

9 April 2024

Dale Wang
ASX Limited

By email: **ListingsComplianceMelbourne@asx.com.au**

Dear Dale

PhosCo Ltd – Query Letter

I refer to your query letter to PhosCo Ltd (**PHO**) dated 4 April 2024.

Adopting the same numbering and defined terms as set out in that letter, PHO responds as follows:

1. *Does PHO consider its level of operations to be adequate for the purposes of Listing Rule 12.1 as a mining exploration entity? If so, please provide the basis for that view. In your answer, please specifically address PHO's exploration expense for the half-year.*

Yes. PHO considers the level of its operations to be adequate to warrant the continued quotation of its securities and its continued listing as required under Listing Rule 12.1.

In summary, PHO is assembling a district-scale phosphate portfolio in Tunisia's Northern Phosphate Basin to support a potential world-class fertiliser hub. The portfolio consists of three permit applications:

- (a) Sekarna and Amoud (100% PHO). The assembly of these phosphate exploration permits in the northern basin of Tunisia are PHO's immediate focus. Sekarna appears to mirror the stratigraphy and scale of the Chaketma Phosphate Project, lying 10km to the south-west. Amoud is the eastern neighbour of Sra Ouertane (multibillion tonne deposit) and has the potential to create a regional scale phosphate hub. In preparation for the granting of Amoud, PHO has engaged an expert to better understand the geology, prospectivity and development considerations where extensive historic work has been undertaken.
- (b) the reinstatement of tenure at Chaketma held by Chaketma Phosphates S.A. (**CPSA**) (51% PHO). PHO has been successful in recovering its interest in CPSA from Tunisian Mining Services SARL (**TMS**) in early 2020 and regaining operational control in 2021. An updated scoping study for the Chaketma project was released to the market in December 2022. PhosCo is seeking to seize the remaining 48.99% interest in Chaketma held by its joint venture partner, TMS, for non-payment of damages and costs (circa A\$6.7M).

PHO is also active advancing a portfolio of precious and base metals prospects. This includes:

- a. Simitu (gold-copper, granted November 2023). Following the grant of the Simitu permit (100% PHO), conducted a geochemical and mapping program with results announced on 7 March 2024.
- b. Ras Ghzir (lead-zinc, granted April 2024). Several reconnaissance site visits have been conducted by PHO's local team to better understand the extent of the mineralisation. More detailed mapping and data compilation is planned after Ramadan before more extensive technical work can be planned.
- c. Zeflana (lead-zinc). A geophysical program was initiated in March 2024 at Zeflana with independent consultants being engaged to carry out a reconnaissance/orientation Electrical Resistivity Tomography (ERT) survey. The purpose of the initial survey is to demonstrate the efficacy of this technique for exploration targeting in this geological environment.

PHO has established a local team in Tunisia of employees and consultants who have been instrumental in identifying the new opportunities noted above. The team comprises three geologists, a mining engineer, a drilling engineer as well as an environmental and social expert. PHO has sought to reduce costs as the new permit applications have been considered, but has prioritised retaining the local technical team. PHO is currently progressing on-site assessment of these exploration permits and application areas and liaising with local stakeholders.

While PHO awaits the grant of the exploration permits in Tunisia's Northern Phosphate Basin (and final resolution of all issues concerning Chaketma) it continues to engage with local communities, the mining administration in Tunisia and conducting desk-top assessment work ahead of being able to get on the ground at the projects.

During the 6 months ended 31 December 2023, PHO has incurred expenses totalling \$1,040,675, of which \$653,589 related to maintaining its existing exploration footprint, business development through originating new applications and in legal costs associated with securing 100% of the Chaketma Phosphate Project. This includes technical, legal and administration support for its exploration operations. In addition, PHO has invested \$54,171 in a new four-wheel drive vehicle to support its exploration effort. In Tunisia exploration and evaluation related expenses for the 31 December 2023 half year included \$108,986 classified as exploration expenses, unallocated geology-related costs of \$63,973 were reflected in other items within the statement of comprehensive income and the balance of \$480,630 were incurred on employee wages and salaries of technical, support staff, accounting, legal and other office costs.

2. *Does PHO consider its financial condition to be adequate for the purposes of Listing Rule 12.2? If so, please provide the basis for that view. In your answer, please specifically address:*
 - i. *PHO's significantly negative net liability position; and*
 - ii. *The significant cash call liabilities and related interest payable.*

Yes. PHO considers its financial condition is adequate to warrant the continued quotation of its securities and its continued listing as required under Listing Rule 12.2.

