive an offer under the Employee Share Plan, are entitled to participate in the Employee Share Plan. Mr Keith has been determined to be an 'Eligible Employee' for the purposes of the Employee Share Plan.
- (f) If Resolution 2 is approved, the Plan Shares will be issued shortly after the General Meeting, but in any event, within 12 months of the date of the Meeting.
- (g) The Board believes Mr Keith is deserving of recognition for his role in the Company through the issue of the Plan Shares. The proposed offer of the Plan Shares is intended to:
 - (i) provide an appropriate and adequate incentive;
 - (ii) ensure the Company may retain Mr Keith's service;
 - (iii) reinforce the commitment of Mr Keith to the Company;
 - (iv) reflects the level of commitment provided or to be provided by Mr Keith to the Company, taking into account the responsibilities and time commitments required of him; and
 - (v) reflects the value Mr Keith brings to the Board, and to the enhancement of the Company and the level of commitment required by the Company from him.
- (h) Given the speculative nature of the Company's activities, it is considered the performance of the Directors and the performance and value of the Company are closely related. As such, the Plan Shares granted will provide reward and incentive for future services provided to the Company to further the progress of the Company and to deliver growth and Shareholder value.
- (i) In the Company's circumstances, the Directors considered that the allotment of the Plan Shares provides a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g., cash bonuses or increased remuneration).
- (j) For the purposes of Section 219 of the Corporations Act, other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 2.

Further information in relation to Resolution 2 required to be disclosed to Shareholders under Listing Rule 10.15 and Section 219 of Corporations Act is set out in sections 2.5 and 2.6.

2.6 Valuation of Plan Shares

Based on the assumptions set out below, the Board has estimated the value of the Plan Shares to be worth \$135,400 in total as at 7 January 2016 (see table 4 below).

The valuation was derived using the Black Scholes valuation methodology and in accordance with applicable accounting standards, based on the following assumptions:

- the Plan Shares will be granted to Mr Keith at zero cost;
- the Plan Shares have the corresponding expiry dates as set out above in Table 3 in section 2.4;
- the price of a fully paid Share is based on the Share price of the Company on 7 January 2016 which was 18 cents per Share.
- a risk free rate of 1.85%; and
- an expected volatility rate of 80% has been applied.

TABLE 4			
No of Plan Shares	Expiry Date	Option Value (per Plan Share)	Total Value (\$)
500,000	27/11/2017	9.08 cents	\$45,400
250,000	27/05/2017	18.00 cents	\$45,000
250,000	27/05/2017	18.00 cents	\$45,000
TOTAL			\$135,400

2.7 Directors' Recommendation

Mr Keith makes no recommendation on how to vote on Resolution 2, in light of his direct interest in the Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to Resolution 2 in accordance with good corporate governance practice. The Chairman of the Meeting intends to vote available proxies in favour of Resolution 2.

3. RESOLUTION 3 – APPROVAL OF AN ISSUE OF SECURITIES UNDER DISCRETIONARY PLACEMENT

3.1 Introduction

Ratification of the issue of the Placement Shares and attaching Listed Options is now being sought.

On 24 December 2015, the Company announced it had completed the Discretionary Placement of 5,600,000 shares at an issue price of \$0.15 per Share and 5,600,000 attaching Listed Options in accordance with and as disclosed in the

Prospectus dated 30 October 2015 to raise a total of \$840,000 (**Discretionary Placement**).

The Company now seeks Shareholder approval to ratify the issue of 5,600,000 "**Placement Shares**" and 5,600,000 attaching Listed Options so as to refresh the Company's 15% Capacity under ASX Listing Rule 7.1 and 10% Capacity under listing Rule 7.1A.

3.2 ASX Listing Rules

Listing Rule 7.1 permits entities to issue securities of up to 15% of its issued capital (**15% Capacity**) over a 12 month period without shareholder approval. Listing Rule 7.4 provides that where shareholders subsequently approve securities that were issued under Listing Rule 7.1 then those securities will be treated as having been made with shareholder approval. The effect of this rule is to refresh the 15% Capacity under listing rule 7.1.

*Listing Rule 7.1A permits eligible entities to issue securities of up to 10% of its issued capital (**10% Capacity**) over a 12 month period after shareholder approval is obtained at an Annual General Meeting. The Company obtained shareholder approval under Listing Rule 7.1A at the Annual General Meeting held on 30 November 2015.*

Listing Rule 7.1A.2 provides that where shareholders subsequently approve the securities in accordance with Listing Rule 7.4 that were issued under listing rule 7.1A then those securities will be treated as having been made with shareholder approval under Listing Rule 7.1. The effect of this rule is to refresh the 10% Capacity under listing rule 7.1A.

