

ANNUAL REPORT 2014



Drilling at Manhego Prospect, Musgrave, Western Australia

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

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CORPORATE DIRECTORY

Directors

Jim Richards – Chairman
 Mark Thompson – Non-Executive Director
 Grant Mooney – Non-Executive Director &
 Company Secretary

ASX Code: POZ

Website & Email

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Dear fellow shareholder,

I am pleased to present the seventh Annual Report of Phosphate Australia Limited (POZ) for the year ended 30 June 2014.

For the past 12 months, our Company has made strong progress with Tuckanarra Gold Project in WA (100% POZ) with an Inferred and Indicated resource is 2,020,000 tonnes at 1.55 g/t Au for 100,700 ounces of gold at 0.25g/t Au cutoff (Table 1 of the Report on Operations).

Initial pit design work was completed during the year and an application for a Mining Lease and a Mining Proposal to allow for mining operations over the Tuckanarra Gold Project was lodged on 17th January 2014. The Board is keen to ensure Tuckanarra is positioned for a swift commissioning to mining by the completion of all necessary permitting.

In the Musgrave Project (POZ 100%), 2,154 metres of RC drilling was completed during the year with the resultant greenfields discovery of the Ni-Cu-PGE Manchego prospect. The Company has a significant proprietary database of geophysical EM data over the Musgrave Project area and a strategic ground-holding (795km²) that extends to within 12km of the Nebo-Babel nickel-copper deposits. A partner is being sought for this important asset.

The Highland Plains Phosphate Project has a JORC compliant Inferred Resource of 53 million tonnes at 16% P₂O₅. Substantial amounts of drilling and scoping study work have been done at Highland Plains including solutions for beneficiation to higher grades and a slurry pipeline transport solution. The Project is 100% owned by POZ and the Company is very well positioned for any upturn in the price of rock phosphate whilst it seeks a strategic partner for Highland Plains.

The Company is well positioned for the year ahead with a cash balance of \$1.70 million (30 June 2014).

Yours Sincerely
Jim Richards
Chairman

1.0 Highland Plains Phosphate Project (Northern Territory) POZ 100%

The Highland Plains Phosphate Project is favourably located as the closest rock phosphate project to the coast in Australia. The project has a JORC compliant Inferred Resource of 53 million tonnes at 16% P₂O₅ (POZ ASX release dated 31 March 2009³).

Since the Company listed in 2008, substantial amounts of drilling and scoping study work have been done at Highland Plains with proposed solutions for beneficiation to higher grades. The project is 100% owned by Phosphate Australia Limited (POZ) and has no private royalties.

The Highland Plains deposit is only 68km west of the Century zinc mine which utilises a slurry pipeline to the coast and is currently preparing for the end of open pit production in mid 2015.

The Company is targeting the production and sale of 2-3 million tonnes per annum of premium grade rock phosphate using a slurry pipeline for transport to produce the lowest OPEX cost export product in Australia.

Figure 1: POZ Phosphate Projects with Export Options



To the west of Highland Plains are areas of significant phosphate exploration potential. These areas lie along the prospective Cambrian-Proterozoic contact which also hosts the Highland Plains deposit. Geomorphic embayments which appear similar to the Highland Plains embayment represent excellent future drilling targets and are on granted POZ leases.

The Board is currently exploring commercial options for Highland Plains which includes the sourcing of a strategic partner or the possibility of a trade sale.

2.0 Tuckanarra Gold Project (WA)

POZ 100%

Significant progress has been made on the Company's Tuckanarra Gold Project (100% POZ) during the year. Tuckanarra lies within the West Australian Murchison goldfield (Figure 2) and has historic production of ~125,000 ounces the Company owns the Tuckanarra Gold Project 100% with no private royalties.

As announced 27 December 2012, the Company completed a maiden Indicated and Inferred JORC resource at Tuckanarra totalling 2,020,000 tonnes @ 1.55 g/t Au for 100,700 ounces of gold (JORC 2004). See Table 1 for resource details at the cut off grade of 0.25 g/t Au. The resource was calculated by Perth based independent mining industry consultants Ravensgate. For details see POZ ASX Announcement dated 27th December 2012³.

Table 1: Summary of Total Mineral Resources at Tuckanarra at 0.25g/t Au lower cut off

Resource Category	Tonnes	Grade (g/t)	Ounces (Au)
Indicated	1,091,000	1.60	56,000
Inferred	929,000	1.50	44,700
Total	2,020,000	1.55	100,700

Initial pit design work was completed during the year and an application for a Mining Lease and a Mining Proposal to allow for mining operations over the Tuckanarra Gold Project was lodged on 17th January 2014. These applications are currently progressing through the Department of Mines and Energy (DME) with the company assisting as required.

The Tuckanarra Gold Project has shallow mineralisation, excellent metallurgical recoveries, and proximity to third party gold mills in the region (Figure 2). The Board is keen to ensure Tuckanarra is positioned for a swift commissioning to mining by the completion of all necessary permitting.

Figure 2: Tuckanarra Gold Project Location, Tenements & Gold Plants

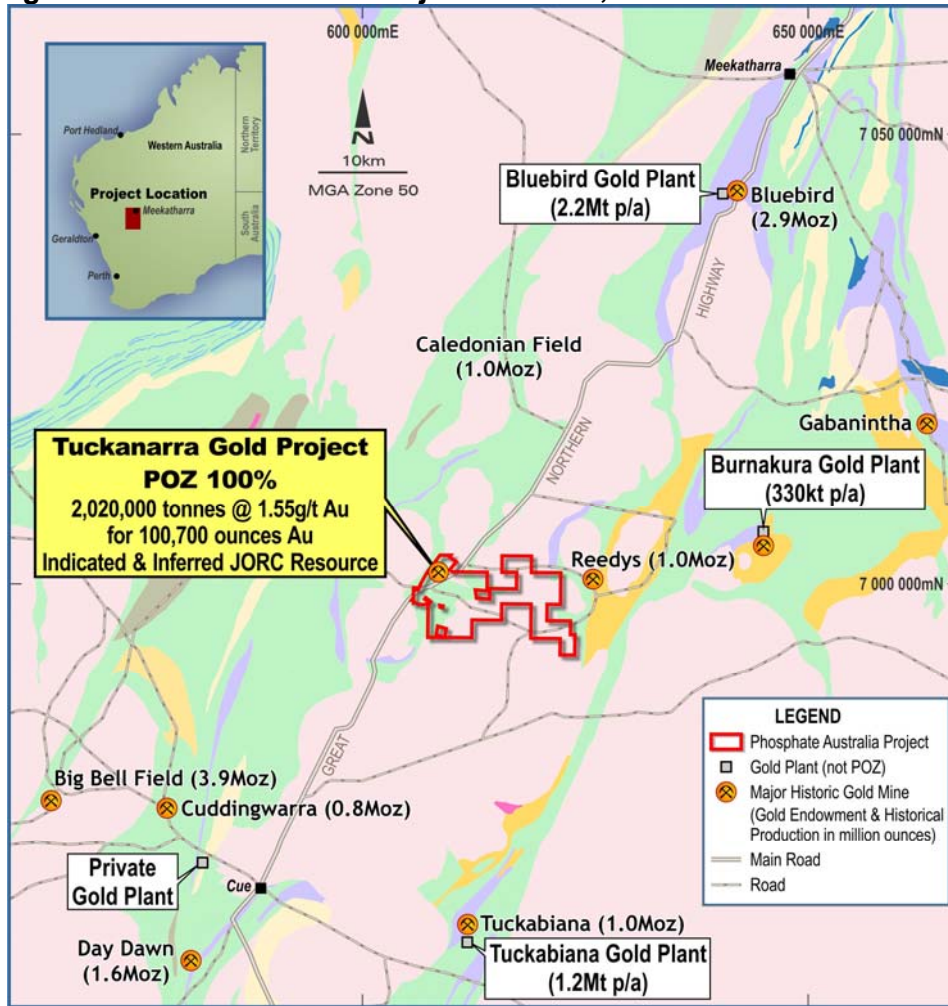
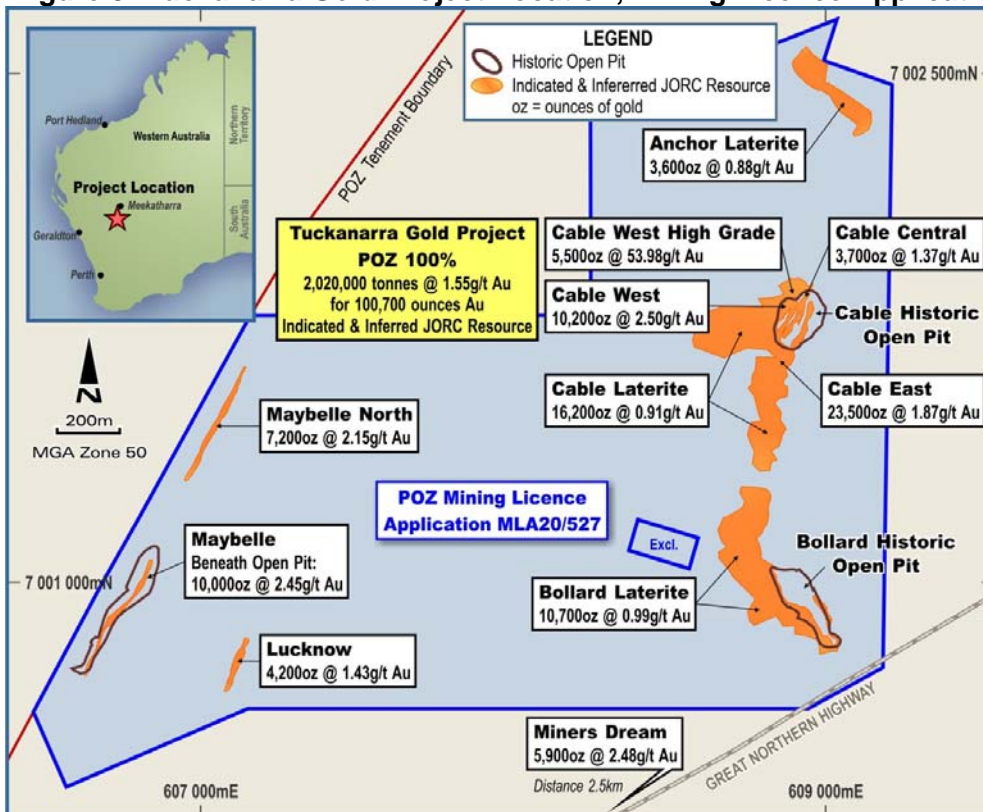