On 15 March 2024, having obtaining shareholder approval, PHO issued \$1m in converting notes. These funds are sufficient to sustain current operations ahead of grant of the applications, notably Sekarna and Amoud, as well as the anticipated re-instatement of the Chaketma permit.

As set out in PHO's half year financial report to 31 December 2023, PHO has total liabilities of A\$7.95m. Most of these liabilities are being disputed relating to amounts claimed as being payable to TMS or incurred by TMS in contravention of the arbitration decision. The group position is summarised in the financial statements as set out in the table below.

The Consolidated Entity's net asset position after adjusting for contested liabilities is presented herein based on the legal structure of the active members of the Consolidated Entity:

	PhosCo Ltd \$	Celamin Limited \$	Sub Group \$	CPSA \$	Total \$
Cash and cash equivalents, net of overdrafts	388,817	30,005	418,822	3,646	422,468
Other current assets	72,529	98,661	171,190	37,941	209,131
Non-current assets	3,788	58,760	62,548	7,421	69,969
Total assets	465,134	187,426	652,560	49,008	701,568
Trade and other payables	(322,475)	(189,368)	(511,843)	(1,237,063)	(1,748,906)
Employee benefits and other payables	(43,117)	-	(43,117)	(25,265)	(68,382)
Borrowings	-	-	-	(6,131,391)	(6,131,391)
Total liabilities	(365,592)	(189,368)	(554,960)	(7,393,719)	(7,948,679)
Contested trade and other payables	-	-	-	1,032,814	1,032,814
Contested borrowings	-	-	-	6,131,391	6,131,391
Share settled liabilities	103,101	-	103,101	-	103,101
Net assets/(deficit) after adjusting for contested liabilities	202,643	(1,942)	200,701	(180,506)	20,195

Source: Page 8 of the PHO half year financial report.

The major liabilities relate to the following:

- A\$0.1m in share settled obligations due to directors and other key management personnel;
- A\$1.03m in trade and other payables which PHO contends were incurred contrary to the terms of its joint venture agreement with TMS, CPSA's articles of association and Tunisian corporate law. PHO is defending its rights and obligations to 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; and
- A\$6.13m of liabilities that comprise A\$3.74m in cash call obligations and A\$2.39m in accrued and unpaid interest payable by CPSA to TMS. These amounts are unsecured and are not guaranteed by PHO or its subsidiary Celamin Pty Ltd (**Celamin**), the owner of the 51% controlling interest in CPSA. 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 PHO gaining control in October 2021 are disputed by PHO. In this regard, these liabilities have been contested in court in Tunisia following a forensic

audit and has put into doubt the veracity of the cash calls recorded in CPSA's accounts against Celamin.

Notwithstanding that PHO disputes these amounts, they are recorded in PHO's financial statements pending being legally annulled either through a legal outcome or a formal settlement arrangement. PHO is confident of its prospects of having this liability annulled as a consequence of a number of court cases initiated in Tunisia. PHO also notes that this liability has been included in previous financial statements, such as its 2023 annual report.

As stated in PHO's half year financial report to 31 December 2023, CPSA has unpaid obligations to Celamin amounting to A\$4.88m.

PHO continues to pursue outstanding costs, damages and accrued unpaid interest owing by TMS to PHO, which as of 31 December 2023 is estimated to amount to A\$6.4m.

In accordance with Australian Accounting Standards, neither the amount due by CPSA to Celamin nor the outstanding costs, damages and accrued interest due by TMS to PHO are reflected in PHO's consolidated assets.

3. *Please explain the basis for PHO's apparent view that the Announcement contained information required to be disclosed by the Listing Rules and/or the Corporations Act, and was not a guise to publish material that was promotional and/or political in nature.*

On 15 March 2024, following the release of the Announcement, PHO released a Cleansing Notice under s708A(12C)(e) of the Corporations Act in relation to the issue of the converting notes referred in item 2 above. PHO was of the view that, out of an abundance of caution to ensure that there was no excluded information at the time of release of that Cleansing Notice, the Announcement should be released. PHO also confirms that the Announcement was not a guise to publish promotional, political or tendentious material, but simply to inform the market of the current administrative discussions regarding the projects prior to release of the Cleansing Notice.