The Company completed the Discretionary Placement utilising its 15% Capacity to issue securities under Listing Rule 7.1 and 10% Capacity to issue securities under Listing Rule 7.1A. While the approval of Resolution 3 will have no effect on the issue of the Shares and Listed Options in question, shareholder approval will restore the Company's ability to issue further equity securities under Listing Rule 7.1 and 7.1A to the extent of 11,200,000.

3.3 Information required by ASX Listing Rule 7.5

For the purposes of Listing Rule 7.5, the Company provides the following information to Shareholders:

(a) The number of securities issued was 5,600,000 Placement Shares and 5,600,000 attaching Listed Options that, if exercised, would result in the issue of 5,600,000 shares.

(b) The Placement Shares were issued at a price of A\$0.15 each.

The attaching Listed Options were issued for no cash consideration however, the attaching Listed Options can be exercised at an exercise price of A\$0.15 each.

(c) The Placement Shares are quoted on the ASX and rank equally with all ordinary shares on issue.

The attaching Listed Options are listed on the ASX and can be exercised at an exercise price of \$0.15 each at any time up to 1 December 2017. Shares that are issued upon the exercise of the Listed Options will rank equally with all other shares on issue and in all other respects the rights and entitlements

of the holders of the shares will be identical to the rights and entitlements of the holders of then currently issued shares. The key terms of the Listed Options are set out in Schedule 2.

- (d) The Placement Shares and attaching Listed Options were issued to sophisticated and professional investors (as those terms are defined in section 708 of the Corporations Act) as determined by the Directors. None of these persons are related parties of the Company.
- (e) The funds raised under the Discretionary Placement are proposed to be used for working capital, exploration and mining of rock phosphate.
- (f) A voting exclusion statement is included for Resolution 3 in the Notice of Meeting accompanying the Explanatory Memorandum.

3.4 Directors' recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 3.

4. RESOLUTION 4 – RATIFICATION OF ISSUE OF UNDERWRITER OPTIONS

4.1 Introduction

On 30 October 2015, the Company announced a fully underwritten non-renounceable pro rate entitlement offer to raise \$1,007,875 ("**Entitlement Offer**"). The Entitlement Offer was underwritten by Blackwood Capital Pty Limited (**Underwriter**) and was partially sub-underwritten by a substantial shareholder of Fertoz, Terra Capital Pty Limited (**Sub-underwriter**).

Under the Underwriting Agreement, the Underwriter and the Sub-underwriter are entitled to underwriting fee being 6% of the full underwritten Entitlement Offer in cash and 4,333,333 Underwriter Options with an exercise price of \$0.18 expiring on 1 December 2017 (**Underwriter Options**).

Under Resolution 5 the Directors are seeking approval to issue 2,333,333 Underwriter Options during the period of 3 months after the Meeting (or a longer period if allowed by ASX).

The Company has issued 2,000,000 Underwriting Options using its capacity under Listing Rule 7.1 and is seeking ratification of the issue of these Underwriter Options in Resolution 4. While the approval of Resolution 4 will have no effect on the issue of the Underwriter Options in question, shareholder approval will restore the Company's ability to issue further equity securities under Listing Rule 7.1 to the extent of 2,000,000 Shares.

4.2 ASX Listing Rules

Listing Rule 7.1 permits entities to issue securities of up to 15% of its issued capital over a 12 month period without shareholder approval. Listing Rule 7.4 provides that where shareholders subsequently approve securities that were issued under Listing Rule 7.1 then those securities will be treated as having been made with shareholder approval. The effect of this rule is to refresh the 15% Capacity under listing rule 7.1.

4.3 Information required by ASX Listing Rule 7.5

For the purposes of Listing Rule 7.5, the Company provides the following information to Shareholders:

- (a) The number of securities issued was 2,000,000 Underwriter Options that, if exercised, would result in the issue of 2,000,000 shares.
- (b) The Underwriter Options were issued for no cash consideration however, they can be exercised at an exercise price of 18 cents.
- (c) The Underwriter Options can be exercised at an exercise price of 18 cents each at any time up to 1 December 2017. Shares that are issued upon the exercise of the Underwriter Options will rank equally with all other shares on issue and in all other respects the rights and entitlements of the holders of the shares will be identical to the rights and entitlements of the holders of then currently issued shares. The detailed terms of the Underwriter Options are set out in Schedule 2.
- (d) The Underwriter Options were issued to substantial shareholder of Fertoz Limited, Terra Capital Pty Limited (or a related party of Terra Capital Pty Limited).
- (e) No funds are being raised by the grant of the Underwriter Options, however funds will be raised should the holders of Underwriter Options exercise the Underwriter Options. The funds that would be raised on exercise of the Underwriter Options are ~\$360,000. The Company intends to use these funds for the purpose of working capital, exploration and mining of rock phosphate.
- (f) A voting exclusion statement is included for Resolution 4 in the Notice of Meeting accompanying the Explanatory Memorandum.

