
PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

ANNUAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2008

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

CORPORATE DIRECTORY

DIRECTORS

James (Jim) McArthur Richards
Non-Executive Chairman

Andrew Stephen James
Managing Director

Lisa Kathleen Wells
Technical Director

Grant Jonathan Mooney
Non-Executive Director

COMPANY SECRETARY

Grant Jonathan Mooney

REGISTERED OFFICE

Suite 4, 6 Richardson Street
West Perth WA 6005

Tel: (08) 9322 6811

Fax: (08) 9226 0130

WEBSITE

www.phosphateaustralia.com.au

AUDITORS

PKF Corporate Advisory Services (WA) Pty Ltd
Level 7, BGC Centre
28 The Esplanade
Perth WA 6000

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

AMX Code: POZ

Home Office: Perth, Western Australia

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CHAIRMAN'S REPORT

Dear Shareholder,

Your company has made an excellent start to its corporate life since it floated on the ASX on 1st July 2008. I am pleased and proud of the achievements to date of our dedicated team at Phosphate Australia Limited (POZ).

The immediate aim of POZ has been to define a mineral resource at the Company's 100% owned Highland Plains Phosphate Project in the Northern Territory. With a view to achieving this, drilling at Highland Plains has already commenced and is progressing well. POZ is a well focused Company, phosphate exploration and development within the Northern Territory being the primary business with a secondary aim of following up iron ore and uranium leads on the companies currently held highly prospective tenements.

A full camp with logistical support has also been set up in the area and POZ is now well established and supported on the ground.


The Company's executives and employees should be congratulated on successfully and quickly acquiring all of the work approvals, clearances, equipment and personnel required to begin the drilling program at Highland Plains. Stakeholder groups in the area of operations have also been consulted and important ongoing relationships established.

Excellent progress has also been made in appointing and working with key contractors and consultants. Critical to the success of the Company, these appointees include experts in the fields of mineral resources, metallurgy, permitting, drilling and others.

I would like to thank the dedication of the exploration and administrative teams at POZ for their extremely hard work to date. It is not an easy task to float an exploration company and immediately launch into planning and executing a major drilling program. This has been achieved with a great deal of commitment and hard work by the team at POZ.

Our company is extremely well positioned in terms of cash on hand, people and organizational infrastructure to progress our quality phosphate project at Highland Plains. We will continue to work towards becoming a major and strategic player in the phosphate resources industry in the Asia-Pacific region.

Yours sincerely



A handwritten signature in cursive script that reads "Jim Richards". Below the signature is a horizontal line.

JIM RICHARDS
Chairman

OPERATIONS REPORT

Since listing on the ASX, Phosphate Australia has focused on the work required to upgrade the historical mineralisation estimate at the Highland Plains Phosphate Project to a JORC compliant resource estimate. To this end, a number of reconnaissance trips were conducted to put the logistical planning in place to enable POZ to conduct sustained drilling operations at this remote location. This work culminated on September 16 when operations began on the camp water bore prior to commencing the resource drilling work.

After completing the water bore, phosphate resource drilling commenced. We anticipate continuing the drilling operation at Highland Plains until early December at which point the Company aims to have collected enough data to complete a resource estimate for release next year.

In tandem with mobilising fuel, supplies, camp equipment and a drilling rig to site the company has purchased 4WD vehicles, a 10 tonne truck and a backhoe-loader to support the field crews. Given the Company's confidence and commitment to the project, this provides for greater control and efficiency than reliance on hired machinery.

To process the geological, assay and metallurgical data the Company has appointed resource and metallurgical consultants who will be responsible for the production of the JORC compliant resource estimate.

In order to commence planning for the exploration program next year, POZ commissioned a remote sensing report which was followed up with a helicopter supported ground-truthing trip by a consulting geologist. Mapping both phosphate and iron targets, this report will be used by the Company next year to prioritise a reconnaissance drilling program.

POZ has made a successful and positive start to its field operations since listing in July this year. The company is in an excellent position with both the human and financial resources required to continue to progress our lead phosphate project at Highland Plains and other associated work.