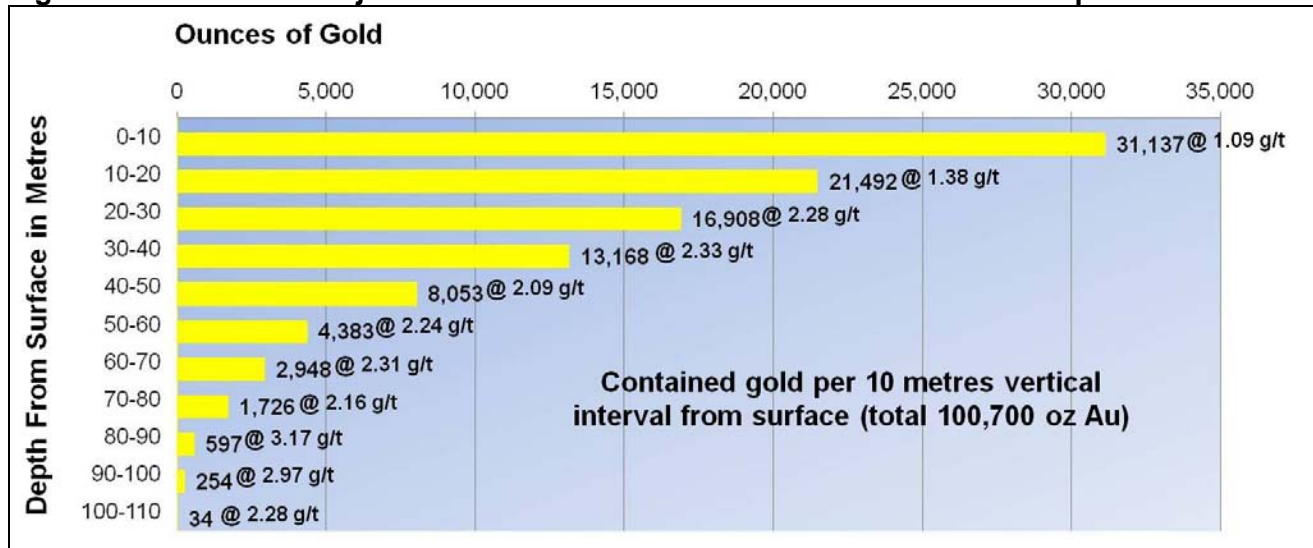
Figure 3: Tuckanarra Gold Project Location, Mining Licence Application M20/257



Depth vs Cumulative resource ounces Au and grade at Tuckanarra (to 60 metres):

- 0-20 metres 52,629 ounces @ 1.19 g/t
- 0-40 metres 82,707 ounces @ 1.44 g/t
- 0-60 metres 95,143 ounces @ 1.51 g/t

Figure 4: Tuckanarra Project: Indicated and Inferred Resource Ounces vs Depth



The Tuckanarra Gold Project has significant development advantages including shallow mineralisation, excellent metallurgical recoveries, and proximity to various third party gold mills in the region. It is well positioned for rapid commissioning to mining and POZ is looking forward to commercialising this project.

3.0 Musgrave Ni-Cu-PGE Project, WA POZ 100%

3.1 Background

The Musgrave Project lies in the relatively unexplored Musgrave Province of Western Australia, an area that is prospective for giant, magmatic style nickel-copper sulphide deposits of the Voiseys Bay type¹. The most significant discovery in the Musgrave region to date is the Nebo-Babel deposit (393 Mt at 0.3% nickel, 0.3% copper and 0.18 g/t PGE).

In April 2012, POZ entered into a Farm-In agreement for the Musgrave Project with Anglo American Exploration (Australia) Pty Ltd ('Anglo American'), a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups.

Anglo American flew an airborne electro-magnetic (AEM) survey over the Farm-in area using its proprietary SPECTREM system. This AEM survey identified a number of anomalies (Figure 5). The best of these anomalies was named Manchego.

During the year, two RC drilling campaigns were completed on Manchego for a total of 2,154m. Drilling encountered extensive low-grade Ni+Cu+REE sulphide mineralisation which remains open in all directions (Figure 6).

Figure 5: Musgrave Ni-Cu-PGM Project, WA. Manchego AEM Anomaly, Ni-Cu Sulphide Drill Target, Plan View over SPECTREM Late Tau X Data

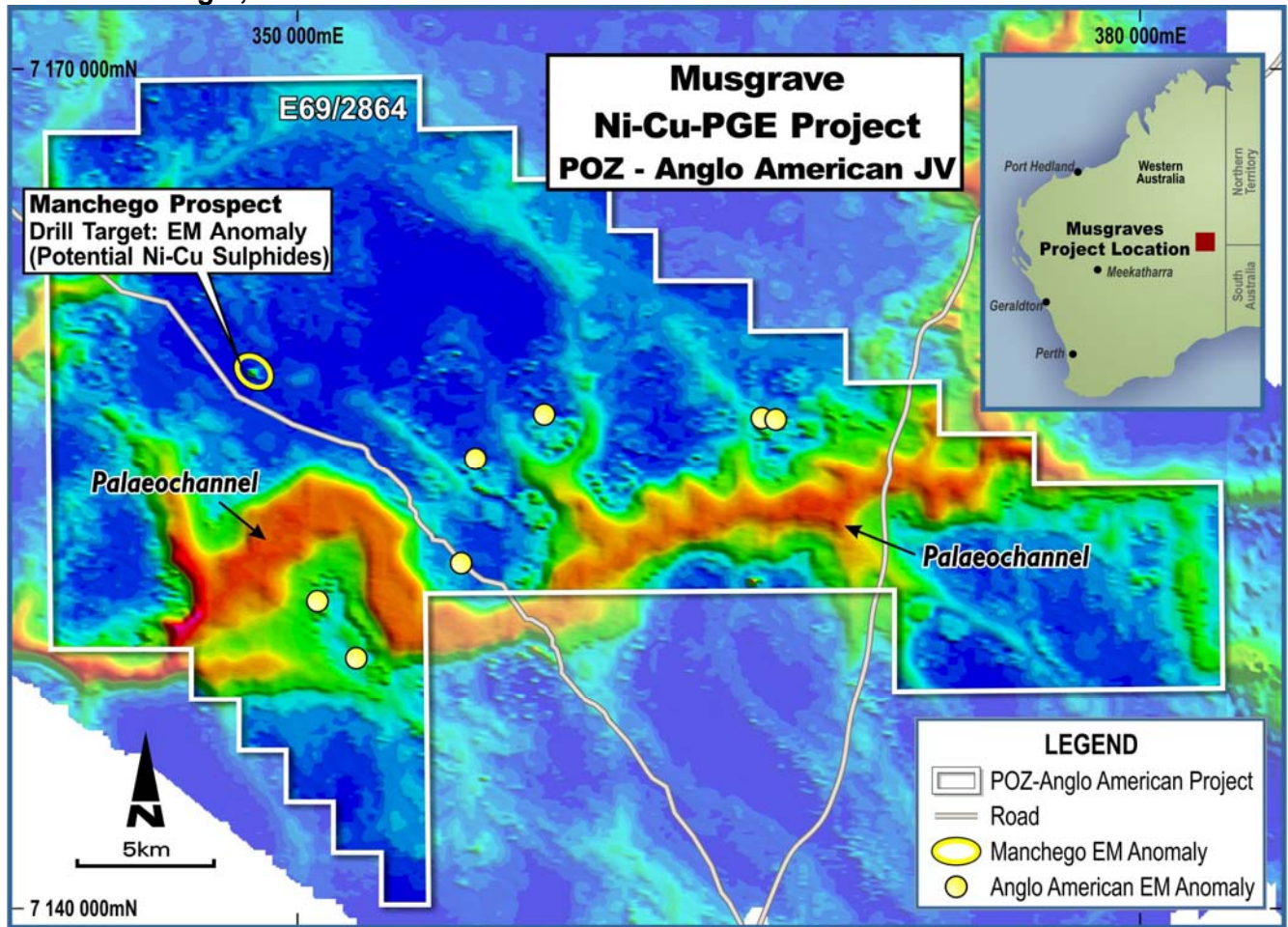
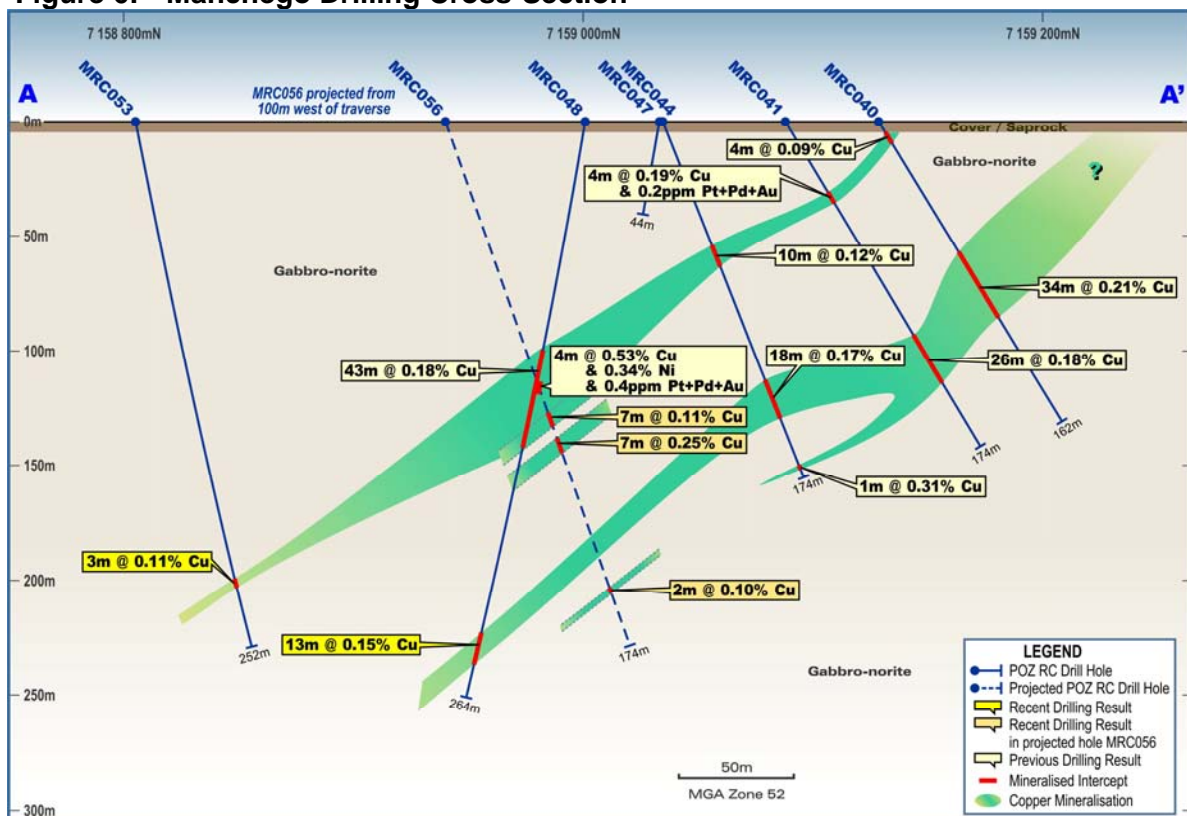


Figure 6: Manchego Drilling Cross-Section



Phase 1 Drilling Highlights:

MRC 042 with 24 metres at 0.27% Cu from 66 metres. This includes 5 metres at 0.54% Cu, 0.11% Ni and 0.28 ppm Pt+Pd+Au from 71 metres. From 71-72 metres the copper grade was 1.65% which was the highest grade Cu in this drill program.