4.4 Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

5. RESOLUTION 5 – ISSUE OF UNDERWRITER OPTIONS

5.1 Introduction

On 30 October 2015, the Company announced a fully underwritten non-renounceable pro rate entitlement offer to raise \$1,007,875 being the Entitlement Offer. The Entitlement Offer was underwritten by Blackwood Capital Pty Limited (**Underwriter**) and was partially sub-underwritten by a substantial shareholder of Fertoz, Terra Capital Pty Limited (**Sub-underwriter**).

Under the Underwriting Agreement, the Underwriter and the Sub-underwriter are entitled to underwriting fee being 6% of the full underwritten Entitlement Offer in cash and 4,333,333 Underwriter Options with an exercise price of \$0.18 expiring on 1 December 2017 (**Underwriter Options**). The Company has issued 2,000,000 Underwriting Options using its capacity under Listing Rule 7.1 and is seeking ratification of the issue of theses Underwriter Options in Resolution 4.

Under Resolution 5 the Directors are seeking approval to issue a further 2,333,333 Underwriter Options during the period of 3 months after the Meeting (or a longer period if allowed by ASX).

5.2 ASX Listing Rule 7.1 and Shareholder approval

Shareholder approval is sought for the proposed issue of 2,333,333 Underwriter Options for the purposes of ASX Listing Rule 7.1.

Listing Rule 7.1 broadly provides that a company must not, without Shareholder approval, subject to certain exceptions, issue during any 12 month period any Equity Securities, if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

If Resolution 5 is passed, it will provide the Company the flexibility to issue the Underwriter Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

5.3 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue pursuant to Resolution 5:

- (a) The maximum number of securities to be issued pursuant to Resolution 5 is 2,333,333 Underwriter Options that, if exercised, would result in a maximum of 2,333,333 shares;
- (b) The Underwriter Options will be issued shortly after the Extraordinary General Meeting and no later than 3 months after the date of the Meeting;
- (c) The Underwriter Options will be issued for nil consideration and the exercise price of the Underwriter Options will be 18 cents;
- (d) The allottees of the Underwriter Options and the amount of Underwriter Options to be issued to each allottee is as follows:
 - (i) Blackwood Capital Pty Limited – 1 million Underwriter Options; and
 - (ii) Terra Capital Pty Limited (or a related entity of Terra Capital Pty Limited) a substantial shareholder of Fertoz – 1,333,333 Underwriter Options;
- (e) The key terms of the Underwriter Options are set out in Schedule 2;
- (f) No funds are being raised by the grant of the Underwriter Options, however funds will be raised should the holders of Underwriter Options exercise the Underwriter Options. The funds that would be raised on exercise of the Underwriter Options are \$420,000. The Company intends to use these funds for the purpose of working capital, exploration and mining of rock phosphate.
- (g) A voting exclusion statement is included for Resolution 5 in the Notice of Meeting accompanying the Explanatory Memorandum.

5.4 Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 5.

6. RESOLUTION 6 – APPROVAL OF AN ISSUE OF SECURITIES TO RELATED PARTY

6.1 Introduction

On or about 23 December 2014, Fertoz entered into the Offset Loan Agreement with Lenark Pty Ltd atf the Lenark Investment Trust (**Lenark**) (controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm). The Offset Loan Agreement provides for a facility limit of \$1.25m. The facility accrues capitalized interest at a rate of 6% per annum with the rate increased to 12% per annum upon a default by the Company. The balance outstanding under the Offset Loan Agreement as at 31 December 2015 is \$260,000.00. The balance outstanding under the Offset Loan Agreement is repayable at any time, but not later than 30 June 2016.

It is proposed under Resolution 6 to issue Securities to Lenark (or its nominee) for the payment of the debt owing to Lenark under the same terms as the Entitlement Offer being a deemed issue price of \$0.15 per Share with one free attaching Listed Option for every Share issued with an exercise price of \$0.15 expiring on 1 December 2017 (**Lenark Securities**).

The primary purpose of the grant of the Lenark Shares to Lenark (or its nominee) is to convert the loan funds provided by Lenark, which is a debt owing by the Company, to equity, thereby reducing the Company's debt.

N.B: If Resolution 6 is not passed by shareholders the Company will need to repay the debt owing to Lenark utilising the cash of the Company.

6.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires an entity to obtain the approval of Shareholders in order to issue Equity Securities to a related party. The Directors (and entities they control or their spouses control) are related parties of the Company.

Further, ASX Listing Rule 7.2 (Exception 14) states that approval pursuant to ASX Listing Rule 7.1 is not required if Shareholder approval is obtained under ASX Listing Rule 10.11. The proposed issue of the Equity Securities pursuant to Resolution 6 will not reduce the capacity of the Company to issue Equity Securities in the next 12 months under ASX Listing Rule 7.1, as those securities under Resolution 6 (once issued) will be excluded from calculations under ASX Listing Rule 7.1.