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TENEMENTS

Permit	Locality (Northern Territory)	Status	Interest	Area km2
EL25068	Highland Plains	Granted	100%	1574
EL25600	Alexandria	Granted	100%	1614
EL25972	Oolgoolgarri	Granted	100%	682
EL26604	The Strip	Application	100%	41
EL26642	Barkly South - west	Application	100%	1561
EL26643	Barkly South - east	Application	100%	1362
EL26644	Brunette North	Application	100%	1589
EL26645	North West Nicholson	Application	100%	1335
EL26646	North Nicholson	Application	100%	293
EL26648	South Nicholson Creek	Application	100%	1606
EL26649	Nicholson River	Application	100%	1489
EL26650	Musselbrook Creek	Application	100%	1616
EL26651	Brunette South	Application	100%	1192
EL26661	Chow-chowra Creek	Application	100%	1620
EL26678	Arruwurra - south west	Application	100%	161
EL26681	Barkley Highway	Application	100%	265
EL26682	Cattle Creek	Application	100%	1468
EL26683	Barry Creek	Application	100%	1595
EL26830	Creswell Creek South	Application	100%	646
EL26846	Fish Hole Creek	Application	100%	362
EL26966	Photo Creek	Application	100%	161

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FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2008

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DIRECTORS' REPORT
30 JUNE 2008

The Directors present their report together with the financial report on Phosphate Australia Limited ("Phosphate Australia" or "the Company") for the period ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

DETAILS OF DIRECTORS

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

MR JAMES (JIM) RICHARDS (Age 44 years)

B.Sc. Hons (Geology), MAusIMM

Non-executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based company director and geologist with 19 years experience in exploration for a wide variety of commodities. Until October 2007, Mr Richards was the chief executive officer and director of United Minerals Corporation NL ("UMC"), a successful listed iron ore and bauxite exploration company.

At UMC, Mr Richards led the team that discovered the high grade iron Railway Project in the Pilbara. While at UMC he generated in house a bauxite project located in the Kimberley. This bauxite project is currently in joint venture with a major aluminium producer. Mr Richards has particular skills in project set up and management, permitting approvals and Traditional Owner liaison.

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 ANDREW JAMES (Age 38 years)

B. App. Sc. Hons (Geology), MAusIMM, MAICD

Managing Director

Andrew James is a geology graduate of the Queensland Institute of Technology. He has 17 years of experience in the petroleum industry, 12 of them working as an independent consultant for both junior and multi-national oil companies.

Recent experience has included leading the geological teams involved in the operation and management of offshore drilling and logging operations on the north-west shelf of Western Australia. This has included responsibility for safety, administration and compliance with regulations and authorities.

Mr James generated the Company's Nicholson and Georgina Basins Phosphate-Iron-Uranium Projects. Mr James was also responsible for the acquisition of the Highland Plains phosphate deposit. He has specific skills in company administration, project generation, tenement acquisition, drilling management and joint venture negotiations.

Mr James has worked in Mongolia, Louisiana (USA), Queensland, South Australia and Western Australia. He is a Member of the Australian Institute of Company Directors.

DIRECTORS' REPORT
30 JUNE 2008

MS LISA WELLS (Age 36 years)
B.Sc. (Multidisciplinary Science)
Executive Director - Technical

Lisa Wells is a geology graduate from Curtin University of Technology with 13 years of exploration and consulting experience. Ms Wells joined Mackay & Schnellmann Geological Consultants in 1996 and specialised in writing independent geological reports for prospectuses, project management, prospectivity analysis and designing and implementing GIS databases. She gained particular experience in manipulation and interpretation of remotely sensed data for target generation purposes. Commodity experience includes: diamonds (India, Angola, Western Australia), mineral sands (Western Australia), gold (Ghana, Western Australia), base metals (Queensland, Western Australia) and iron ore (Western Australia).

For the previous three years Ms Wells has been senior geologist then exploration manager for a successful publicly listed exploration company where she managed exploration programs in remote areas and gained particular experience in gaining permit approvals for mineral leases as well as designing and implementing health and safety procedures. The work included managing a diamond bulk sampling operation and a bauxite exploration program in the Kimberley region and an advanced iron ore project in the Pilbara, all in Western Australia.

Ms Wells is responsible for the conduct, management and evaluation of the Company's exploration projects.

MR GRANT MOONEY (Age 41 years)
B.Bus, CA
Company Secretary

Grant Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, 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 and company secretary to several ASX listed gold resources companies Barra Resources Limited and Ampella Mining Limited, and renewable energy company Carnegie Corporation Limited. He is a member of the Institute of Chartered Accountants in Australia.

DIRECTORSHIP OF OTHER LISTED COMPANIES

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

Director	Company	Period of directorship
James Richards	United Minerals Corporation Limited	September 2004 to November 2007

DIRECTORS' REPORT
30 JUNE 2008

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	Options (Unlisted)
James Richards	20,000,000	10,000,000
Andrew James <i>(i)</i>	20,050,000	10,000,000
Lisa Wells <i>(ii)</i>	2,250,000	2,000,000

(i) Andrew James holds 20,000,000 shares in his own name. Stephen James, father of Andrew James holds 50,000 shares.