In this regard, given past discussions with the mining administration in Tunisia following the cancellation of the Chaketma permit, the appointment of the new Minister responsible for mining in Tunisia and PHO's previous ASX announcements in relation to engagement with the Tunisian government, PHO formed the view that the Announcement was necessary to inform that positive, open and transparent engagement with the mining administration in Tunisia lead by its Minister was continuing.

PHO also notes that it posts several company updates on LinkedIn and X, and PHO was of the view that as this update would be released on social media, the Announcement should also be released to ASX. PHO also notes that the Announcement was not marked as market sensitive on release to ASX.

4. *Please confirm that PHO is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

PHO confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

5. *Please confirm that PHO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PHO with delegated authority from the board to respond to ASX on disclosure matters.*

PHO confirms that the above responses to the questions have been authorised and approved by its board.

Please let me know if you would like to discuss the contents of this response further.

Yours sincerely



Stefan Ross
Company Secretary



4 April 2024

Reference: 91835

Mr Stefan Ross
Company Secretary
PhosCo Ltd
Level 4, 100 Albert Road
South Melbourne VIC 3205

By email: Stefan.Ross@vistra.com

Dear Mr Ross

PhosCo Ltd ('PHO'): Query Letter

ASX refers to the following:

- A. PHO's announcement titled "Government & Community Engagement Update" (the '**Announcement**') released on the ASX Market Announcements Platform ('**MAP**') on 15 March 2024, disclosing that "*Positive engagement with Tunisian government continues*".
- B. PHO's Half-Year Financial Report for the half-year ending 31 December 2023, lodged on MAP on 14 March 2024 (the '**Half-Year Report**') which disclosed (relevantly):
 - i. PHO's exploration expense for the half-year was \$108,986;
 - ii. PHO's comprehensive loss for the half-year was \$711,526;
 - iii. PHO's current assets totalled \$632,783;
 - iv. PHO's current (and total) liabilities totalled \$7,949,864;
 - v. PHO had a net liability position of \$7,247,112; and
 - vi. At Note 2 and Note 7, a summary of PHO's view on the \$6.131 million cash call liabilities and related interest payable, all of which PHO is contesting.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. Listing Rule 12.1, which states:

*The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued *quotation of the entity's *securities and its continued listing.*
- E. Listing Rule 12.2, which states:

*An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued *quotation of its *securities and its continued listing.*
- F. Section 7.10 of Guidance Note 8, 'Ramping Announcements', which provides (relevantly):

"ASX is alive to listed entities making market announcements with a view to "ramping up" the price of their securities. Ramping announcements come in many forms, including:

- *the release of a “business update” or something similar, which will typically be worded in an exuberant fashion but which on closer examination contains little in the way of substance that has not already been disclosed to the market;”*

G. Section 14 of Guidance Note 14 which provides (relevantly):

“MAP should only be used to publish information that is appropriately given to ASX under the Listing Rules or the Corporations Act for publication to the market. It should not be used as a guise to publish material that is really promotional, political or tendentious in nature.”

Request for information

Having regard to the above, ASX asks PHO to respond separately to each of the following questions and requests for information:

1. Does PHO consider its level of operations to be adequate for the purposes of Listing Rule 12.1 as a mining exploration entity? If so, please provide the basis for that view. In your answer, please specifically address PHO’s exploration expense for the half-year.
2. Does PHO consider its financial condition to be adequate for the purposes of Listing Rule 12.2? If so, please provide the basis for that view. In your answer, please specifically address:
 - i. PHO’s significantly negative net liability position; and
 - ii. The significant cash call liabilities and related interest payable.
3. Please explain the basis for PHO’s apparent view that the Announcement contained information required to be disclosed by the Listing Rules and/or the Corporations Act, and was not a guise to publish material that was promotional and/or political in nature.
4. Please confirm that PHO is complying with the Listing Rules and, in particular, Listing Rule 3.1.
5. Please confirm that PHO’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PHO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Tuesday, 9 April 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PHO’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PHO to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PHO’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

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- the reasons for the trading halt;
 - how long you want the trading halt to last;
 - the event you expect to happen that will end the trading halt;
 - that you are not aware of any reason why the trading halt should not be granted; and
 - any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PHO's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PHO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PHO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Kind regards

ASX Compliance