6.3 Information required by Listing Rule 10.13

For the purposes of the Listing Rule 10.13 and section 219 of the Corporations Act information regarding the Lenark Securities is provided as follows.

- (a) The related party is Lenark and it is a related party by virtue of being controlled by Kimberly Chisholm, spouse of the Non-Executive Chairman of Fertoz, James Chisholm.
- (b) The maximum number of securities to be issued to Lenark (or its nominee) is 1,733,333 Shares and 1,733,333 attaching Listed Options.
- (c) If Resolution 6 is approved, the relevant Lenark Securities will be issued shortly after the Extraordinary General Meeting and no later than 1 month after the date of the Meeting (or such later date if allowed by ASX).
- (d) The Shares will be issued at a price of A\$0.15 each and will rank equally with all other Shares. The attaching Listed Options will be issued for no cash

consideration however, the attaching Listed Options can be exercised at an exercise price of A\$0.15 each. The key terms of the Listed Options are set out in Schedule 2.

- (e) No funds will be raised by the issuance of the Lenark Securities. The issuance is made to extinguish the debts owing to Lenark (i.e. the Lenark Securities are being issued in consideration for the conversion of the loan funds already provided to the Company by Lenark).
- (f) No funds are being raised by the grant of the Lenark Securities, however, it does reduce the amount of debt owed by the Company to Lenark by \$260,000. The funds that would be raised on exercise of the Listed Options is \$260,000. The Company intends to use these funds for the purpose of working capital, exploration and mining of rock phosphate.
- (g) A voting exclusion statement is included for Resolution 6 in the Notice of Meeting accompanying the Explanatory Memorandum.

6.4 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of the Lenark Securities to a related party of Mr Chisholm as proposed above constitutes the provision of a financial benefit to a related party under section 229(3)(e) of the Corporations Act.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within an exception to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit.

It is the view of the Board that Shareholder approval under Chapter 2E of the Corporations Act is not required for the issue of the Lenark Securities to Mr Chisholm as proposed above, as the proposed issue of the Lenark Securities falls within the exception under section 210 of the Corporations Act.

Section 210 of the Corporations Act provides that Shareholder approval is not needed to give a financial benefit on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length or are on terms less favourable to the related party than would be given if the parties were dealing at arm's length. In forming this view the Board notes that the Lenark Securities are deemed to be issued at the same price and on the same terms as Shareholders were offered under the Entitlement Offer and on the same terms as those provided under the Discretionary Placement.

6.5 Directors' Recommendation

The Directors (except James Chisholm who abstains from making a recommendation due to his direct interest in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 6. The Chairman of the Meeting intends to vote available proxies in favour of Resolution 6.

7. RESOLUTION 7, 8, AND 9 – AUTHORITY TO ISSUE SHARES TO DIRECTORS AND FORMER DIRECTOR

7.1 Introduction

In order to preserve cash resources of the Company, Managing Director Mr Stephen Keith, Non-executive Director Mr Adrian Byass and former Director Dr Leslie Szonyi agreed for management, Director's fees and expenses owing to them to be settled by the issue of Shares and attaching Listed Options on the same terms as the Entitlement Offer to shareholders.

7.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires an entity to obtain the approval of Shareholders in order to issue Equity Securities to a related party. The Directors and persons who were a Director in the last six months are related parties of the Company.

Further, ASX Listing Rule 7.2 (Exception 14) states that approval pursuant to ASX Listing Rule 7.1 is not required if Shareholder approval is obtained under ASX Listing Rule 10.11. The proposed issue of the Equity Securities pursuant to Resolution 7,8,and 9 will not reduce the capacity of the Company to issue Equity Securities in the next 12 months under ASX Listing Rule 7.1, as those securities under Resolution 7, 8, and 9 (once issued) will be excluded from calculations under ASX Listing Rule 7.1.

7.3 Information required by Listing Rule 10.13

For the purposes of the Listing Rule 10.13 the following information is provided as follows:

- (a) Mr Stephen Keith and Mr Adrian Byass are Directors and hence related parties of the Company. Dr Leslie Szonyi is a related party as he was formerly a Director within the last six months.
- (b) The maximum number of securities to be issued to each person are provided below in Table 5.

TABLE 5			
Person	\$ amount owed to each person	No. of Shares to be issued	No. of Listed Options to be issued
Stephen Keith	\$47,110	314,068	314,068
Adrian Byass	\$32,400	216,000	216,000
Leslie Szonyi	\$132,000	880,000	880,000

- (c) If Resolution 7, 8, and 9 are approved, the relevant securities will be issued shortly after the Extraordinary General Meeting and no later than 1 month after the date of the Meeting (or such later date if allowed by ASX).
- (d) The Shares will be issued at a price of 15 cents each and will rank equally with all other Shares. The attaching Listed Options will be issued for no cash consideration however, the attaching Listed Options can be exercised at an exercise price of A\$0.15 each. The key terms of the Listed Options are set out in Schedule 2.