(ii) Lisa Wells holds 2,000,000 shares in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 shares.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The loss from ordinary activities after income tax of the Company for the period ended 30 June 2008 was \$57,735.

REVIEW OF OPERATIONS

The Company was incorporated on 10 January 2008 and changed its name from Nicholson Resources Limited to Phosphate Australia Limited on the 27th February 2008.

It acquired a number of phosphate exploration projects in the Georgiana Basin region in the north east of the Northern Territory. These projects are at three different stages of maturity - advanced, intermediate and exploration stage. Some areas are also considered highly prospective for iron and uranium.

A total of \$201 875 was raised in seed capital to provide working capital for the Company during the process of pursuing a listing of its securities on the ASX.

In order to fund exploration and development the Company raised \$10 million through an Initial Public Offering and prospectus offer dated 26 May 2008.

On the 26 June 2008 the Company admitted to the Official List of the ASX.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Company during the period.

DIRECTORS' REPORT
30 JUNE 2008

SIGNIFICANT EVENTS SUBSEQUENT TO END OF PERIOD

There was no significant change in the state of affairs of the Company subsequent to the end of the period other than

- On 1 July 2008 the Company gained admission to the official list of the Australian Securities Exchange.
- On 1 July 2008 the Company invested \$7,906,106 in short term cash facilities with the Commonwealth Bank of Australia on 30, 60 and 90 day terms.

FUTURE DEVELOPMENTS

Information as to the likely developments in the operations of the Company and the expected results of those operations in subsequent periods has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company.

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
22,850,000	20 cents	31 July 2012
150,000	20 cents	11 August 2010

During the period and to the date of this report these options were issued to directors and executives.

INDEMNIFYING OFFICER OR AUDITOR

During the period, 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 nature of the liability and 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 period, and the directors do not recommend the payment of a dividend in respect of the period.

DIRECTORS' REPORT
30 JUNE 2008

DIRECTORS' MEETINGS

There were 10 Directors' meetings held during the period ended 30 June 2008. The names of directors who held office during the period and their attendance at Board meetings is detailed below:

Director	Number Attended	Number Eligible to Attend
Jim Richards	10	10
Andrew James	10	10
Bronwyn James (Resigned 11/02/08)	4	4
Lisa Wells (Appointed 11/02/08)	3	5

There were also 7 circular resolutions passed by the Board of Directors during the period.

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.

REMUNERATION REPORT

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 is currently 9% 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.

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30 JUNE 2008

Details of remuneration provided to Directors and specified executives during the period are as follows:

		Short-term employee benefits		Post-employment benefits	Share-based payments	Total
		Salary & Fees	Bonus	Super-annuation	Options	
		\$	\$	\$	\$	
Directors						
James Richards	2008	-	-	-	-	-
Andrew James	2008	-	-	-	-	-
Lisa Wells	2008	31,093	-	-	-	31,093
TOTAL	2008	31,093	-	-	-	31,093

During the period ended 30 June 2008 a total of 22,000,000 options were issued to Directors, Mr James Richards, Mr Andrew James and Ms Lisa Wells following approval of Members dated 28 March 2008. The Company has applied a nil value to these options after applying the Black & Scholes Option Pricing Model.

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 directors

The following table discloses the value of options granted, exercised or lapsed during the period:

Directors	Options Granted Valued at Grant Date	Options Exercised Valued at exercise date	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options %
	\$	\$	\$	\$	\$	%
James Richards	-	-	-	-	-	-
Andrew James	-	-	-	-	-	-
Lisa Wells	-	-	-	-	-	-

NON AUDIT SERVICES

The directors are satisfied that the provision of non audit services, during the year, by the auditor PKF Chartered Accountants, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

DIRECTORS' REPORT
30 JUNE 2008

AUDITORS 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 8.

Signed on 26th September 2008 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



A handwritten signature in cursive script that reads "Jim Richards". Below the signature is a horizontal line.

JAMES RICHARDS
Chairman



A handwritten signature in cursive script that reads "A James".

ANDREW JAMES
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Phosphate Australia Limited for the period ended 30 June 2008, 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.