MRC 048 with 43 metres at 0.18% Cu from 98 metres. This includes 4 metres at 0.53% Cu, 0.34% Ni and 0.37ppm Pt+Pd+Au from 114 metres.

Phase 2 Drilling Highlights:

MRC 056 with 7 metres at 0.25% Cu from 150 metres.

MRC 054 with 26 metres at 0.16% Cu from 102 metres.

MRC 052 with 3 metres at 0.46ppm Pt+Pd+Au and 725 ppm Ni, which includes 1 metre at 0.20% Cu, 0.14% Ni and 1.0 ppm Pt+Pd+Au from 105 metres.

Anglo American withdrew from this project in the third quarter of the year. POZ now has 100% control of the Musgrave Project and its extensive geophysical database.

3.2 Musgrave Titano-Magnetite Rock (TMR) Project

The POZ tenements are highly prospective for large tonnages of an unusual type of layered titaniferous-magnetite rock (TMR) which previous sampling has confirmed contains iron, titanium, vanadium, gold, platinum, palladium and rhodium.

The setting is analogous to that of the Merensky Reef of the Bushveldt Igneous Complex in South Africa which hosts major PGE deposits².

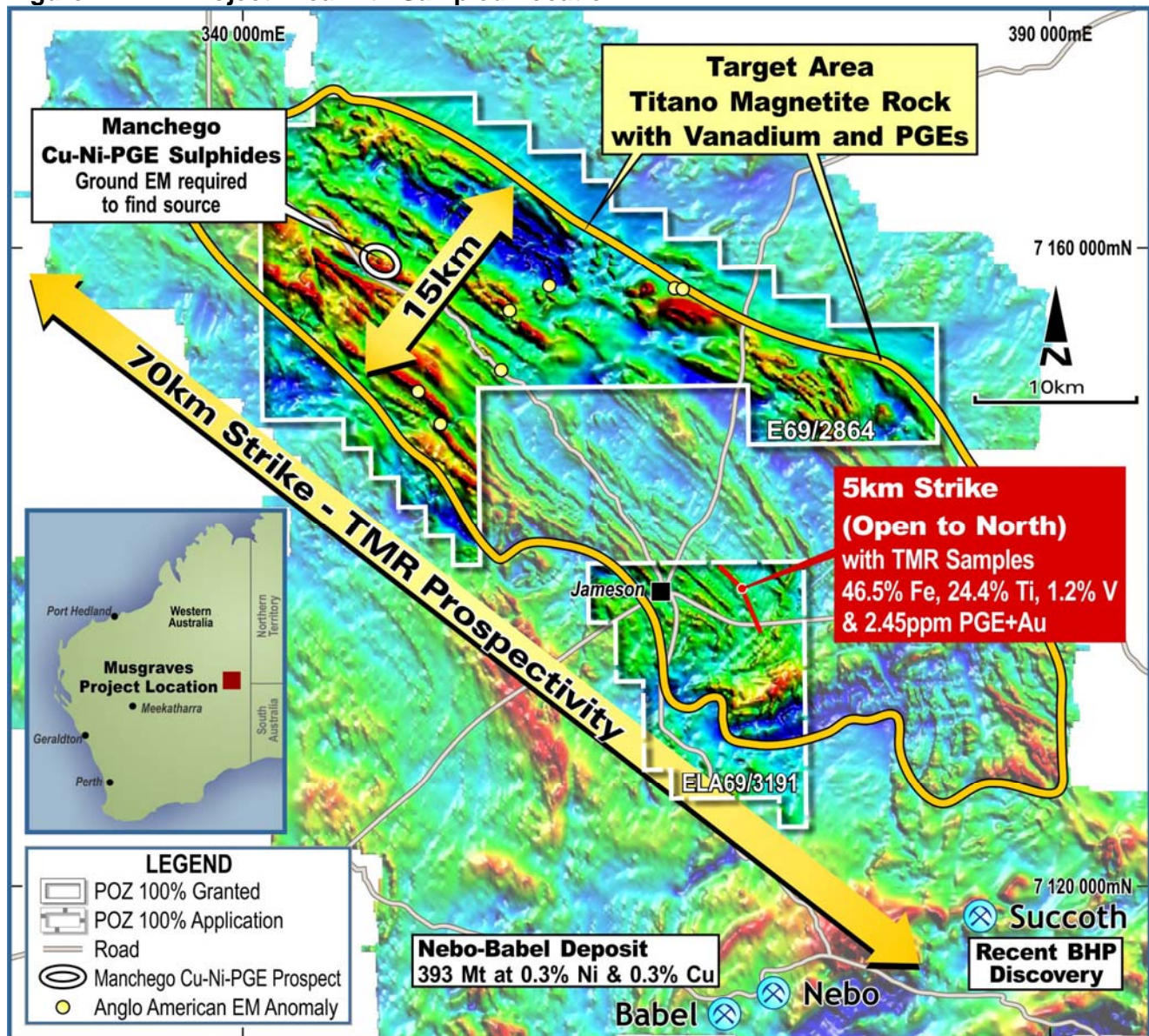
The TMR outcrops in linear reefs over a number of horizons within the tenement area and has been sampled by POZ at one of these locations where the reef thickens (Figure 7). Four rock chip samples were taken over a width of 20 metres (true width ~10 metres). The results from this sampling are shown in Table 2 (POZ ASX Report 29 July 2011).

Table 2: POZ sampled TMR

Sample No.	Fe	TiO ₂	V ₂ O ₅	Pt	Pd	Rh	Ir	Au	PGE + Au
	%	%	%	ppb	ppb	ppb	ppb	ppb	g/t
MR01	46.5	23.9	1.25	2075	780	41	16	58	2.97
MR02	46.9	22.9	1.21	2443	863	38	16	76	3.44
MR03	47.2	23.7	1.29	960	306	70	18	21	1.38
MR05	45.2	27.1	1.11	1280	492	27	12	186	2.00
Average	46.5	24.4	1.22	1690	610	44	16	85	2.45

Fe, TiO₂ and V₂O₅ by fused disk preparation for XRF analysis - analysed by XRF Spectrometry. Pt, Pd, Au, Rh, Ir by 25g lead collection fire assay in new pots - analysed by Inductively Coupled Plasma Mass Spectrometry. Other platinum group elements (Os and Ru) not detected.

Figure 7: TMR Project Area with Sampled Location



The Musgrave Project area is on Aboriginal Freehold Land. An access agreement is already in place for E69/2864 and an access agreement is required for E69/3191. The TMR is a large project both in terms of area and potential and POZ is currently seeking an appropriate partner to assist in Project funding.

4.0 Nicholson Iron Project, (Northern Territory): Option Agreement

The Nicholson Iron and Manganese Project is 100% owned by POZ and covers various tenements in the Northern Territory. The Project is currently under a Joint Venture Option Agreement (JVOA) with Sydney based company Jimpec Resources Pty Ltd (Jimpec) having the right to earn-in to 80% of the Project.

Jimpec have been promoting the Project to parties interested in iron ore supply and are currently seeking partners to assist in the development of this Project.

5.0 R&D Tax Refund

During the March quarter, the Company received a Research and Development Tax Incentive Refund from the ATO for work conducted during the 2012-13 tax year. This refund was \$303,355; these funds (less 15% claim expenses) were applied to general working capital.

¹ Neumann, N, Fraser, G 2007, Geochronological Synthesis and Time Space plots for Proterozoic Australia: AGSO Record p208.

² Howard, HM et al, The Geology of the West Musgrave Province and the Bentley Supergroup. GSWA Record 2011/4 p63-5.

Appendix A Mineral Resources and Ore Reserves Statement

As at the annual review date 30 June 2014, this MROR statement has been approved by the named competent persons.

HIGHLAND PLAINS PHOSPHATE PROJECT			
Resource Category	Tonnes	Grade (P₂O₅)	
Inferred	53,000,000	16%	
at a cut off grade of 10% P ₂ O ₅			
Which includes at the Western Mine Target Zone (WMTZ)			
Resource Category	Tonnes	Grade (P₂O₅)	
Inferred	14,000,000	20%	
at a cut off grade of 15% P ₂ O ₅			
TUCKANARRA GOLD PROJECT			
Resource Category	Tonnes	Grade (g/t)	Ounces (Au)
Indicated	1,091,000	1.60	56,000
Inferred	929,000	1.50	44,700
Total	2,020,000	1.55	100,700
at a cut off grade of 0.25 g/t Au			

Corporate Governance

Phosphate Australia Limited has reviewed the Competent Persons who have signed off on the Company's Mineral Resources. It is Company policy to conduct this review annually. The Company deems these persons to be of the appropriate level of expertise to be Competent Persons and to sign off on estimates of Mineral Resources and conduct the estimation process.

³ The Company is not aware of any new information or data that materially affects the information included in the previous announcement (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed.

The information in this report that relates to previously reported Exploration Results for the Phase 2 Musgrave Project, Manchego drilling is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Richards is a Director of POZ. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to previously reported Exploration Results for the Musgrave Phase 1 drilling and the TMR Project, is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Richards is a Director of POZ. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The previously reported resource estimations for the Tuckanarra Gold Project Area deposits, including the Anchor, Bollard, Cable, Drogue, Maybelle, Maybelle North and Miners Dream deposits, were carried out by Mr Craig Harvey in the capacity of Principal Consultant with Ravensgate Mining Industry Consultants and also as a Member of the Geological Society of Southern Africa. Mr Harvey utilized resource drilling data sets provided by Phosphate Australia Limited. Mr Harvey was a Principal Consultant with Ravensgate Mining Industry Consultants when the resource estimation was undertaken. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey has consented to the inclusion in the report of the resource estimation matters for these deposits based on the reporting information in the form and context in which it appears.

The Information in this report that relates to Highland Plains Mineral Resources is based on information compiled by Rick Adams and Ted Hansen who are members of the Australasian Institute of Mining and Metallurgy (AusIMM). Rick Adams and Ted Hansen are directors of Cube Consulting Pty Ltd. And have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Rick Adams and Ted Hansen consent to the inclusion in this report of the Information, in the form and context in which it appears.