- (e) No funds will be raised by the issuance of the Shares. The issuance is made to extinguish the debts owing to the directors and former director.
- (f) No funds are being raised by the grant of the Shares, however, it does reduce the amount of debt owed by the Company to Directors and a Former Director by \$211,510. The funds that would be raised on exercise of the Listed Options is \$211,510. The Company intends to use these funds for the purpose of working capital, exploration and mining of rock phosphate.
- (g) A voting exclusion statement is included for Resolution 7, 8, and 9 in the Notice of Meeting accompanying the Explanatory Memorandum.

7.4 Directors' Recommendation

The Directors (except the relevant conflicted director in relation to an issue of securities to themselves in which case that director abstains from making a recommendation due to his direct interest in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 7, 8, and 9. The Chairman of the Meeting intends to vote available proxies in favour of these resolution.

8. RESOLUTION 10 – APPROVAL OF THE GRANT OF OPTIONS TO RELATED PARTY (FORMER DIRECTOR) – MR ALEXANDRE PENHA

8.1 Background

By the resolution sought under Resolution 10, the Company is seeking the approval of shareholders for a proposed grant of the Penha Options to, former alternate director and current consultant to the Company, Mr Alexandre Penha.

The terms of the Penha Options were approved by the Board as part of Mr Penha's remuneration contract.

Mr Penha is a related party of the Company under the Corporations Act due to being a former alternate director of the Company within the last six months.

Approval is being sought under Resolution 10 to approve the grant of the Penha Options to Mr Penha (or to an entity associated with Mr Penha), as a reflection of Mr Penha's future contribution to the Company as a consultant and to provide him with a continued commitment to the Company.

8.2 Reason for proposed Shareholder approval

The approvals in Resolution 10 are sought for the purposes of:

- (a) Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company—the issue of the Penha Options will constitute a giving of a financial benefit to a related party under section 229(3)(e) of the Corporations Act and consequently, approval under section 208 of the Corporations Act is sought; and
- (b) Listing Rule 10.11, which governs the issue of Equity Securities to related parties of a company,

and for all other purposes.

In accordance with Listing Rule 7.2 (Exception 14), if Resolution 10 is passed, separate shareholder approval under Listing Rule 7.1 is not required (as the issue of the Penha Options will be approved by Shareholders under Listing Rule 10.11).

8.3 Information required by Listing Rule 10.13 and Section 219 of Corporations Act

For the purposes of the Listing Rule 10.13 and section 219 of the Corporations Act information regarding the Penha Options is provided as follows.

- (a) The number of options to be issued to Mr Penha (or his nominee) is 500,000 options to acquire one fully paid ordinary share in the Company per option.
- (b) If Resolution 10 is approved, the Penha Options will be issued shortly after the General Meeting, but in any event, within 1 month after the date of the Meeting and on substantially the same terms as set out in Schedule 2 of this Notice.
- (c) In determining the number of options to be granted, consideration was given to the relevant experience and role of Mr Penha and his overall remuneration terms. Mr Penha's remuneration package is set out in section 8.4.
- (d) Mr Penha's existing interests in FertoZ (including interests held through his related entities) are 450,000 options each with a right to one ordinary share as follows:
 - (i) 150,000 options at an exercise price of 65 cents,
 - (ii) 150,000 options at an exercise price of 75 cents, and
 - (iii) 150,000 options at an exercise price of 85 cents.
- (e) The dilutionary effect of the Penha Options if all of the Penha Options are exercised would be 0.8%. If all the other options issued or agreed to be issued by the Company as at the date of this Notice of Meeting were exercised then the fully diluted effect of the Penha Options after all the other options are exercised would be 0.6%.
- (f) No funds are being raised by the grant of the Penha Options, however funds will be raised should Mr Penha exercise the Penha Options. The funds that would be raised on exercise of the Penha Options to be granted to Mr Penha are \$137,500. The Company intends to use these funds for the purpose of for working capital, exploration and mining of rock phosphate.
- (g) The Board believes Mr Penha is deserving of recognition for his role in the Company through the issue of the Penha Options. The proposed offer of the Penha Options is intended to:
 - (i) provide an appropriate and adequate incentive;
 - (ii) ensure the Company may retain Mr Penha's service;
 - (iii) reinforce the commitment of Mr Penha to the Company; and
 - (iv) reflects the level of commitment provided or to be provided by Mr Penha to the Company, taking into account the responsibilities and time commitments required of him; and

- (h) Given the speculative nature of the Company's activities, it is considered the performance of the Directors/management and the performance and value of the Company are closely related. As such, the Penha Options granted will provide reward and incentive for future services provided to the Company to further the progress of the Company and to deliver growth and Shareholder value.
- (i) In the Company's circumstances, the Directors considered that the allotment of the Penha Options provides a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g., cash bonuses or increased remuneration).
- (j) For the purposes of the Listing Rule 10.13 and Section 219 of the Corporations Act, other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 10.
- (k) A voting exclusion statement is included for Resolution 10 in the Notice of Meeting accompanying the Explanatory Memorandum.