This declaration is in respect of Phosphate Australia Limited.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 26th day of September 2008

PHOSPHATE AUSTRALIA LIMITED
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BALANCE SHEET
AS AT 30 JUNE 2008

	Note	30 June 2008 \$
CURRENT ASSETS		
Cash and cash equivalents	8	9,615,734
Trade and other receivables	9	69,227
Prepayments	10	14,923
Other	11	1,818
TOTAL CURRENT ASSETS		<u>9,701,702</u>
NON CURRENT ASSETS		
Property, plant and equipment	12	10,116
Exploration, evaluation and development expenditure	13	106,007
TOTAL NON CURRENT ASSETS		<u>116,123</u>
TOTAL ASSETS		<u>9,817,825</u>
CURRENT LIABILITIES		
Trade and other payables	14	179,821
Provisions	15	591
TOTAL LIABILITIES		<u>180,412</u>
NET ASSETS		<u>9,637,413</u>
EQUITY		
Issued capital	16	9,692,004
Share option reserve	17	3,144
Accumulated losses	18	(57,735)
TOTAL EQUITY		<u>9,637,413</u>

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
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INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	30 June 2008 \$
Sales		-
Other revenues from ordinary activities	3	9,399
Total Revenue	3	9,399
Employee benefits expense		591
Depreciation expense	4	1,419
Rental expenses	4	3,612
Administration expenses		58,368
Share Based Payment	4	3,144
Total Expenses		(67,134)
Loss before income tax expense		(57,735)
Income tax expense	5	-
Loss after related income tax expense		(57,735)
Basic loss per share (cents per share)	22	(0.065)
Diluted loss per share (cents per share)	22	(0.065)

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
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CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

	<u>30 June 2008</u> <u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers and employees	(48,592)
Interest received	-
Payments from trade debtors	<u>4,543</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES (see (i) below)	<u>(44,049)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property, plant and equipment	(12,688)
Payments for exploration, evaluation and development expenditure	(107,001)
Deposits paid	<u>(2,000)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(121,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	10,201,875
Share applications refundable	129,000
Share issue expenses	<u>(549,403)</u>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>9,781,472</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD	9,615,734
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>9,615,734</u>
(i) CASH FLOW INFORMATION	
Reconciliation of the loss from continuing operations after income tax to the net cashflows from operating activities.	
- Loss from continuing operations after income tax	(57,735)
- Increase in debtors	(9,398)
- Increase in prepayments	(795)
- Increase in trade creditors	18,725
- Depreciation expense	1,419
- Share based payments	3,144
- Employee benefits accrued	<u>591</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(44,049)</u>
CASH AT BANK	<u>9,615,734</u>

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2007	-	-	-	-
Founding shares - 1 January 2008	1,000	-	-	1,000
Capital subdivision – 28 February 2008	-	-	-	-
Seed capital share issue – 28 March 2008	200	-	-	200
Directors option issue – 31 March 2008	-	-	-	-
Employee / consultant Option issue - 7 May 2008	-	3,144	-	3,144
Seed capital share issue – 8 April 2008	675	-	-	675
Seed capital share issue – 9 May 2008	200,000	-	-	200,000
Prospectus share issue – 25 June 2008	10,000,000	-	-	10,000,000
Employee option issue- 30 June 2008	-	-	-	-
Less: Share issue costs	(509,871)	-	-	(509,871)
Loss for the period	-	-	(57,735)	(57,735)
Balance as at 30 June 2008	9,692,004	3,144	(57,735)	9,637,413

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

Note 1. CORPORATE INFORMATION

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

The nature of the operations and principal activities of the Company are described in note 19.

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report of Phosphate Australia Limited for the period ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 22 September 2008.

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of preparation

The 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.

In the application of A-IFRS 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS 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.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

In the current period the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2008. These are outlined in the table below:

PHOSPHATE AUSTRALIA LIMITED
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

(b) Statement of Compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date for Company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. In addition, the amendments may have an impact on the Company's segment disclosures.	1 July 2009
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Company has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs.	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2009.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

(c) Financial period

The Company was incorporated on 10 January 2008. As such, no comparatives for prior years are provided in this financial report.

(d) 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.

(e) Employee benefits

Provision is 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 12 months, 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 which are not expected to be settled within 12 months 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.

(f) 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.

(g) 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 period. 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 periods 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.

**NOTES TO AND FORMING PART OF THE
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(g) Income tax – continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(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 period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, 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.

(h) 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.

(i) 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 period 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 period.

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

- Office equipment - 3 years

(j) 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.

(k) Revenue recognition

Interest revenue

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

Sale of Goods

Sales revenue is recognised when significant risks and rewards of ownership have passed to the purchaser.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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(l) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of mining stocks includes direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(m) 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 period, based on the Company's estimate of shares that will eventually vest.

(n) 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 period 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 production commences, the accumulated costs for the relevant area of interest are transferred to development assets.

(o) 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.

**NOTES TO AND FORMING PART OF THE
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(p) 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 period, in which case the amount is included in the cost of production for the period. 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.

(q) 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. Transactions 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.

(r) 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.