Permit	Location	Interest	Status
EL25600	Alroy	100%	Granted
EL25068	Highland Plains	100%, Jimpec option*	Granted
EL26646	Murphy Uranium	100%	Application
E69/2864	Musgrave	100%	Granted
E69/3191	Musgrave	100%	Application
EL26604	Nicholson Project	100%, Jimpec option*	Application
EL26645	Nicholson Project	100%, Jimpec option*	Application
EL26648	Nicholson Project	100%, Jimpec option*	Application
EL26649	Nicholson Project	100%, Jimpec option*	Application
EL26650	Nicholson Project	100%, Jimpec option*	Application
EL28152	Nicholson Project	100%, Jimpec option*	Granted
EL28153	Nicholson Project	100%, Jimpec option*	Granted
EL28157	Nicholson Project	100%, Jimpec option*	Granted
EL28220	Nicholson Project	100%, Jimpec option*	Application
EL27854	Robinson River	100%, Jimpec option*	Application
EL27855	Robinson River	100%, Jimpec option*	Application
EL27856	Robinson River	100%, Jimpec option*	Application
M27/527	Tuckanarra	100%	Application
E20/782	Tuckanarra	100%	Granted
E20/783	Tuckanarra	100%	Granted
P20/2180	Tuckanarra	100%	Granted
P20/2181	Tuckanarra	100%	Granted
P20/2182	Tuckanarra	100%	Granted
P20/2183	Tuckanarra	100%	Granted
P20/2184	Tuckanarra	100%	Granted
P20/2185	Tuckanarra	100%	Granted
E69/2820	Wiluna	20%	Granted

Notes:

* Jimpec option: A Joint Venture Option Agreement in which Jimpec Resources Pty Ltd may acquire 80% of the iron ore and manganese rights, POZ retain 100% of all other minerals.



PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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CORPORATE DIRECTORY

Directors

Jim Richards
Executive Chairman

Mark Thompson
Non-Executive Director

Grant Mooney
Non-Executive Director
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West Perth WA 6005
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DIRECTORS' REPORT
30 JUNE 2014

The Directors present their report together with the financial report on Phosphate Australia Limited ("Phosphate Australia" or "the Company") for the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows.

DETAILS OF DIRECTORS

The names and particulars of the directors of the Company holding office during the year and at the date of this report are:

MR JAMES (JIM) RICHARDS
B.Sc. Hons (Geology), MAusIMM
Executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based Company director and geologist with 22 years experience in exploration for a wide variety of commodities.

Prior to the ASX listing of Phosphate Australia, Mr Richards was the chief executive officer and director of United Minerals Corporation NL ("UMC"). At UMC, Mr Richards led the technical team that discovered the high grade iron 'Railway Deposit' in the Pilbara. BHP Billiton acquired the Railway Deposit in February 2010 by a take-over of UMC for AUD\$204 million.

Mr Richards has considerable overseas experience including running his own alluvial diamond dredging operation in Guyana, South America and work on the Omai gold project (that became a major mine) also in Guyana. Other resources work includes operating in Indonesia and two years spent in both Laos and Pakistan.

Previous employers and clients have included Newmont Mining Corporation, BHP Billiton Limited and Woodside Energy Limited. Prior to his corporate career, Mr Richards served as a regular officer in the British Army Parachute Regiment.

MR MARK THOMPSON
MAusIMM
Non-executive Director

Mark Thompson has more than 21 years industry experience in mineral exploration and mining management. Since starting his career with production experience in both underground and open-pit mines of Western Australia he has worked throughout Australia, Africa and South America. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and holds the position of Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China. In addition to his role with Phosphate Australia, Mr Thompson is Managing Director of ASX listed Talga Resources Ltd.

MR GRANT MOONEY
B.Bus, CA
Non-executive Director & Company Secretary

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies. Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director to several ASX listed companies across a variety of industries including technology and resources. He is a director of Carnegie Wave Energy Limited, Barra Resources Limited, Wild Acre Metals Limited, and Talga Resources Limited. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' REPORT
30 JUNE 2014

DIRECTORSHIP OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the year are as follows:

Director	Company	Year of directorship
Grant Mooney	Attila Resources Limited	19 February 2010 to 10 October 2012
	Barra Resources Limited	29 November 2002 to the present
	Carbine Resources Limited	16 January 2012 to 2 September 2014
	Carnegie Wave Energy Limited	19 February 2008 to the present
	Talga Resources Limited	20 February 2014 to the present
	Wild Acre Metals Limited	1 May 2007 to the present
Mark Thompson	Talga Resources Limited	July 2010 to the present

DIRECTORS' SHARE AND OPTION HOLDINGS

At the date of this report, the direct and indirect interest of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Ordinary Shares granted during year	Options (Unlisted)	Options granted during year
James Richards (i)	26,995,000	-	-	-
Grant Mooney (ii)	4,706,666	-	-	-
Mark Thompson (iii)	3,300,000	-	-	-

(i) James Richards holds 26,995,000 shares in his own name. Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, in which James Richards is a beneficiary holds 5,000,000 options.

(ii) Grant Mooney holds 16,666 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 320,000 shares. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares. Grant Mooney holds 500,000 options in his own name.

(iii) Mark Thompson holds 500,000 options in his own name. His wife, Kelly Thompson holds 3,300,000 shares.

PRINCIPAL ACTIVITIES

The principal activity of the Company is phosphate, iron and gold exploration.

OPERATING RESULTS

The consolidated loss from ordinary activities after income tax of the Company for the year ended 30 June 2014 was \$145,713 (2013: \$3,997,324 loss).

DIRECTORS' REPORT
30 JUNE 2014

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2014:

- Application for a Mining Lease and a Mining Proposal to allow for mining operations over the Tuckanarra Gold Project was lodged on 17th January 2014. This remains in progress with the Department of Mines and Energy and the Company is progressing these applications.

The Tuckanarra Gold Project has an Indicated and Inferred JORC (2004) resource comprising 2,020,000 tonnes at 1.55 g/t Au for 100,700 ounces of gold at 0.25g/t Au cutoff. The project is 100% owned by Phosphate Australia.

Resource	Cutoff (g/t)	Tonnes	Grade (g/t)	Ounces
Indicated	0.25	1,091,000	1.60	56,000
Inferred	0.25	929,000	1.50	44,700
Total	0.25	2,020,000	1.55	100,700

- A Phase 1 RC drilling program over Manchego was completed in September 2013. Nine holes were drilled for 1,142 metres. Full Phase 1 assay results were reported in the Company's ASX Release dated 28 October 2013. These results indicated extensive low grade copper mineralisation with some associated nickel and PGEs.
- Detailed ground EM geophysics survey completed at Manchego.
- Phase 2 drilling program was completed at Manchego in December. 1,012 metres were drilled the results were reported in the Company's ASX Release dated 3 January 2014. Further low grade Cu-Ni-PGE mineralisation was intersected, which remains open in all directions. The Joint Venture partner (Anglo American) withdrew from this project in the third quarter and the Company now has 100% control of the project and is seeking partners.
- Phosphate Australia has a Joint Venture Option Agreement (JVOA) with Sydney based Company Jimpec Resources Pty Ltd (Jimpec) covering the Company's 100% owned Nicholson Iron Project in the Northern Territory. There is ongoing promotion of this project within China with the aim of finding a strategic partner to assist in development.
- The Highland Plains Phosphate Project has a JORC (2004) compliant Inferred Resource of 53 million tonnes at 16% P₂O₅ at a cutoff grade of 10% P₂O₅. Substantial drilling and scoping study work has been done at Highland Plains with proposed solutions for beneficiation to higher grades and product transport logistics using a slurry pipeline. The project is 100% owned by Phosphate Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than described elsewhere in this report, there was no significant change in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

Other than the following, there was no matter or circumstance subsequent to the end of the year that has significantly affected the operations of the Company, the results of operations or the state of affairs in future financial years:

- On 29th August 2014, the Company announced the conditional sale of the Tuckanarra Gold Project to Monument Mining Limited (MMY), an established Canadian gold producer listed on the TSX-V exchange. The sale price is \$3.9 million, payable as \$2 million cash and 10 million MMY shares (which is equivalent to \$1.9 million at \$0.19). MMY paid a \$55,000 (GST inclusive) non refundable deposit to the Company on 29th August 2014. The acquisition is subject to satisfactory completion by MMYT of due diligence and the transaction is expected to be completed by 24 October 2014. The acquisition is expected to be completed by 24 October 2014.
- On 2nd September 2014, the Company sold 80% of tenement E69/2820 to Alloy Resources Limited (AYR). Alloy Resources exercised an option, pursuant to the Option Agreement between Phosphate Australia Limited and Alloy Resources Limited dated 12 September 2012. AYR will continue to operate the tenements under the terms of an unincorporated joint venture. The Company will retain a 20% interest in the tenements which is free carried up to the completion of a bankable feasibility study.

DIRECTORS' REPORT
30 JUNE 2014

FUTURE DEVELOPMENTS

The Company intends to continue mineral exploration activities while considering new project acquisitions and joint venture opportunities.

ENVIRONMENTAL REGULATION

The Company is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

SHARE OPTIONS

At the date of this report, the following options are outstanding in respect of unissued ordinary shares in Phosphate Australia:

Number of Shares Under Options	Exercise Price	Expiry Date
450,000	10 cents	14 October 2014
500,000	10 cents	11 November 2014
6,000,000	8 cents	26 November 2015
300,000	6.5 cents	21 December 2015
400,000	2 cents	28 January 2015

No shares were issued during or since the end of the financial year as a result of the exercise of options.

INDEMNIFYING OFFICER OR AUDITOR

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretary and all executive officers of the Company and related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the amount of the premium.

The Company has not indemnified or agreed to indemnify the auditor of the Company or of any related body corporate against a liability incurred as the auditor.

DIVIDENDS

No dividends have been paid or declared since the start of the year, and the directors do not recommend the payment of a dividend in respect of the year.

DIRECTORS' MEETINGS

There were 3 Directors' meetings held during the year ended 30 June 2014. The names of directors who held office during the year and their attendance at Board meetings is detailed below:

Director	Number Attended	Number Eligible to Attend
Jim Richards	3	3
Grant Mooney	3	3
Mark Thompson	3	3

There was also one (1) circular resolution passed by the Board of Directors during the year. (2013: two (2))

As at the date of this report an Audit Committee of the Board of Directors did not exist due to the Directors of the Board having a close involvement in the operations of the Company. There are no other sub-committees of the Board.

DIRECTORS' REPORT
30 JUNE 2014

REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of each director of the Company. Other than directors, there were no executive officers of the Company during the year.

Remuneration Policy

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives. At this point in the Company's development the Board does not believe it is appropriate to link director and executive officers' remuneration with Company performance.

The remuneration policy in regards to settling terms and conditions for the executive directors has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the Government, which during the year was 9.25% (increased to 9.5% on 1 July 2014) and do not receive any other retirement benefit.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

Subsequent to the end of the financial year, the Directors have instigated a number of austerity measures including the reduction in directors and secretarial fees in order to preserve cash reserves at a time when global uncertainty surrounding capital markets exists. As such the overall level of directors and company secretarial fees has been significantly reduced.

The following were Key Management Personnel of the Company during the year:

- James Richards (*Non-Executive Chairman/Executive Chairman*)
- Grant Mooney (*Non-Executive Director and Company Secretary*)
- Mark Thompson (*Non-Executive Director*)

Details of remuneration provided to Key Management Personnel during the year are as follows:

		Short-term employee benefits		Post-employment benefits	Share-based payments	Total	% of Total consisting of Options
		Salary & Fees	Bonus	Super-annuation	Options		
		\$	\$	\$	\$	\$	
James Richards ⁽ⁱ⁾	2014	154,667	-	21,954	-	176,621	0%
	2013	165,500	-	16,785	124,000	306,285	40%
Mark Thompson	2014	20,417	-	-	-	20,417	0%
	2013	18,750	-	-	12,400	31,150	40%
Grant Mooney	2014	25,416	-	2,351	-	27,767	0%
	2013	32,500	-	2,925	12,400	47,825	26%
Andrew James	2014	-	-	-	-	-	0%
	2013	101,102	-	6,900	-	108,002	0%
TOTAL	2014	200,500	-	24,305	-	224,805	
TOTAL	2013	317,852	-	26,610	148,800	493,262	30%

(i) Included in Jim Richards's salary and fees remuneration are contractor amounts totalling \$0 (2013: \$10,500).

DIRECTORS' REPORT
30 JUNE 2014
REMUNERATION REPORT (AUDITED) (Continued)

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

Value of options issued to Key Management Personnel

During the financial year, the following share based payment arrangements were in existence for Key Management Personnel:

Options Series	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Issued 23 Nov 2012 exercisable@ \$0.08	23/11/2012	26/11/2015	\$0.025	23/11/2012

The Board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is \$400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. Remuneration is not linked to specific performance criteria.

Remuneration levels, shares and options granted are not dependent upon any performance criteria as the nature of the Company's operations are exploration, and they are not generating profit.

The Company did not use remuneration consultants during the year or prior year.

96% of the votes cast (excluding those who abstained) at the AGM on the 2013 Remuneration report voted in favour of adopting the Remuneration Report.

Key management personnel equity holdings

Fully Paid ordinary shares issued by Phosphate Australia Limited

The movement during the reporting year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2014

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Other movement during year	Balance as at 30 June 2014
James Richards (i)	26,540,000	-	-	455,000	26,995,000
Grant Mooney (ii)	4,706,666	-	-	-	4,706,666
Mark Thompson (iii)	3,300,000	-	-	-	3,300,000

(i) James Richards holds 26,995,000 shares in his own name.

(ii) Grant Mooney holds 16,666 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 320,000 shares. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares.

(iii) K Thompson, spouse of Mark Thompson holds 3,300,000 shares.

2013

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Other movement during year	Balance as at 30 June 2013 or date of resignation
James Richards (i)	15,000,000	-	-	11,540,000	26,540,000
Andrew James (ii) (Resigned 1.10.12)	20,050,000	-	-	-	20,050,000
Grant Mooney (iii)	262,500	-	-	4,444,166	4,706,666
Mark Thompson (iv)	-	-	-	3,300,000	3,300,000

(i) James Richards holds 26,540,000 shares in his own name.

(ii) Until Andrew James' resignation as director on 1 October 2012 he held 20,000,000 shares in his own name. Stephen James, father of Andrew James held 50,000 shares.

(iii) Grant Mooney holds 16,666 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 320,000. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares.

(iv) K Thompson, spouse of Mark Thompson holds 3,300,000 shares.

DIRECTORS' REPORT
30 JUNE 2014

REMUNERATION REPORT (AUDITED) (Continued)

Executive unlisted share options issued by Phosphate Australia Limited

The movement during the reporting year in the number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2014

Director	Balance as at beginning of year 1 July 13	Granted as compensation	Balance vested at 30 June 2014	Vested but not exercisable	Vested and exercisable	Options vested during the year 30/6/14
James Richards (i)	5,000,000	-	5,000,000	-	5,000,000	-
Grant Mooney (ii)	500,000	-	500,000	-	500,000	-
Mark Thompson (iii)	500,000	-	500,000	-	500,000	-

(i) James Richards holds 5,000,000 options in his own name.

(ii) Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 500,000 options.

(iii) Mark Thompson holds 500,000 options in his own name.

2013

Directors	Balance as at beginning of year	Granted as compensation	Expired during the year	Balance vested at 30 June 2013	Vested and exercisable	Options vested during the year
James Richards (i)	6,350,000	5,000,000	(6,350,000)	5,000,000	5,000,000	5,000,000
Andrew James (Resigned 1.10.12)	9,500,000		(9,500,000)	-	-	-
Grant Mooney (ii)	850,000	500,000	(850,000)	500,000	500,000	500,000
Mark Thompson (iii)	-	500,000	-	500,000	500,000	500,000

(i) Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, to which James Richards is a beneficiary holds 5,000,000 options.

(ii) Grant Mooney holds 500,000 options in his own name.

(iii) Mark Thompson holds 500,000 options in his own name.

Services Agreements

Executive Chairman James (Jim) Richards has an employment contract commencing on 1 October 2013 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of \$180,000 per annum plus statutory superannuation, but this fee was reduced to \$160,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Grant Mooney has an Services Agreement commencing on 14 October 2008 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of \$45,000 per annum plus statutory superannuation, but this fee was reduced to \$25,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Mark Thompson has a letter of appointment for no fixed term commencing on 1 October 2012. The Contract provides for a director's fee of \$20,000 per annum plus GST.

Mooney & Partners Pty Ltd, a company associated with Grant Mooney has a services contract with the Company to provide company secretarial and administrative services to the Company for a period of 3 years commencing on 1 September 2009 which expired on 1 September 2012 and continues on a month by month basis with one month's termination notice. The Contract provides for an annual fee of \$96,000 per annum plus GST, but this fees was reduced to \$48,000 per annum plus GST on 1/8/13 as part of cost reductions in the Company.

No director or member of senior management are entitled to any termination payment apart from remuneration payable up to and including the termination date and any amounts payable due upon accrued leave.

END OF REMUNERATION REPORT (AUDITED)

DIRECTORS' REPORT
30 JUNE 2014

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to such proceedings during the year.

NON AUDIT SERVICES

During the year there were no non-audit services provided by Grant Thornton Audit Pty Ltd, nor its related entities.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed on 10 September 2014 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



JAMES RICHARDS
Executive Chairman



GRANT MOONEY
Non-executive Director & Company Secretary

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**Auditor's Independence Declaration
To the Directors of Phosphate Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Phosphate Australia Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 10 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
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PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 \$	Consolidated 30 June 2013 \$
Other revenues from ordinary activities	3	-	272,727
Other income	3	83,994	125,816
Total Revenue		83,994	398,543
Employee benefits expense		(129,118)	(310,773)
Depreciation expense	4	(18,254)	(73,014)
Rental expenses	4	(112,351)	(169,493)
Corporate advisory		(17,020)	(17,588)
Share based payments	4	(2,240)	(153,120)
Administration expenses		(213,072)	(318,645)
Loss on disposal of fixed assets		(7,554)	(287,876)
Exploration expenses		(33,453)	(381,505)
Impairment of exploration and evaluation expenditure	12	-	(2,894,827)
Total Expenses		(533,062)	(4,606,841)
Loss before income tax expense		(449,068)	(4,208,298)
Income tax benefit	5	303,355	210,974
Loss for the year		(145,713)	(3,997,324)
Other Comprehensive Income / (Loss)		-	-
Total Comprehensive Loss for the year		(145,713)	(3,997,324)
		Cents	Cents
Basic loss per share (cents per share)	21	(0.090)	(3.266)
Diluted loss per share (cents per share)	21	(0.090)	(3.266)

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 \$	Consolidated 30 June 2013 \$
CURRENT ASSETS			
Cash and cash equivalents	8	1,706,470	2,220,824
Trade and other receivables	9	22,048	18,208
Other	10	34,020	36,879
TOTAL CURRENT ASSETS		1,762,538	2,275,911
NON CURRENT ASSETS			
Property, plant and equipment	11	63,908	89,585
Environmental bond		12,397	12,397
Exploration and evaluation expenditure	12	4,906,373	4,593,836
TOTAL NON CURRENT ASSETS		4,982,678	4,695,818
TOTAL ASSETS		6,745,216	6,971,729
CURRENT LIABILITIES			
Trade and other payables	13	27,215	100,997
Provisions	14	14,099	23,357
TOTAL LIABILITIES		41,314	124,354
NET ASSETS		6,703,902	6,847,375
EQUITY			
Issued capital	15	14,590,606	14,590,606
Share option reserve	16	198,165	195,925
Accumulated losses	17	(8,084,869)	(7,939,156)
TOTAL EQUITY		6,703,902	6,847,375

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Shares \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2012	13,413,696	388,055	(4,287,082)	9,514,669
Loss for the year	-	-	(3,997,324)	(3,997,324)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,997,324)	(3,997,324)
Issue of shares	1,216,921	-	-	1,216,921
Options expensed for the year	-	153,120	-	153,120
Expired options transferred to accumulated losses	-	(345,250)	345,250	-
Share issue costs	(40,011)	-	-	(40,011)
Balance as at 30 June 2013	14,590,606	195,925	(7,939,156)	6,847,375
Balance as at 1 July 2013 (consolidated)	14,590,606	195,925	(7,939,156)	6,847,375
Loss for the year	-	-	(145,713)	(145,713)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(145,713)	(145,713)
Issue of shares	-	-	-	-
Options expensed for the year	-	2,240	-	2,240
Balance as at 30 June 2014	14,590,606	198,165	(8,084,869)	6,703,902

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 \$	Consolidated 30 June 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	272,727
Payments to suppliers and employees		(563,404)	(764,774)
Research & Development tax concession refunds		303,354	270,754
Interest received		65,698	97,571
		<hr/>	<hr/>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	(194,352)	(123,722)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(358)	(9,345)
Payment for environment bond		-	(12,397)
Return of guarantee		-	172,555
Proceeds from disposal of non-current assets		227	241,712
Payments for exploration and evaluation expenditure		(319,871)	(753,039)
		<hr/>	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(320,002)	(360,514)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	402,921
Payments for share issue costs		-	(40,011)
		<hr/>	<hr/>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		-	362,910
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(514,354)	(121,326)
Cash and cash equivalents at the beginning of the year		2,220,824	2,342,150
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	8	1,706,470	2,220,824
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1. CORPORATE INFORMATION

Phosphate Australia Limited is a for-profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The address of the registered office and the principal place of business are disclosed on the contents page.

The nature of the operations and principal activities of the Company are described in Note 18.

During the year, the Company de-registered two dormant subsidiaries (see Note 25). As such, the comparative period shows consolidated results and the year-ended 30 June 2014 is for the single entity.

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report the Company for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on ___ September 2014.

(a) Basis of preparation

This general purpose financial report has been prepared on the basis of historical cost, except for certain financial instruments which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The functional currency is Australian Dollars and rounding is made to the nearest dollar.

In the application of the Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of the Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Adoption of new and revised accounting standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Phosphate Australia Limited.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
 - Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
 - Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.
- Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, part of annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Adoption of new and revised accounting standards (Continued)

Consolidation Standards

A package of consolidation standards encompassing AASB 10 Consolidated Financial Statements, AASB 11 Joint Venture Arrangements, AASB 12 Disclosure of Interests in Other Entities and consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, are effective for annual periods beginning or after 1 January 2013. The Company's management has not noted any impact of the change of this standard.

AASB 13 Fair Value Measurement

AASB 13 is applicable for annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Company's management has not noted any impact of the change of this standard.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of key management personnel compensation) and remove duplication within the Corporations Act 2011. This has resulted in some disclosures relating to Directors now being included in the audited remuneration report.

Accounting Standards Not Yet Applied

AASB 9 Financial Instruments (effective date for annual reporting periods beginning from 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. The Company has not yet assessed the full impact of AASB 9 as this standard does not apply until the year ended 30 June 2019.

AASB 2013-3 Amendments to Australian Accounting Standards Recoverable Amount Disclosures for Non-Financial Assets (effective date for annual reporting periods beginning from 1 January 2014)

AASB 2013-3 amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are first adopted for the year ended 30 June 2015 they are unlikely to have any significant impact on the entity.

(b) Statement of Compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) Employee benefits

Employee benefits provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within one year are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits expected to be settled beyond one year are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contribution to defined contribution superannuation plans are expensed when incurred.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited to profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(h) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the term of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.

The following estimated useful lives are used in the calculation of depreciation:

- Furniture & Fittings - 10 years
- Vehicles - 12 years
- Plant & equipment - 3 years
- Buildings & improvements - 7 years

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(i) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(j) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rental income

Rental income is recognised in the period in which it is earned.

(k) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting term, based on the Company's estimate of shares that will eventually vest.

(l) Exploration and evaluation

Exploration and evaluation expenditure costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

These assets are considered for impairment on a six monthly basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

When a decision is made to proceed with development in respect of a particular area of interest, the accumulated costs for the relevant area of interest are tested for impairment and the balance is then transferred to development assets.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(m) Development Costs

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(n) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the cost of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling/production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset, unless the present obligations arises from the production of inventory in the year, in which case the amount is included in the cost of production for the year. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(o) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

Transaction costs on the issue of equity instruments

Transactions costs arising on the issue of equity instruments are recognised directly in equity as reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(p) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms requires legal transfer of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specific categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Trade receivables, loan and other receivables are recorded at amortised cost less impairment.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(p) Financial Assets (Continued)

Impairment of Financial Assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

(q) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. Further particulars of impairment losses are set out in Note 12.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on the grant date historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the grant date fair value of the options. To estimate the fair value an option pricing model has been used. There are many variable assumptions used as inputs into the model (which have been detailed in Note 16). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

(s) Critical Accounting Estimates and Judgements (continued)

Exploration expenditure

Exploration expenditure is capitalised where the Company holds a current tenement. The Directors consider the carrying value of the main project areas and assess these against the estimated recoverable amount for each area. Indications of recoverable amount can be similar sale prices or calculation of the underlying resources multiplied by the resource sale rate.

Note 3. Revenue from Ordinary Activities

	30 June 2014	Consolidated
	\$	30 June 2013
		\$
Other Revenue		
Farm-in option fees	-	272,727
Total Revenue	-	272,727

Other income

Interest received from financial institutions	66,300	83,161
Rental income	17,649	10,540
Gain from sale of fixed assets	45	32,115
Total Other Income	83,994	125,816

Note 4. Loss from Ordinary Activities

Expenses

Depreciation of non-current assets	18,254	73,014
Rental expense on operating leases	112,351	169,493
Share based payment expenses	2,240	153,120

Note 5. Income Tax

(a) Income tax expense

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense as follows:

Loss from continuing operations before tax	(449,068)	(4,208,298)
Income tax benefit calculated at 30% (2013: 30%)	(134,720)	(1,262,489)
Non deductible expenses	683	-
Temporary differences not brought to account as a deferred tax asset	(32,333)	(34,292)
Non assessable income	(303,355)	(164,141)
Tax losses not brought to account as a deferred tax asset	166,370	1,249,948
Income tax benefit at effective rate of 65.8% (2013: 5.3%)	(303,355)	(210,974)

(b) Deferred Tax liability

Exploration and Evaluation	1,466,853	1,378,151
Add: Other	4,696	4,581
Unrecognised deferred tax liabilities	1,471,549	1,382,732

(c) Deferred tax assets

	30 June 2014	Consolidated
	\$	30 June 2013
		\$
Temporary differences	(8,575)	(11,207)
Tax losses – revenue	1,480,124	1,393,939
Unrecognised deferred tax assets	1,471,549	1,382,732

Not recognised:

Unrecognised tax losses	2,100,075	2,089,481
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 5. Income Tax (Continued)

The net deferred tax asset arising from the tax losses has not been recognised as an asset in the Statement of Financial Position because recovery is not probable.

The taxation benefit of tax losses not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised; conditions for deductibility imposed by the law are complied with; and
- (ii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 6. Key Management Personnel Compensation

The compensation paid to Key Management Personnel of the Company is set out below:

	30 June 2014	Consolidated
	\$	30 June 2013
		\$
Short-term employee benefits	200,500	317,852
Post-employment benefits	24,305	26,610
Share-based payments	-	148,800
	224,805	493,262

Note 7. Auditor's Remuneration

Amounts received, or due and receivable by the current auditors, Grant Thornton Audit Pty Ltd, for audit or review of the financial report

22,551	22,745
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The auditor for Phosphate Australia Limited is Grant Thornton Audit Pty Ltd.

Note 8. Cash and Cash Equivalents

Cash at bank and on hand

1,706,470	2,220,824
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CASH FLOW INFORMATION

Reconciliation of the loss from continuing operations after income tax to the net cash flows from operating activities.

- Loss from continuing operations after income tax	(145,713)	(3,997,324)
- Impairment of exploration and evaluation costs	5,108	2,824,827
- Exploration costs written off	2,271	479,630
- Depreciation expense	18,254	73,014
- Share based payments	2,240	153,120
- Employee benefits accrued/(paid out)	(9,258)	(43,799)
- Loss on disposal of assets	7,554	287,876
- Profit on disposal of fixed assets	(45)	(32,115)
- (Increase)/Decrease in debtors	(3,840)	173,264
- Decrease in prepayments	2,859	18,551
- (Increase) in other debtors	-	(1,045)
- Increase/(decrease) in trade creditors	(73,782)	(59,721)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(194,352)	(123,722)

Cash at Bank includes \$30,000 (2013: \$55,000) held as security for credit cards.

Note 9. Trade and Other Receivables

Current

Interest receivable
Other debtors

	30 June 2014	Consolidated
	\$	30 June 2013
		\$
Interest receivable	12,997	12,395
Other debtors	9,251	5,813
	22,048	18,208

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 10. Other

Prepayments	34,020	36,879
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Note 11. Property, Plant & Equipment

Cost	288,302	327,816
Accumulated depreciation	(224,394)	(238,231)
	63,908	89,585

Land and Buildings	973	8,542
Plant and Equipment	4,565	12,454
Motor Vehicles	40,396	46,881
Fixtures & Fittings	17,974	21,708
	63,908	89,585

	Land and buildings	Plant and equipment	Motor Vehicles	Fixtures & Fittings	Total
<i>Cost</i>					
Balance as at 30 June 2012	665,644	367,020	406,948	43,749	1,483,361
Additions	1,337	8,008	-	-	9,345
Disposals	(658,266)	(167,219)	(329,470)	(9,934)	(1,164,889)
Balance as at 30 June 2013	8,715	207,809	77,478	33,815	327,817
Additions	-	358	-	-	358
Disposals	(7,378)	(31,902)	-	(593)	(39,873)
Balance as at 30 June 2014	1,337	176,265	77,478	33,222	288,302
<i>Accumulated Depreciation</i>					
Balance as at 30 June 2012	(351,716)	(340,909)	(128,627)	(11,384)	(832,636)
Depreciation	(33,838)	(19,352)	(15,950)	(3,874)	(73,014)
Disposals	385,381	164,907	113,980	3,151	667,419
Balance as at 30 June 2013	(173)	(195,354)	(30,597)	(12,107)	(238,231)
Depreciation	(191)	(8,248)	(6,485)	(3,330)	(18,254)
Disposals	-	31,902	-	189	32,091
Balance as at 30 June 2014	(364)	(171,700)	(37,082)	(15,248)	(224,394)

Note 12. Exploration and Evaluation Expenditure

	30 June 2014 \$	Consolidated 30 June 2013 \$
Opening balance Exploration and evaluation expenditure	4,593,836	7,100,414
Exploration and evaluation expenses capitalised during year	318,431	753,038
Less: write offs	(5,894)	(364,789)
Less: impairment	-	(2,894,827)
Closing balance Exploration and evaluation expenditure	4,906,373	4,593,836

During the prior year, the Directors impaired the carrying value Georgina Phosphate project down to \$3.1 million, being the Company's assessment of fair value less costs to sell, based on information obtained by the Directors on the value of Phosphate Projects in Australia.

During the year the Directors wrote off any previously capitalised expenditure due to the tenements no longer being held.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to outcomes of native title issues (Refer Note 23).

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 13. Trade and Other Payables

	30 June 2014 \$	Consolidated 30 June 2013 \$
Trade creditors	6,201	71,783
Other creditors	21,014	29,214
	27,215	100,997

The average credit period on purchases is 60 days. There is no interest charged on payables.

Note 14. Provisions

Employee entitlements – annual leave accrued	14,099	23,357
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Note 15. Issued Capital

(a) Issued Shares

	Number	\$
Opening balance 1 July 2012	109,876,250	13,413,696
Issue of shares to Lodestone Equities	11,000,000	814,000
Rights Issue	40,292,083	402,921
Less Share issue costs		(40,011)
Closing balance 30 June 2013	161,168,333	14,590,606
Opening balance 1 July 2013	161,168,333	14,590,606
Closing balance 30 June 2014	161,168,333	14,590,606

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Options on Issue

Expiry date	1 July 2014	14 Oct 2014	11 Nov 2014	26 Nov 2015	26 Nov 2015	28 Jan 2016
Exercise Price	\$0.19 Consultant¹	\$0.10 Employees under ESOP²	\$0.10 Consultant³	\$0.08 Directors⁴	\$0.065 Employees⁵	\$0.02 Employees⁶
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
On issue 1/7/13	100	450	500	6,000	300	-
Granted	-	-	-	-	-	400
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding 30/6/14	100	450	500	6,000	300	400

The above-mentioned options have the following key terms:

1. Consultant options are exercisable at \$0.19 by 1 July 2014 and vest immediately.
2. Employee options are exercisable at \$0.10 by 14 October 2014. They were issued under the terms and conditions of the Company's Employee Share and Option Plan and vest immediately.
3. Consultant options are exercisable at \$0.10 by 11 November 2014 and vest immediately.
4. Directors' options are exercisable at \$0.10 each, by the expiry date noted above. The options vest immediately.
5. Employees' options are exercisable at \$0.065 each, by the expiry date noted above. The options vest immediately.
6. Employees' options are exercisable at \$0.02 each, by the expiry date noted above. The options vest immediately.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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Note 16. Share Option Reserve

	30 June 2014	Consolidated 30 June 2013
	\$	\$
Opening Balance	195,925	388,055
Directors' Options – 26 November 2012	-	148,800
Employees' Options – 21 December 2012	-	4,320
Employees' Options – 28 January 2014	2,240	-
Less – expired options	-	(345,250)
Closing balance	198,165	195,925

The share option reserve arises as the share options granted vest over the vesting period. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Using the Black & Scholes options valuation and methodology, the fair value of the options were calculated. The following inputs were used:

INPUT	DIRECTORS' OPTIONS	EMPLOYEE OPTIONS	EMPLOYEE OPTIONS
Exercise Price	\$0.08	\$0.065	\$0.02
Share price	\$0.047	\$0.03	\$0.013
Grant date	23/11/12	21/12/12	28/1/14
Expected volatility (i)	100%	100%	100%
Expiry date	23/11/15	21/12/15	28/1/16
Expected dividends	Nil	Nil	Nil
Risk free interest rate	3.5%	3.5%	2.5%
Value per option	\$0.0248	\$0.0144	\$0.0056
Number of options	6,000,000	300,000	400,000
Value of options	\$148,800	\$4,320	\$2,240

- (i) Volatility using the Black & Scholes method was determined by looking at similar companies for a similar period.

Note 17. Accumulated Losses

	30 June 2014	Consolidated 30 June 2013
	\$	\$
Balance at the beginning of the year	(7,939,156)	(4,287,082)
Net loss for the year	(145,713)	(3,997,324)
Transfer from share option reserve (expired options)	-	345,250
Balance at the end of the year	(8,084,869)	(7,939,156)

Note 18. Statement of Operations by Segment

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company operates solely in the natural resources exploration industry in Australia, and has determined that this is the only operating segment. The Company is predominantly involved in phosphate exploration and also explores for gold, manganese, iron and uranium.

Note 19. Related Party Transactions

a) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 6 to the financial statements.

b) Transactions with director related entities

During the year, Mooney & Partners Pty Ltd, a company associated with Grant Mooney was paid for Company secretarial services provided to the Company totalling \$48,000 (2013: \$60,000).

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 20. Financial Instruments

(a) Overview

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and commodity prices risk.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. All financial assets and liabilities are held at amortised cost.

Capital Risk Management

The Company manages its exposure to key financial risks in accordance with the Company's Risk Management Policy. Key risks are monitored and reviewed as circumstances change and policies are revised as required. The overall objective of the Company's financial risk management policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt equity balance. The Company's focus has been to raise sufficient funds through equity to fund exploration activities.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in Notes 15, 16 and 17 respectively. The Company is not subject to externally imposed capital requirements.

Given the nature and size of the business and uncertainty as to the timing of cash inflows and outflows the Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Company's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board agrees and reviews policies for managing the Company's financial risks as summarised below.

b) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective average interest rates in classes of financial assets and liabilities is as follows:

2014	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
Financial assets:					
Operating accounts	0.01%	-	5,237	-	5,237
Savings accounts	2.4%	-	70,008	-	70,008
Term deposits	3.53%	1,631,225	-	-	1,631,225
Receivables	-	-	-	22,048	22,048
		1,631,225	75,245	22,048	1,728,518
Financial liabilities:					
Accounts payable	-	-	-	27,215	27,215
		-	-	27,215	27,215

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
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Note 20. Financial Instruments (Continued)

2013	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
Financial assets:					
Operating accounts	-	-	-	5,324	5,324
Savings accounts	2.75%	-	252,939	-	252,939
Term deposits	4.14%	1,962,561	-	-	1,962,561
Receivables	-	-	-	18,208	18,208
		1,962,561	252,939	23,532	2,239,032
Financial liabilities:					
Accounts payable	-	-	-	100,997	100,997
		-	-	100,997	100,997

Interest rate sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A movement of 10 basis points in interest rates on reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Retained Earnings	
	+10% \$	-10% \$	+10% \$	-10% \$
2014				
Cash and cash equivalents	1,300	(1,300)	1,300	(1,300)
2013				
Cash and cash equivalents	8,128	(8,128)	8,128	(8,128)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Company. The carrying amount of the Company's financial assets represents the maximum credit risk exposure, as represented below:

	2014 \$	Consolidated 2013 \$
Cash and cash equivalents	1,706,470	2,220,824
Trade and other receivables	22,048	18,208
	1,728,518	2,239,032

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due, by insuring sufficient liquid funds are available on short term maturities.

The maturity of all financial assets and liabilities is less than six months.

e) Commodity price risk

The Company is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Company's control. As the Company is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 20. Financial Instruments (Continued)

(f) Fair value

The net fair value of financial assets and financial liabilities approximate their carrying value. Net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

Note 21. Earnings per Share

	2014 cents	Consolidated 2013 cents
Basic (loss) per share (cents per share)	(0.090)	(3.266)
Diluted (loss) per share (cents per share)	(0.090)	(3.266)

Basic Earnings per Share

	2014 \$	Consolidated 2013 \$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(145,713)	(3,997,324)

	2014 No.	2013 No.
Weighted average number of ordinary shares	161,168,333	122,391,563

Share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

Note 22. Significant Events Subsequent to Year End

Other than the following, there was no matter or circumstance subsequent to the end of the year that has significantly affected the operations of the Company, the results of operations or the state of affairs in future financial years:

- On 29th August 2014, the Company announced the conditional sale of the Tuckanarra Gold Project to Monument Mining Limited (MMY), an established Canadian gold producer listed on the TSX-V exchange. The sale price is \$3.9 million, payable as \$2 million cash and 10 million MMY shares (which is equivalent to \$1.9 million at \$0.19). MMY paid a \$55,000 (GST inclusive) non refundable deposit to the Company on 29th August 2014. The acquisition is subject satisfactory completion by MMYT of due diligence and the transaction is expected to be completed by 24 October 2014. The acquisition is expected to be completed by 24 October 2014.
- On 2nd September 2014, the Company sold 80% of tenement E69/2820 to Alloy Resources Limited (AYR). Alloy Resources exercised an option, pursuant to the Option Agreement between Phosphate Australia Limited and Alloy Resources Limited dated 12 September 2012. AYR will continue to operate the tenements under the terms of an unincorporated joint venture. The Company will retain a 20% interest in the tenements which is free carried up to the completion of a bankable feasibility study.

Note 23. Contingent Liabilities

In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Company is not yet known. The Company is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in the Northern Territory in which the Company holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the Native Title Act 1993 (Commonwealth).

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 24. Commitments for Expenditure

These amounts are payable, if required, over various times over the next five years. In addition, royalty payments may be payable if certain conditions are met in the future. At this time, the Directors do not consider the payments to be probable.

Operating Lease Commitment as follows:

During the year the Company signed a rental agreement commencing 1 August 2012 for a period of 36 months.

Office Rental

	2014 \$	Consolidated 2013 \$
- Due within 1 year	123,318	103,690
- Due 1 to 5 years	9,136	111,331

Exploration Expenditure Commitments:

The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected for the next 12 months if it is to retain all of its present interests in mining and exploration properties is \$584,940 (2013: \$770,940).

Note 25. Controlled Entities

	Country of incorporation	Percentage Owned %	
		2014	2013
Subsidiaries of Phosphate Australia Limited:			
Carpentaria Phosphate (Holdings) Pty Ltd	Australia	0%	100%
Carpentaria Phosphate Pty Ltd	Australia	0%	100%

Both subsidiary companies were incorporated during the previous financial year and deregistered during the current year.

Note 26. Parent Entity

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	Parent Entity	
	2014 \$	2013 \$
Statement of Financial Position		
ASSETS		
Current Assets	1,762,538	2,275,911
Non-Current Assets	4,982,678	4,704,825
TOTAL ASSETS	6,745,216	6,980,736
LIABILITIES		
Current Liabilities	41,314	124,354
TOTAL LIABILITIES	41,314	124,354
NET ASSETS	6,703,902	6,856,382
EQUITY		
Issued Capital	14,590,606	14,590,606
Share Option Reserve	198,165	215,725
Accumulated losses	(8,084,869)	(7,949,949)
TOTAL EQUITY	6,703,902	6,856,382
Statement of Comprehensive Income		
Total loss	(145,713)	(3,996,281)
Total comprehensive loss	(145,713)	(3,996,281)

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 26. Parent Entity (continued)

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2014 in relation to the debt of the subsidiaries.

Commitments/Contingent Liabilities

All commitments disclosed in this financial report are commitments/contingent liabilities of the parent entity.

Note 27. Going Concern

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

The Company incurred a net loss of \$145,713 and had cash outflows from operations of \$194,352 during the year ended 30 June 2014.

The Company has reviewed its cash requirements for a period 12 months from the date of signing this report and has determined that sufficient cash resources are available to continue paying its debts as and when they fall due and to meet the minimum expenditure requirements disclosed in Note 24.

Note 28. Capital Management

The capital of the Company is managed in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements.

Capital is managed by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels, and share issues.

There has been no change in the strategy adopted by management to control the capital of the Company since the prior year.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Phosphate Australia Limited (the Company):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.



JAMES RICHARDS
Chairman



GRANT MOONEY
Non-executive Director & Company Secretary

Dated this 10th day of September 2014

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Independent Auditor's Report To the Members of Phosphate Australia Limited

Report on the financial report

We have audited the accompanying financial report of Phosphate Australia Limited (the "Company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company .

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Phosphate Australia Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 5 to 7 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Phosphate Australia Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 10 September 2014

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 24 September 2014.

Spread of Holdings			Ordinary Shares
1	-	1,000	27,237
1,001	-	5,000	404,997
5,001	-	10,000	1,509,129
10,001	-	100,000	19,766,581
100,001	-	and over	139,460,389

Number of Holders: 1,000

Number of shareholders holding less than a marketable parcel: 642

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
James Richards	26,995,000
Kelsi Chemicals Pty Ltd <Ruane S/F A/C>	15,929,676
AlloyMets Limited	11,388 171

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

STATEMENT OF QUOTED SECURITIES / TOTAL SHARES ON ISSUE

Listed on the Australian Securities Exchange are 161,168,333 fully paid shares.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

REGISTERED OFFICE

The registered office is at Suite 4, 6 Richardson Street, West Perth, Western Australia 6005.

PHOSPHATE AUSTRALIA LIMITED
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TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES
(as at 24 September 2014)

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
JAMES MCARTHUR RICHARDS	26,995,000	16.75%
KESLI CHEMICALS PTY LTD <RUANE SUPER FUND A/C>	16,129,676	10.01%
ALLOYMETS LIMITED	11,388,171	7.07%
UNITED MINERALS CORPORATION NL	5,000,000	3.10%
OCEAN FLYERS PTY LTD <S&G MOONEY SUPER FUND>	4,360,000	2.71%
MR IANAKI SEMERDZIEV	3,706,333	2.30%
MS ANNE MARIE HUTCHINGS	3,650,000	2.26%
MS KELLY JANE THOMPSON	3,300,000	2.05%
MR CHRISTOPHER JOHN FONE	3,100,000	1.92%
MR DALE LEONARD ANDREWS <DOG STAR SUPER FUND A/C>	2,492,000	1.55%
GOLD & MINERAL RESOURCES PTY LTD	2,333,333	1.45%
CLELAND PROJECTS PTY LTD <CT A/c>	1,750,000	1.09%
MR IAN KERR	1,709,669	1.06%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,673,207	1.04%
LISA KATHLEEN WELLS	1,550,000	0.96%
MR MICHAEL SEAN HOBBS & MS ANN KELLY <HOBBS SUPER FUND A/C>	1,500,000	0.93%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,376,666	0.85%
MR ARNOLD GETZ & MRS RUTH ANN GETZ	1,184,114	0.73%
MR MICHAEL JOHN PREDEBON & MRS HELEN GAYE PREDEBON	1,160,500	0.72%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,140,388	0.71%
Total	95,499,057	59.26%

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS

OPTIONS

Option Holder Name	Directors Options Expiring 26 Nov 2015 @ 8 cents each	Employee Options Expiring 28 Jan 2016 @ 2 cents each
James Richards	5,000,000	-
Mark Thompson	500,000	-
Grant Mooney	500,000	-
Michael Denny	-	400,000
	6,000,000	400,000

CORPORATE GOVERNANCE

(a) The Board of Directors

The primary responsibility for the Board is to represent and advance Shareholder's interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company has adopted the *ASX Corporate Governance Principles and Recommendations* with some amendments where applicable after giving consideration to the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

A summary of the Company's key policies follow.

(b) Board and Senior Executive Evaluation

The Board considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board will undertake an annual evaluation of its effectiveness as a whole. The Chairman will review the individual performance of each Board member annually.

The Chairman's performance is evaluated by the Board annually with facilitation by an external party.

All senior executives of Phosphate Australia are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position. In the case of the Managing Director, these targets are established between the Managing Director and the Board.

(c) Code of Conduct

The Board, management and all employees of Phosphate Australia are committed to implementing Phosphate Australia's core principles and values as stated in this Code of Conduct when dealing with each other and with customers, suppliers, government authorities, creditors and the wider community.

Phosphate Australia is dedicated to delivering outstanding performance for investors and employees. Phosphate Australia aspires to be a leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility Phosphate Australia will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

(d) Continuous Disclosure

In accordance with the ASX Listing Rules, Phosphate Australia will immediately notify the ASX of information concerning Phosphate Australia that a reasonable person would expect to have a material effect on the price or value of Phosphate Australia's securities.

The only exception to this requirement is where the ASX Listing Rules do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, Phosphate Australia will post all information disclosed to ASX on its website.

CORPORATE GOVERNANCE (Continued)

(e) Selection of External Auditor

The Board identifies and recommends an appropriate external auditor for appointment, in conjunction with senior management and/or Phosphate Australia in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Phosphate Australia's accounts for a year of more than five consecutive years. Further, once rotated off Phosphate Australia's accounts, no partner of the external auditor may assume any responsibility in relation to Phosphate Australia's accounts for a year of five consecutive years.

The Company has appointed, with their consent, Grant Thornton as its auditors.

(f) Senior Executives Remuneration

Phosphate Australia is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. Consequently, senior executives' remuneration consists of a fixed salary, statutory superannuation and, subject to the terms of their engagement, mobile phone expenses.

All reasonable out of pocket expenses incurred by the senior executive in connection with the performance of duties on behalf of Phosphate Australia will be reimbursed.

In addition, the Company has established an employee share option plan ("ESOP") in order to provide an incentive for senior executives and other employees to participate in the future growth of the Company. The ESOP is administered in accordance with the ESOP rules which can be viewed, in full, on the Company's website.

(g) Non-executive Directors Remuneration

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time. Additional fees may be paid for participation on Board Committees however, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders. At present the maximum aggregate remuneration of Non-Executive Directors is \$400,000 per annum.

(h) Selection and Appointment of New Directors

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within Phosphate Australia's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

(i) Risk Management

Risk recognition and management are viewed by Phosphate Australia as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's mineral exploration and development.

There are a range of specific risks that have the potential to have an adverse impact on Phosphate Australia's business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Management reports to the Board annually in relation to the key business risks, the control system in place to manage such risks and how effective the risk management system is operating.

CORPORATE GOVERNANCE (Continued)

(j) Security Trading

Phosphate Australia recognises that directors, officers and employees may hold securities in Phosphate Australia and that most investors are encouraged by these holdings. It is the responsibility of the individual director, officer or employee to ensure that any trading by the director, officer or employee complies with the Corporations Act 2001, the ASX Listing Rules and Company Policy.

A breach of this policy may lead to disciplinary action. It may also be a breach of the law.

On 17 December 2010, the Company adopted a Securities Trading Policy which sets out procedures and protocols to be complied with if a director, officer or employee wishes to trade in the Company's securities. These procedures and protocols include the clear establishment of "blackout periods" where trading in the Company's securities by a director, officer or employee is prohibited as well as approvals required for trading in securities during non-blackout periods.

(k) Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting Phosphate Australia. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Board also encourages full participation of shareholders at the Company's annual general meeting.

In addition, the Company maintains a website at www.phosphateaustralia.com.au which is regularly updated.

(l) Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(m) Matters for Approval by the Board of Directors

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

(n) Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. As such, the Board has adopted a policy to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

(o) Explanations for Departure From Best Practice Recommendations

During the reporting year from the Company has complied with each of the Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

PHOSPHATE AUSTRALIA LIMITED
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EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
1	Lay Solid Foundations for Management and Oversight	<p>The Company has complied with the recommendations as set out under this Principle as follows:</p> <p>The Company has a policy for the evaluation of the Board and Senior Executives Evaluation Policy.</p> <p>A policy on matters reserved for the Board is outlined in this Report and is available on the Company's website.</p>	Not applicable
2	Structure the Board to Add Value	<p>The Company complies with the following recommendation:</p> <ul style="list-style-type: none"> • A majority of the Board should be independent directors. <p>The Company complies with this principle. Only one director, Jim Richards is a substantial shareholder.</p> <p>Directors Grant Mooney and Mark Thompson are considered to be independent directors as they are not a substantial shareholders, do not perform an executive role within the organisation, are not a material supplier or customer (including over past 3 years) and have no material contract with the Company.</p> <ul style="list-style-type: none"> • The Board should establish a Nomination Committee. <p>Given the Company's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>In addition to the above, the following information is provided:</p> <p>The skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report.</p> <p>If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice.</p> <ul style="list-style-type: none"> • The role of the Chairman should be independent (Non-Executive) 	<p style="text-align: center;">Not applicable.</p> <p>The Board, in consultation with external advisers where required, undertakes this role.</p> <p>A separate policy for Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.</p> <p>Given the size of the Group, The Board considers it is prudent to combine the roles of Chairman and Executive to preserve funds.</p>

PHOSPHATE AUSTRALIA LIMITED
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Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
3	Promote Ethical and Responsible Decision Making	The Company complies with this Principle.	Not applicable.
4	Safeguard Integrity in Financial Reporting	<p>The Company does not comply with the following recommendation:</p> <ul style="list-style-type: none"> The Board should establish an Audit Committee. <p>The Company does not presently have an Audit Committee.</p> <p>The Company does not have a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Company's website.</p>	<p>The Directors are of the view that given the size of the Company and the relatively small number of directors, it is not practical to have an Audit Committee. The Board undertakes this role. Independent Director Grant Mooney is a Chartered Accountant with suitable financial experience to provide advice in the areas normally required of an Audit Committee.</p>
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	<p>The Company complies with this Principle.</p> <p>The Board of Directors has received a report from Management in relation to the effectiveness of the Company's management of the Company's material business risks.</p> <p>The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> <p>The Company also has a separate policy in relation to Risk Management which is available on the Company's website.</p>	Not Applicable.
8	Remunerate Fairly and Responsibly	<p>The Company does not comply with the following recommendation:</p> <ul style="list-style-type: none"> The Board should establish a Remuneration Committee. <p>The Company does not presently have a Remuneration Committee.</p>	<p>The Directors are of the view that given the size of the Company, the relatively small number of directors, it is not practical to have a Remuneration Committee. The Board</p>

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
		<p>There is presently no scheme for retirement benefits, other than superannuation for non-executive directors.</p>	<p>undertakes this role with the assistance of any external advice which may be required from time to time.</p> <p>The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives.</p> <p>These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.</p>
9	Diversity Policy	<ul style="list-style-type: none"> • The Board should establish a policy concerning diversity and disclose the policy or a summary of that policy. • The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. <p>The Board has established a Diversity Policy.</p>	<p>The Board is accountable for ensuring this policy is effectively implemented. This is assessed annually. Each employee has a responsibility to ensure that these objectives are achieved.</p> <p>The Company does not comply with this recommendation. The Company has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. Due to the size of the Company, the Board does not consider it appropriate at this time to formally set objectives for gender diversity. The Company currently employs (including on a consulting basis) 5 staff; 1 female and 4 males.</p>