Further information in relation to Resolution 10 required to be disclosed to Shareholders under Listing Rule 10.13 and Section 219 of Corporations Act is set out in sections 8.4 to 8.6 below.

8.4 Overview of Mr Penha's Remuneration

Mr Penha's remuneration consists of the following components:

Salary and fees	C\$100/hr (equivalent to approximately A\$101.20/hr an exchange rate of CAD 1.00:AUD 0.9881)
Long term incentives	500,000 Penha Options (subject to shareholder approval being granted under Resolution 10). The Penha Options have a value of \$23,425 (see section 8.6 of this Notice).
Other	The Company will also reimburse Mr Penha for all reasonable travel and other expenses incurred in the performance of his duties.

In determining the number of options to be granted to Mr Penha consideration was given to the relevant experience and role of Mr Penha and his overall remuneration terms.

8.5 Penha Options

The options comprising the Penha Options and the relevant exercise price, expiry date and performance hurdle of the relevant Penha Options are set out below in Table 6.

Table 6			
No of Options	Exercise Price	Expiry Date	Performance Hurdle
125,000	20 cents	28/2/2017	Volume Weighted Average Price (VWAP) of the Company's shares exceeds 25 cents for 21 consecutive trading days
125,000	25 cents	29/8/2017	VWAP of the Company's shares exceeding 40 cents for 21 consecutive trading days
125,000	30 cents	28/2/2018	VWAP of the Company's shares exceeding 50 cents for 21 consecutive trading days
125,000	35 cents	29/8/2018	VWAP of the Company's shares exceeding 65 cents for 21 consecutive trading days

Each option will be exercisable by the option holder after the corresponding performance hurdle set out above is met and after giving notice in writing to the Company, along with payment of the exercise price for the corresponding option as set out above (**Exercise Price**).

Any Penha Options which have not been exercised as at the corresponding expiry date for those Penha Options will automatically lapse.

8.6 Valuation of Options

The Penha Options are not currently quoted on the ASX and as such have no market value. The Penha Options each grant the holder a right to subscribe for one ordinary share in the Company upon exercise of the Penha Options (**Penha Shares**) and payment of the Exercise Price (as disclosed in Table 6 above). Accordingly, the Penha Options may have a present value at the date of their issue.

The Penha Options may acquire future value dependent upon the extent to which the Penha Shares exceed the Exercise Price of the Penha Options during the term of the Penha Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);

- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated).

Based on the assumptions set out below, the Directors (excluding Mr Penha due to a conflict of interest) have estimated the value of the Penha Options to be worth \$23,425 in total as at 7 January 2016 (see Table 7 below for a break down).

The valuation was derived using the Black Scholes option valuation methodology after taking into account market based vesting conditions and the likelihood of meeting non-market based vesting conditions and in accordance with applicable accounting standards, based on the following assumptions:

- the valuation date for the options is 7 January 2016, although the Penha Options will not be granted until Shareholders have approved the issue of the Penha Options;
- the price of a fully paid Share is based on the Share price of the Company on 7 January 2016 which was 18 cents per Share;
- the Exercise Price of the Penha Options are as disclosed in Table 7 below;
- the Penha Options are estimated to expire on the corresponding expiry dates in Table 6 above;
- a risk free rate of 1.85%;
- an expected volatility rate of 80% has been applied; and
- the Penha Options will be issued at a price of \$0.00.

TABLE 7			
No of Options	Exercise Price (per share)	Option Value (cents per option)	Total Value (\$)
125,000	20 cents	4.86 cents	\$6,075
125,000	25 cents	4.45 cents	\$5,563
125,000	30 cents	4.66 cents	\$5,825
125,000	35 cents	4.77 cents	\$5,962
TOTAL			\$23,425

8.7 Directors' Recommendation

Given that Mr Penha has recently resigned as a Director and consistent with ASIC guidance in Regulatory Guide 76, all the Directors abstain from making a recommendation in relation to Resolution 10 in accordance with good corporate governance practice. The Chairman of the Meeting intends to vote available proxies in favour of Resolution 10.

Schedule 1 - Glossary

\$ means Australian dollars.

Annual Report means the Company's annual report for the financial year ending 30 June 2015.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Listed Options means options with an exercise price of \$0.15 expiring on 1 December 2017, on the terms and conditions set out in Schedule 2.

Board means the current board of Directors of the Company.

Chair means the chairperson of the General Meeting.

Closely Related Party has the meaning given to that term in the Corporations Act and, in relation to a member of the Key Management Personnel, includes:

- a spouse or child of that member;
- a child of that member's spouse;
- a dependant of that member or of that member's spouse;
- anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company (or its controlled entities); and
- a company that member controls.

Company means Fertoz Ltd ACN 145 951 622.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors means the current directors of the Company.

Discretionary Placement has the meaning given to that term in section 3.1 of the Explanatory Memorandum.

Employee Share Plan means the incentive scheme titled 'Fertoz Employee Share Plan' approved at the Company's 2014 Annual General Meeting and the key terms of which were set out in the Notice of Meeting and Explanatory Memorandum for the 2014 Annual General Meeting.

Entitlement Offer has the meaning given to that term in section 4.1 of the Explanatory Memorandum.

Equity Securities has the meaning given to that term in the ASX Listing Rules.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Keith Options means the options proposed to be issued to Stephen Keith under Resolution 1, as set out in section 1.5 of the Explanatory Memorandum, on the terms and conditions set out in Schedule 2.

Keith Shares means the shares issued on exercise of the Keith Options.

Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, including any director (whether executive or otherwise) of the Company.

Lenark means Lenark Pty Ltd

Lenark Securities has the meaning given to that term in section 6.1 of the Explanatory Memorandum.

Notice, Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Memorandum and the Proxy Form.

Options means options to acquire Shares.

Penha Options means the options proposed to be issued to Alexandre Penha under Resolution 10, as set out in section 8.5 of the Explanatory Memorandum, on the terms and conditions set out in Schedule 2.

Penha Shares means the shares issued on exercise of the Keith Options.

Performance Hurdles has the meaning set out in section 2.4 on the Explanatory Memorandum.

Placement Shares has the meaning given in section 3.1 of the Explanatory Memorandum.

Plan Shares has the meaning given in section 2.1 of the Explanatory Memorandum.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Schedule means a schedule to this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Sub-underwriter means Terra Capital Pty Limited.

Underwriter means Blackwood Capital Pty Limited.

Underwriter Options means 4,333,333 options to be issued to the Underwriter and Sub-underwriter of the Entitlement Offer pursuant to the Underwriting Agreement with an exercise price of 18 cents and expiring at 5:00pm AEDT on 1 December 2017 , and otherwise on the terms set out in Schedule 2.

Underwriting Agreement means the agreement dated 30 October 2015 between the Company and the Underwriter in respect of the underwriting of the Entitlement Offer.

10% Capacity has the meaning given to it under section 3.2 of the Explanatory Memorandum.

15% Capacity has the meaning given to it under section 3.2 of the Explanatory Memorandum.

Words importing the singular include the plural and vice versa.

Schedule 2 – Terms of Keith Options, Penha Options, Listed Options and Underwriter Options

A summary of the material rights attaching to Keith Options, Penha Options, Listed Options and Underwriter Options is set out below. This summary does not provide an exhaustive statement of rights and liabilities attaching to Keith Options, Penha Options, Listed Options and Underwriter Options and the relevant Option holders.

Option entitlement

The Keith Options, Penha Options, Listed Options and Underwriter Options entitle the holder to subscribe for one Share on the exercise of each Option.

Exercise Price

The Keith Options have an exercise price as described in Table 1 of section 1.5, the Penha Options have an exercise price as described in Table 6 of section 8.5, Listed Options have an exercise price of \$0.15 each and the Underwriter Options have an exercise price of \$0.18 each.

Exercise Period

The Keith Options have an exercise period as described in Table 1 of section 1.5, the Penha Options have an exercise period as described in Table 6 of section 8.5, Listed Options and Underwriter Options may be exercised at any time up to 5:00 pm AEDT on 1 December 2017, and any Keith Options, Penha Options, Listed Options and Underwriter Options not exercised before that time and date, automatically lapses.

Shares issued on exercise

Shares issued on exercise of the Keith Options, Listed Options and Underwriter Options will rank equally in all respects with all other Shares.

Quotation of Options

The Company has already listed the Listed Options issued as part of the Discretionary Placement and will seek to have the other Listed Options listed on the ASX subject to the ASX approving the quotation of those Listed Options.

The Keith Options, Penha Options and Underwriter Options will not be listed on the ASX.

Quotation of Shares on exercise

Within 5 Business Days after the allotment of any Shares on exercise of the Keith Options, Penha Options Listed Options and Underwriter Options to the Option Holder the Company must apply for those Shares to be admitted to trading and quotation by the ASX.

Method and payment

To exercise the Keith Options, Penha Options, Listed Options and Underwriter Options, the Option holder must give the Company, at the same time:

- (a) a written exercise notice (in the form approved by the Board of the Company from time to time) specifying the number of Keith Options, Penha Options, Listed Options and Underwriter Options being exercised and the Shares to be issued;
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company; and
- (c) the certificate for the Options.

Timing of issue of Shares

Within 7 business days after receiving an application for exercise of Options and payment by an Option holder of the exercise price, the Company must issue the Option holder the number of fully paid ordinary Shares in the capital of the Company specified in the application.