(s) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible 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 flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTES TO AND FORMING PART OF THE
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(s) Impairment of assets (cont)

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 the income statement immediately.

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 the income statement immediately.

(t) 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.

Entity 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 balance sheet 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.

(u) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on 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 group.

Shared based payments

The values of amounts recognised in respect of share based payments has been estimated based on 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 17). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

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**NOTES TO AND FORMING PART OF THE
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Note 3. Revenue from Ordinary Activities

	30 June 2008
	\$
Sales Revenue	-
Total Sales Revenue	<u>-</u>
Other Income	
Interest received from financial institutions	9,399
Total Other Income	<u>9,399</u>
Total Revenue	<u>9,399</u>

Note 4. Loss from Ordinary Activities

Expenses	
<i>Depreciation / amortisation of non-current assets</i>	
• Office furniture and equipment	1,419
<i>Rental expense on operating leases</i>	
• Lease payments	3,612
Annual leave charges	591
Share based payment expenses	3,144
Company set up and secretarial expenses	<u>14,744</u>

Note 5. Income Tax

(a) Income tax expense

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

Loss from continuing operations	(57,734)
Income tax expense calculated at 30%	(17,320)
Permanent differences:	
Non deductible expenses	5,666
Temporary differences not brought to account as a deferred tax asset	(29,826)
Tax losses not brought to account as a deferred tax asset	41,480
Income tax expense	<u>-</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

Note 5. Income Tax – continued	30 June 2008
	\$
(b) Deferred Tax liability	
Exploration interests at balance sheet	31,802
Less: Deferred tax assets recognised (tax losses)	
Income not assessable for taxation purposes	<u>2,820</u>
	<u>33,622</u>
(c) Deferred tax assets	
Timing differences	177
Tax losses – revenue	34,445
Less: Deferred tax assets recognised	-
Deferred tax assets not recognised	<u>34,622</u>
Not recognised:	
Unrecognised tax losses	<u>(41,480)</u>

The deferred tax asset arising from the tax losses has not been recognised as an asset in the balance sheet 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;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 6. Remuneration Benefits

- (a) The following were key management personnel of the Company during the period:
 - James Richards (*Non-Executive Chairman*)
 - Andrew James (*Managing Director*)
 - Lisa Wells (*Executive Director - Technical*)

- (b) 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.

- (c) The Board policy is to remunerate executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the executive Directors and reviews their remuneration on an individual basis, based on market practices, duties and accountability. Independent external advice is sought when required. Remuneration is not linked to specific performance criteria.

**NOTES TO AND FORMING PART OF THE
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Note 6. Remuneration Benefits – continued

	Short-term employee benefits		Post-employment Benefits	Share-based payments	Total
	Salary & Fees	Bonus	Superannuation	Options (See Note (i) below)	
	\$	\$	\$	\$	\$
Directors					
James Richards	-	-	-	-	-
Andrew James	-	-	-	-	-
Lisa Wells	31,093	-	-	-	31,093
Bronwyn James (Resigned 11 February 2008)	-	-	-	-	-
TOTAL	31,093	-	-	-	31,093

(i) Directors' options are exercisable at 20 cents each with an expiry date of 31 July 2012. Director Lisa Wells must remain in continuous employment for a period of two years from the date of listing in order to exercise her options. Subsequent to an independent valuation using the Black & Scholes Option Pricing Model a nil value was given to the directors' options.

(ii) Ms Lisa Wells has been paid as a consultant to the Company during the period from January to May 2008. These fees totalled \$31,093. Lisa Wells became a director of the Company on 10 February 2008 and a full time employee of with effect from 1 July 2008.

Services Agreements

Mr Andrew James (Managing Director) has a contract of employment with the Company dated 28 April 2008. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The employment contract has a 3 year term commencing from the date of approval of the Company to list on the ASX. During the initial 3 year period the Company may only terminate the employment upon limited events akin to misconduct or incapacity. Thereafter, either party may additionally terminate the contract without cause by giving three months written notice.

Lisa Wells (Technical Director) has a contract of employment with the Company dated 28 April 2008. The contract specifies the duties and obligations to be fulfilled by the Technical Director. The employment contract terminates after 3 years from the date of approval of the Company to list on the ASX. During the initial 3 year period the Company may only terminate the employment upon limited events akin to misconduct or incapacity. Thereafter, either party may additionally terminate the contract without cause by giving three months written notice.

No key management personnel 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.