Options transferable

The Listed Options if already listed are transferrable and the Listed Options yet to be listed will be transferrable on market if the Company meets the ASX conditions for the options to be listed. The Keith Options, Penha Options, Underwriter Options and if the Listed options yet to be listed are not listed will be transferable subject to compliance with the Corporations Act and any proposed transferee first covenanting with the Company (on terms reasonably acceptable to the Company) to comply with the terms of the Keith Options, Penha Options, Listed Options and Underwriter Options as the case may be.

Participation in new issues

An Option holder is not entitled to participate in any new issue to existing Shareholders of securities in the Company unless they have exercised their Keith Options, Penha Options, Listed Options and Underwriter Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

Bonus issues

If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Keith Options, Penha Options, Listed Options and Underwriter Options before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Keith Options, Penha Options, Listed Options and Underwriter Options is exercisable is increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Keith Options, Penha Options, Listed Options and Underwriter Options before the record date for determining entitlements to the issue.

Adjustment for rights issue

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Keith Options, Penha Options, Listed Options and Underwriter Options before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

Reorganisations

In the event of:

- (a) a consolidation, subdivision or pro rata cancellation of the issued ordinary share capital of the Company, the number of outstanding Options held by the Option holder will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled and an inverse adjustment will be made to the exercise price of the Option (as reasonably determined by the Company), to the effect that the total amount payable on the exercise of all outstanding Options by the Option holder will not alter;
- (b) a return of any of the issued ordinary share capital of the Company, the number of outstanding Options must remain the same, and the exercise price of each outstanding Option must be reduced by the same amount as the amount returned in relation to each Share;
- (c) a reduction of any of the issued ordinary share capital of the Company by cancellation of paid up capital that is lost or not represented by available assets (when no Shares or other securities are cancelled), the number of outstanding Options and the exercise price of each outstanding Option must remain unaltered; or
- (d) any other type of reorganization of the Company in respect of its issued ordinary share capital, the number of outstanding Options or the exercise price, or both, must be reorganized so that the Option holder will not receive a benefit that the holders of Shares do not receive. Any adjustments made will be subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reorganization.

Adjustments and calculations

Any calculations or adjustments which are required to be made in relation to the Keith Options, Penha Options, Listed Options and Underwriter Options will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option holder.

Notice of change

The Company must within a reasonable period give to each Option holder notice of any change under the terms of the Keith Options, Penha Options, Listed Options and Underwriter Options to the exercise price of any Keith Options, Penha Options, Listed Options and Underwriter Options held by an Option holder or the number of Shares which the Option holder is entitled to subscribe for on exercise of a New Option.

Governing law

These terms and the rights and obligations of option holders are governed by the laws of New South Wales. Each participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

Duties and taxes

The Company is not responsible for payment of any stamp duty or taxes which may subsequently become payable on exercise of any Options or the acquisition of any Shares on the exercise of any Options.

Termination of Employment

The Keith Options can only be exercised while Mr Keith remains a Director of the Board. In the event he ceases to be a Director of the Board for any reason or be unable to continue in his capacity as a Director, any unexercised options will lapse after 90 days except in the event of death or disability in which case his options may be exercised at any point up to the end of the Exercise Period.

The Penha Options can only be exercised while Mr Penha remains a consultant of the Company. In the event he ceases to be a Consultant for any reason or be unable to continue in his capacity as a Consultant, any unexercised options will lapse after 90 days except in the event of death or disability in which case his options may be exercised at any point up to the end of the Exercise Period.

Fertoz Limited

ACN 145 951 622

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 FTZ
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX

For your vote to be effective it must be received by 11:00 am (AEDT) on Wednesday, 16 March 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Ferto Limited hereby appoint

☐ the Chairman of the Meeting

 OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Ferto Limited to be held at Christie Offices, Shang Room Mezzanine Level, 3 Spring Street, Sydney NSW 2000 on Friday, 18 March 2016 at 11:00 am (AEDT) and at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Approval for the grant of options to director – Mr Stephen Keith	☐	☐	☐
2	Approval of grant of shares to director under employee share plan – Mr Stephen Keith	☐	☐	☐
3	Ratification of issue of securities under discretionary placement	☐	☐	☐
4	Ratification of issue of underwriter options	☐	☐	☐
5	Issue of underwriter options	☐	☐	☐
6	Approval of an issue of securities to related party – Mr James Chisholm	☐	☐	☐
7	Authority to issue shares to director – Mr Stephen Keith	☐	☐	☐
8	Authority to issue shares to director – Mr Adrian Byass	☐	☐	☐
9	Authority to issue shares to related party (former director) – Dr Leslie Szonyi	☐	☐	☐
10	Approval of the grant of options to related party (former director) – Mr Alexandre Penha	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____