**NOTES TO AND FORMING PART OF THE
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Note 7. Auditors Remuneration

	30 June 2008
	\$
Amounts received, or due and receivable by the auditors for audit or review of the financial report	
• Taxation services	-
• Audit	14,000
• Investigating Accountants Report	15,000
• GST advice	3,102
	<u>32,102</u>

The auditor for Phosphate Australia Limited is PKF Chartered Accountants.

Note 8. Cash and Cash Equivalents

Cash at bank	<u>9,615,734</u>
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Note 9. Trade and Other Receivables

Current

Interest receivable	9,399
Other debtors	<u>59,828</u>
	<u>69,227</u>

Note 10. Prepayments

Prepayments – ASX Listing fees	<u>14,923</u>
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Note 11. Other - Current Assets

Deposit paid – Plant & equipment	<u>1,818</u>
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Note 12. Property, Plant & Equipment

Office equipment – at cost	11,535
Less: Accumulated depreciation	<u>(1,419)</u>
	<u>10,116</u>

Note 13. Exploration, Evaluation and Development Expenditure

Exploration evaluation and development expenses capitalised	103,515
Tenement expenditure capitalised	<u>2,492</u>
	<u>106,007</u>

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The recovery of the costs of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploration or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues (Refer Note 24).

Note 14. Trade and Other Payables

	30 June 2008
	\$
Share applications refundable	129,000
Other Creditors	<u>50,821</u>
	<u>179,821</u>

Note 15. Provisions

Employee entitlements – annual leave accrued	<u>591</u>
Total number of employees at the end of the period	<u>1</u>

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Note 16. Issued Capital	30 June 2008
	\$
(a) Issued and Paid up Capital	
94,675,000 ordinary shares, fully paid	10,201,875
Movement:	
Founding shares - 10 January 2008	1,000
Capital subdivision – 28 February 2008	-
Seed Capital share issue @ 0.001 cent – 28 March 2008	200
Seed Capital share issue @ 0.01 cent – 8 April 2008	675
Seed Capital share issue @ 10 cents – 9 May 2008	200,000
Prospectus Share issue @ 20 cents – 25 June 2008	10,000,000
Less: Share issue expenses	(509,781)
Closing balance	9,692,004

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

(b) Options on Issue

Expiry date	31 July 2012	31 July 2012	11 August 2010
Exercise price	\$0.20 (Directors)¹	\$0.20 (Employee & consultant)²	\$0.20 (Employee under ESOP)³
On issue at the beginning of the year	-	-	-
Directors option issue – 31 March 2008	22,000,000	-	-
Employee and consultants option issue - 7 May 2008	-	850,000	-
Employee option issue – 30 June 2008	-	-	150,000
Outstanding at balance date	22,000,000	850,000	150,000

The above-mentioned options have the following key terms:

1. *Directors' options are exercisable at 20 cents each, by the expiry date noted above. Director Lisa Wells must remain in continuous employment for a period of two years from the date of listing in order to exercise her options.*
2. *Employee and Consultant options are exercisable at 20 cents each, by the expiry date noted above. The parties must remain in continuous employment for a period of two years from the date of listing in order to exercise their options.*
3. *Employee options are exercisable at 20 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Company's Employee Share and Option Plan with a vesting date of 11 August 2008.*
4. *There are no rights to dividends or voting on the above options.*

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Note 17. Share Option Reserve

	30 June 2008
	\$
Opening Balance	-
Directors option issue – 31 March 2008	-
Employee and consultants option issue - 7 May 2008	3,144
Employee option issue – 30 June 2008	-
Closing balance	3,144

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.

On 7 May 2008, by way of circular resolution of the Board of Directors, 850,000 options were issued to employees of the company.

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

INPUT	DIRECTOR OPTIONS @ \$0.20	EMPLOYEE OPTIONS @0.20
Share price	\$0.001	\$0.10
Grant date	26 March 2008	7 May 2008
Expected volatility	88%	88%
Expiry date	31 July 2012	31 July 2012
Expected dividends	Nil	Nil
Risk free interest rate	6.12%	6.28%
Value per option	\$0.00	\$0.05
Number of options	22,000,000	850,000
Value of options	\$0.00	\$42,500

The value of the employee options will be expensed over 2 years in line with the period over which the vesting conditions apply, which commences 7 May 2008.

Note 18. Accumulated Losses

	30 June 2008
	\$
Balance at the beginning of the period	-
Net loss for the period	(57,735)
Balance at the end of the period	(57,735)

Note 19. Statement of Operations by Segment

The Company operates solely in the natural resources exploration industry in the Northern Territory of Australia. The Company is predominantly involved in phosphate exploration within its project areas and shall also explore for iron and uranium within these same areas.

**NOTES TO AND FORMING PART OF THE
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Note 20. Related Party Transactions

(a) Key management personnel compensation

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

(b) Key management personnel equity holdings

Fully Paid ordinary shares issued by Phosphate Australia Limited

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

2008

Director	Balance at beginning of period	Issued during period	Balance as at 30 June 2008
James Richards	-	20,000,000	20,000,000
Andrew James (i)	-	20,050,000	20,050,000
Lisa Wells (ii)	-	2,250,000	2,250,000
Bronwyn James (Resigned – 10 February 2008)	-	-	-

(i) Andrew James holds 20,000,000 shares in his own name. Stephen James, father of Andrew James holds 50,000 shares.

(ii) Lisa Wells holds 2,000,000 shares in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 shares.

Executive unlisted share options issued by Phosphate Australia Limited

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

Directors	Balance as at beginning of period	Granted as Remuneration	Balance as at 30 June 2008	Vested but not exercisable	Vested and exercisable	Options vested during the period
James Richards	-	10,000,000	10,000,000		10,000,000	10,000,000
Andrew James	-	10,000,000	10,000,000		10,000,000	10,000,000
Lisa Wells	-	2,000,000	2,000,000	-	-	-
Bronwyn James Resigned – 10 February 2008	-	-	-	-	-	-

Further details of the options granted during the year are contained in Note 16(b) to the financial statements.

As at the date of this report all options issued to directors have been authorised by Circular Resolution of Members dated 28 March 2008.

**NOTES TO AND FORMING PART OF THE
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Note 20. Related Party Transactions (Continued)

(c) Transactions with director related entities

Lisa Wells has been paid as a consultant to the Company during the period from January to May 2008. These fees totalled \$31,093. Lisa Wells became a director of the Company on 10 February 2008 and a full time employee with effect from 1 July 2008.

Andrew James and Jim Richards have made interest free loans to the Company for \$55,000 each to develop the Company's tenements and to fund certain costs associated with the Offer. These loans were fully reimbursed within the period.

During the financial year companies associated with Jim Richards and Andrew James agreed to transfer three granted tenements to the Company in return for consideration of \$14,063 representing reimbursement of annual rents and application fees paid.

Note 21. Financial Instruments

(a) Overview

The Company's principle 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.

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.

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:

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	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial assets:					
Cheque account	-	-	-	175,734	175,734
Savings account	7.15	-	9,400,000	-	9,400,000
Term deposits	8.00	40,000	-	-	40,000
Receivables	-	-	-	69,227	69,227
		40,000	9,400,000	244,961	9,684,961
Financial liabilities:					
Accounts payable	-	-	-	179,821	179,821
		-	-	179,821	179,821

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 10% movement 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, in particular foreign currency rates remain constant.

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
2008				
Cash and cash equivalents	67,530	(67,530)	67,530	(67,530)

(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:

	2008
	\$
Cash and cash equivalents	9,615,734
Trade and other receivables	69,227
	9,684,961

The Company does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts.

With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from default of a counter party with a maximum exposure equal to the carrying amount of these instruments.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

(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.

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.

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

(g) 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 22. Earnings per Share

	2008
Basic (loss) per share (cents per share)	(0.065)
Diluted (loss) per share (cents per share)	(0.065)
Basic Earnings per Share	2008
	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	
Loss	<u>(57,735)</u>
	2008
	No.
Weighted average number of ordinary shares	<u>88,410,884</u>

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.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

Note 23. Significant Events Subsequent to Period End

- On 1 July 2008 the Company gained admission to the official list of the Australian Securities Exchange.
- On 1 July 2008 the Company invested \$7,906,106 in short term cash facilities with the Commonwealth Bank of Australia on 30, 60 and 90 day terms.

Note 24. 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).

Note 25. 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.

	2008
	\$
1. Operating Lease Commitment as follows:	
Office Rental	
The Company rents an office on a monthly basis.	
- Due within 1 year	4,000
	<hr/>
2. 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 to 30 June 2009 if it is to retain all of its present interests in mining and exploration properties is \$192,000.	


DIRECTORS' DECLARATION

The Directors of Phosphate Australia Limited declare that:

- (a) in the directors' opinion the financial statements and notes of the Company and the consolidated entity have been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position of the Company and of the consolidated entity as at June 30 2008 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2;
- (c) the directors have been given the declarations by the Managing Director required by Section 295A; and
- (d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors:



James Richards

JAMES RICHARDS
Chairman



A James

ANDREW JAMES
Managing Director

Dated this day 26th September 2008

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 ('Phosphate'), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity'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*.

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West Australian Partnership | ABN 39 542 778 278
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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Auditor's Opinion

In our opinion:

- (a) the financial report of Phosphate is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PKF
Chartered Accountants

Neil Smith
Partner

Dated at Perth, Western Australia this 26th day of September 2008

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 18 September 2008.

Spread of Holdings	Ordinary Shares
1 - 1,000	57
1,001 - 5,000	181
5,001 - 10,000	190
10,001 - 100,000	398
100,001 - and over	104

Number of Holders 930

Number of shareholders holding less than a marketable parcel: 0

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Andrew James	20,050,000
James Richards	20,000,000

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

Listed on the Australian Securities Exchange are 94,675,000 fully paid shares.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Grant Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, 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 and company secretary to several ASX listed gold resources companies Barra Resources Limited and Ampella Mining Limited, and renewable energy company Carnegie Corporation Limited. He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

The registered office is at Suite 4, 6 Richardson Street, West Perth, Western Australia 6005
The telephone number is (08) 9322 6811.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
Andrew Stephen James	20,000,000	21.12
James M ^o Arthur Richards	20,000,000	21.12
Lisa Kathleen Wells	2,000,000	2.11
Instinctive Vision Pty Ltd	1,140,000	1.20
Mr Sam John Sammut & Mrs Lynette Ruby <Rama Super Fund A/C>	1,030,000	1.09
Mr Peter Pasqualino Blanco & Mr Steven Blanco<P Blanco Super Fund A/C>	1,000,000	1.06
Cleland Projects Pty Ltd <CT A/C>	950,000	1.00
LXL Pty Ltd	950,000	1.00
Mrs Joan Deshan & Mr Thomas Christopher Jessup <The Joan Deshan S/F A/C>	915,000	0.97
Andt Pty Ltd <ALT Family A/C>	850,000	0.90
Ringal Investments Pty Ltd	800,000	0.84
Mr Tony Aloisi & Ms Jane Rosemary Searles& Mrs Isobel Searles <Yu Khen Investment A/C>	800,000	0.84
Seven Sands Pty Ltd	750,000	0.79
Mrs Jillian Patricia Andrews	730,000	0.77
Mr Toni Sinozic	730,000	0.77
Superannuation & Corporate Services PTY Ltd	655,000	0.69
Cleland Projects Pty Ltd <Investment A/C>	650,000	0.69
Trenchstones Pty Ltd	650,000	0.69
Trenchstones Pty Ltd	641,000	0.68
Mulato Nominees Pty Ltd	570,000	0.60
Total	55,811,000	58.95

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS OPTIONS

Option Holder Name	No. of Options		
	Directors Options 31 March 2008	Employee/Consultant Options 7 May 2008	ESOP Options 30 June 2008
James Richards	10,000,000	-	-
Andrew James	10,000,000	-	-
Lisa Wells	2,000,000	-	-
Grant Mooney	-	500,000	-
Doug Kirby	-	350,000	-
Sarah Tomas	-	-	150,000
	22,000,000	850,000	150,000

RESTRICTED SECURITIES

The following securities are not quoted on the ASX as they are subject to escrow agreements, expiring as follows:

Number of Securities	Escrow period ends	Period of escrow
42,050,000 ordinary shares	1 July 2010	Restricted securities – 24 months from listing date
625,000 ordinary shares	8 April 2009	Restricted securities – 12 months from issue date
1,000,000 ordinary shares	9 May 2009	Restricted securities – 12 months from issue date
22,000,000 options	1 July 2010	Restricted securities – 24 months from listing date

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.

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 period 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 period of five consecutive years.

The Company has appointed, with their consent, PKF 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.

CORPORATE GOVERNANCE (Continued)

(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.

(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.

The Company has established procedures and protocols to be complied with if a director, officer or employee wishes to trade in the Company's securities.

(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) Explanations for Departure From Best Practice Recommendations

During the reporting period from 10 January 2007 to 30 June 2008 the Company has complied with each of the Ten 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.

CORPORATE GOVERNANCE (Continued)

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.1 2.2	<p>A majority of the Board should be independent directors.</p> <p>The Chair should be an independent director.</p>	No majority of independent directors including Chairman.	<p>The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. The Company's Non-Executive Chairman, Mr Jim Richards, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director due to his relevant interest in Shares.</p> <p>However, the Board believes that the Chairman is able and does bring quality and independent judgement to all relevant issues falling within the scope of the role of a Chairman.</p>
2.4	The Board should establish a nomination committee	The Board does not have a nomination committee.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
4.2, 4.3	The Board should establish an audit committee	The Company does not have a formally constituted Audit Committee.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
8.1	The Board should establish a remuneration committee	The Company does not have a formally constituted remuneration committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee.