

PHOSPHATE AUSTRALIA LIMITED
ACN 129 158 550

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

For the Annual General Meeting to be held
on 23 November 2012 at 2.00pm (Western Standard Time) at

37 Colin Street, West Perth, Western Australia

This is an important document. Please read it carefully.
Please speak to your professional advisers if you have any questions about this document or how to
vote at the Meeting.

TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the Company will be held at:

37 Colin Street
West Perth WA 6005

Commencing
2.00pm (WST)
23 November 2012

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 2.00pm (WST).

Voting by Proxy

To vote by proxy, please complete and sign the enclosed proxy form and return by:

- post to Phosphate Australia Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South, New South Wales, 1235; or
- facsimile to facsimile number (02) 9287 0309,

so that it is received not later than 2.00pm (WST) on 21 November 2012.

PHOSPHATE AUSTRALIA LIMITED
ACN 129 158 550
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Phosphate Australia Limited will be held at 37 Colin Street, Western Australia, on 23 November 2012 at 2.00pm (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the Financial Report of the Company and the Report of the Directors and Auditor for the financial year ended 30 June 2012.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That the Remuneration Report for the financial year ended 30 June 2012 as set out in the 2012 Annual Report of the Company be adopted."

Short Explanation: The Company is required to put a resolution to adopt the remuneration report of the Company at each annual general meeting. This is an advisory resolution only and does not bind the Directors or the Company.

The Company will disregard any votes cast (in any capacity) on this Resolution by or on behalf of either of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report;
- (b) a closely related party of such a member.

However, the voter may cast a vote on the Resolution as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the Chair of the Meeting and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR GRANT MOONEY

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

"That, Mr Grant Mooney, who retires by rotation in accordance with Rule 7.3 of the Constitution of the Company, and being eligible offers himself for election, is hereby re-elected as a Director of the Company."

Short Explanation: Mr Grant Mooney is a non-executive Director and is presented for re-election in accordance with the rotation requirements of the Constitution.

RESOLUTION 3: RE-ELECTION OF DIRECTOR – MR MARK THOMPSON

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

"That Mr Mark Thompson, who was appointed as a Director of the Company by the Board on 1 October 2012 and in accordance with Rule 7.3 of the Constitution of the Company holds office until the next annual general meeting, and being eligible, offers himself for election, is hereby elected as Director of the Company."

Short Explanation: Mr Mark Thompson was appointed to the Board on 1 October 2012 and, under the Constitution only holds office until this Meeting. Mr Thompson is presented for re-election in accordance with the requirements of the Company's Constitution.

RESOLUTION 4: RATIFICATION OF SHARES ISSUED UNDER PLACEMENT

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, Shareholders ratify the issue of 11,000,000 fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this notice."

Short Explanation: The Company has issued 11 million Shares under a placement raising \$814,000. If Shareholders pass this Resolution, the Company's 15% placement capacity under Listing Rule 7.1 will be refreshed.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of this Resolution and any associates of such an allottee. However, the Company need not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 5: APPROVAL TO GRANT OPTIONS TO DIRECTOR - MR JIM RICHARDS

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Jim Richards or his nominees up to 5,000,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company proposes to grant Options to Mr Jim Richards, the Executive Chairman of the Company as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

Voting exclusion: The Company will disregard any votes cast on this Resolution by Jim Richards or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the key management personnel for the Company; or
 - (ii) a closely related party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (c) the proxy is the Chair of the Meeting; and
 - (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

RESOLUTION 6: APPROVAL TO GRANT OPTIONS TO DIRECTOR - MR GRANT MOONEY

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

"Subject to the passing of Resolution 2, that for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Grant Mooney or his nominees up to 500,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company proposes to grant Options to Mr Grant Mooney, a Non-executive Director of the Company as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

Voting exclusion: The Company will disregard any votes cast on this Resolution by Grant Mooney or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the key management personnel for the Company; or
 - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

RESOLUTION 7: APPROVAL TO GRANT OPTIONS TO DIRECTOR - MR MARK THOMPSON

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

"Subject to the passing of Resolution 3, that for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Mark Thompson or his nominees up to 500,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company proposes to grant Options to Mr Mark Thompson, a Non-executive Director of the Company, as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

Voting exclusion: The Company will disregard any votes cast on this Resolution by Mark Thompson or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the key management personnel for the Company; or
 - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

RESOLUTION 8 – APPROVAL OF EMPLOYEE INCENTIVE SCHEME

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

"That for the purposes of Exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, the Company approve the issue of securities under the employee incentive scheme for eligible employees known as the "Phosphate Australia Employee Share Option Plan", a summary of which is contained in the Explanatory Statement, as an exception to Listing Rule 7.1 of the Listing Rules of ASX Limited, for a period of 3 years commencing on the date of this meeting."

Short Explanation: Shareholders must approve the issue of securities under an employee incentive scheme to be an exception to the requirements of Listing Rule 7.1.

The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in the Phosphate Australia Employee Share Option Plan) and any associate of those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 9 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks approval to issue an additional 10% of the Company's issued ordinary securities during a 12 month period in accordance with Listing Rule 7.1A.

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote cast on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 10 – AMENDMENT TO CONSTITUTION

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, with effect from the date of the Meeting, the Constitution of the Company be amended in accordance with Annexure 3 to this Notice."

Short Explanation: Approval is sought under section 136(2) of the Corporations Act to amend the Constitution.

RESOLUTION 11 – SPILL RESOLUTION

Note: This resolution will only be put to Shareholders if 25% or more of the votes cast on Resolution 1 (Adoption of Remuneration Report) are against the adoption of the report.

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

"That, for the purposes of section 250V of the Corporations Act and for all other purposes:

- (a) another meeting (the **spill meeting**) of Shareholders be held within 90 days of this Meeting; and*
- (b) all of the Directors who were directors of the Company when the resolution to make the directors' report considered at this Meeting (excluding the managing director) cease to hold office immediately before the end of the spill meeting;*
- (c) resolutions to appoint directors to the offices vacated immediately before the end of the spill meeting be put to a vote at the spill meeting."*

Short Explanation: The Company's 2011 Remuneration Report received an "against" vote of more than 25% at the 2011 annual general meeting. In the event that the 2012 Remuneration Report (Resolution 1) receives an "against" vote of more than 25% at this Meeting, the Company must put this Resolution 11 (Spill Resolution) to Shareholders to determine whether affected Directors will need to stand for re-election.

The Company will disregard any votes cast (in any capacity) on this Resolution by or on behalf of either of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report;
 - (b) a closely related party of such a member.
- However, the voter may cast a vote on the Resolution as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:
- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
 - (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The Chair of the Meeting will vote undirected proxies:
 - FOR Resolutions 1 to 10, including Resolution 1 (Adoption of Remuneration Report) and Resolutions 5, 6 and 7 (Approval to issue Options to Directors); and

- AGAINST Resolution 11 (Spill Resolution) in the event it is put to Shareholders.

In relation to Resolutions 1, 5, 6, 7 and 11 the proxy form expressly authorises the Chair to exercise the proxy even though the resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel. Any undirected proxies held by a Director, any member of the key management personnel or any of their closely related parties (who are not the Chair of the Meeting) will not be voted on Resolutions 1 (Adoption of Remuneration Report), 5-7 (Approval to issue Options to Directors) or 11 (Spill Resolution). Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2012. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

4. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 21 November 2012 at 2.00pm (WST).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board

A handwritten signature in black ink, appearing to read 'Grant J. Mooney', written over a light blue horizontal line.

GRANT J. MOONEY
Director & Company Secretary

Dated: 4 October 2012

PHOSPHATE AUSTRALIA LIMITED

ACN 129 158 550

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of Resolutions 1 to 11 contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

1.1 Remuneration Report

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance;
- (c) sets out remuneration details for each Director and executive officer named in the Remuneration Report for the financial year ended 30 June 2012; and
- (d) explains the Board's proposed action in response to the first strike received at the 2011 annual general meeting.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

The Directors recommend that Shareholders vote in favour of Resolution 1.

1.2 Two strikes process

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members at each annual general meeting that the remuneration report be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which the directors (other than the managing director) must go up for re-election.

At the Company's 2011 annual general meeting, the Company received an "Against" vote of 38% (the **first strike**). If the 2012 Remuneration Report receives an "Against" vote of 25% or more (the **second strike**), then Resolution 11 (**Spill Resolution**) will be put to Shareholders. If the Spill Resolution passes (with 50% or more of eligible votes cast) another meeting of Shareholders will be held (the **spill meeting**) to re-elect the board of the Company.

The Board has recently been restructured to reduce the costs to the Company. Andrew James resigned as the managing director and as a director on 1 October 2012 and Mark Thompson has been appointed as a non-executive Director. The Chairman, Mr Jim Richards, has been appointed in an executive capacity and will perform the functions of managing director. These changes have resulted in a reduction in remuneration expenses of \$105,000 per annum. The Board currently comprises:

Mr Jim Richards – Executive Chairman

Mr Grant Mooney – Non-executive Director

Mr Mark Thompson – Non-executive Director.

In the event that the Spill Resolution is passed, Mr Jim Richards will not be required to stand for re-election at the spill meeting because he is the managing director of the Company.

1.3 **Proxy restrictions**

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the proxy form for this item of business.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 1, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 1.

If you appoint the Chair as your proxy, and you do not direct the Chair on how to vote on this Resolution 1, then by signing and returning the proxy form you are giving express authorisation for the Chair to vote in accordance with his or her intentions. The Chair intends to vote all undirected proxies **FOR Resolution 1** even though the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

2. **RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR GRANT MOONEY**

Rule 7.3 of the Constitution requires that at each annual general meeting, one-third of directors for the time being shall retire from office. This rule does not apply to the managing director. A retiring director is eligible for re-election.

Mr Grant Mooney retires as a Director of the Company in accordance with the requirements of the Constitution and being eligible, offers himself for re-election. Details of the qualifications and experience of Mr Mooney is set out in the Company's 2012 Annual Report.

3. **RESOLUTION 3 – RE-ELECTION OF DIRECTOR - MR MARK THOMPSON**

Rule 7.3 of the Constitution provides that directors appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting. This rule does not apply to the managing director.

Mr Mark Thompson was appointed to the Board on 1 October 2012 to fill a casual vacancy. Mr Thompson retires as a Director of the Company in accordance with the requirements of the Constitution and being eligible, offers himself for re-election. Details of the qualifications and experience of Mr Thompson is set out below.

Mr Thompson has more than 20 years industry experience in gold exploration and mining management, working extensively on major resource projects throughout Australia, Africa

and South America. He commenced his career with Western Mining Corporation at the Victory gold complex in Western Australia before moving to the production team at the Sons of Gwalia open-pit mine at Leonora. He is a former Manager and Director of several private geological consultancies, founded and served on the board of ASX-listed Catalyst Metals Ltd and is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists. He is presently the Managing Director of Talga Gold Limited.

4. RESOLUTION 4: RATIFICATION OF SHARES ISSUED UNDER A PLACEMENT

In July 2012 the Company issued 11 million Shares under a placement to raise \$814,000.

Listing Rule 7.1 provides, subject to certain exceptions, without shareholder approval, a listed company must not issue Equity Securities where the number of Equity Securities proposed to be issued represents more than 15% of the company's shares then on issue.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the company's 15% placement capacity) and shareholders subsequently approve it.

Resolution 4 seeks Shareholder approval to the issue of these Shares for the purposes of Listing Rule 7.4. The effect of ratifying the issue of these Shares is to refresh the Company's 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.5 provides that for shareholders to approve an issue subsequently, the notice of meeting must include the following information:

- (a) The number of securities allotted was 11,000,000 Shares.
- (b) The issue price of the Shares is 7.4 cents.
- (c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued shares.
- (d) The Shares were allotted to Lodestone Equities Limited, an Isle of Man based company controlled by Mr Gordon Toll. The allottee is not a related party of the Company.
- (e) The funds raised (\$814,000) will be used for general working capital including the Company's gold project in Western Australia and phosphate project in the Northern Territory.

5. RESOLUTIONS 5, 6 and 7 – APPROVAL TO GRANT OPTIONS TO THE DIRECTORS

Resolutions 5, 6 and 7 seek Shareholder approval so that the Company may grant Options to each of the Directors – Jim Richards, Grant Mooney and Mark Thompson.

5.1 Listing Rule 10.11

Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party. Jim Richards, Grant Mooney and Mark Thompson are Directors and as such are related parties of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1 (and the issue of the Shares will not be included in the 15% placement capacity calculation).

Listing Rule 10.13 provides that the notice of meeting to approve the issue of securities under Listing Rule 10.11 must include the following information:

- (a) The Options will be granted to Jim Richards (Resolution 5), Grant Mooney (Resolution 6) and Mark Thompson (Resolution 7) or their nominees.
- (b) The maximum number of securities the Company will grant is:
 - 5,000,000 Options to Jim Richards (or his nominees);
 - 500,000 Options to Grant Mooney (or his nominees); and
 - 500,000 Options to Mark Thompson (or his nominees).
- (c) The Options will be granted no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) Jim Richards, Grant Mooney and Mark Thompson as Directors are related parties.
- (e) The Options are granted for nil consideration. The exercise price of the Options is 145% of the volume weighted average price over the 8 days before the date of issue of the Options. The Options expire 3 years after the date of issue and have no vesting criteria. The full terms of the Options are set out in Annexure 1.
- (f) No funds will be raised by the grant of the Options.

5.2 Chapter 2E of the Corporations Act - Related Party transaction

The proposed grant of Options to the Directors is a financial benefit to a related party requiring Shareholder approval under the Corporations Act in the absence of a specified exception applying.

The following information is provided to Shareholders in relation to Resolutions 5, 6 and 7 for the purposes of the Corporations Act.

(a) **The related party to whom the proposed Resolutions would permit the financial benefit to be given**

The related parties are Jim Richards (Resolution 5), Grant Mooney (Resolution 6) and Mark Thompson (Resolution 7) or their nominees.

(b) **The nature of the financial benefit**

The proposed financial benefit to be given is the grant of up to:

- 5,000,000 Options to Jim Richards (or his nominees);
- 500,000 Options to Grant Mooney (or his nominees); and
- 500,000 Options to Mark Thompson (or his nominees).

The terms of the Options are set out in Annexure 1.

(c) **Directors recommendation and basis of financial benefit**

The Board currently consists of Jim Richards (Executive Chairman), Grant Mooney (Non-executive Director) and Mark Thompson (Non-executive Director).

By Resolutions 5, 6 and 7 the Company is proposing to grant Options to each of the Directors. In each case, the number of Options to be granted and the terms of the

Options was negotiated by the Directors independent of the particular Director to be granted the Options.

The purpose of the Options is to provide each Director with added incentive to achieve the goals set by the Board and to add Shareholder value. The Options are issued as part of each Director's remuneration package. Where the Director resigns from his position with the Company before the expiry date, the Options will automatically lapse unless the Board determines within 30 days that they may be retained.

The independent Directors in each case consider that the quantity of Options together with the terms of the Options in each case constitute an appropriate number to adequately incentivise the Directors in light of that Director's skill and experience and their current remuneration as detailed below.

The Company acknowledges that the issue of the Options to Grant Mooney and Mark Thompson as non-executive Directors may be contrary to guidelines for non-executive remuneration in recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the importance of maintaining the Company's cash reserves.

The independent Directors in each case recommend that Shareholders vote in favour of the Resolutions.

Mr Jim Richards abstains from making a recommendation to Shareholders on Resolution 5 as he has a material personal interest in the outcome as the recipient of the Options.

Mr Grant Mooney abstains from making a recommendation to Shareholders on Resolution 6 as he has a material personal interest in the outcome as the recipient of the Options.

Mr Mark Thompson abstains from making a recommendation to Shareholders on Resolution 7 as he has a material personal interest in the outcome as the recipient of the Options.

(d) Dilution

The passing of Resolutions 5, 6 and 7 would have the effect of granting the Directors (or their nominees) a total of 6,000,000 Options.

If any of the Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all of 6,000,000 Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 4.73% (based on the total current number of Shares on issue, which is 120,876,250 Shares).

The actual dilution will depend on the extent of further equity raised by the Company and whether any of the Options are exercised.

(e) Remuneration of the Directors

The total remuneration arrangements for each of the Directors are set out below.

	Salary (\$)	Company Secretarial fees (\$)	Super- annuation (\$)	Total (\$)
Jim Richards	180,000	-	16,200	196,200
Grant Mooney ¹	30,000	48,000	2,700	80,700
Mark Thompson	25,000	-	2,250	27,250

(f) **Existing relevant interests**

At the date of this Notice, the Directors and their associates have the following relevant interest in securities of the Company.

	Shares	Options ¹
Jim Richards	15,000,000	350,000
Grant Mooney	250,000	350,000
Mark Thompson	-	-

1. *The Options have an exercise price of 30 cents and expiry date of 23 October 2012. The Options will have expired by the time of this Meeting. The market price of the Company's Shares will normally determine whether or not holders exercise the Options. As at the date of this Notice, the last closing price of the Shares on ASX on 2 October 2012 was 6.6 cents and, on that basis, it is unlikely that the Options held by the Directors or their associates will be exercised.*

(g) **Trading history**

The following table gives details of the highest, lowest and the latest closing market price of the Company's Shares trading on the ASX over the last 12 months.

	Date	Closing price
Highest price	4 April 2012	11.0 cents
Lowest price	19 January 2012	5.1 cents
Latest price	2 October 2012	6.6 cents

(h) **Valuation of the Options**

The Options will not be quoted on ASX.

The Company has valued the Options to be granted to the Directors or their nominees using the Black and Scholes Option Pricing model.

The following assumptions have been made regarding the inputs required for the option pricing model:

- Underlying share price of 7 cents based on the closing market price on 25 September 2012

- Dividend yield of nil as the Company has not forecast any future dividend payments
- Risk free rate of 3.5% being the Reserve Bank of Australia cash rate at the valuation date of 25 September 2012
- Volatility rate of 100% based on the average share trading volatility of comparable ASX companies over the last 4 years
- Expiry date of 23 November 2015 being 3 years from an assumed date of issue on the date of the meeting, being 23 November 2012.
- The exercise price is not known as at the date of this Notice. It will be determined by a formula, which is 145% of the volume weighted average price over the 8 days before the date of issue of the Options. To value the Options, a range of exercise prices have been used below based upon an assumed share price at the time of issue.

Based on the above assumptions the Options to be granted to the Directors under Resolutions 5, 6 and 7 have been valued as follows:

Assumed exercise price	Value per Option
10 cents	3.9 cents
12.5 cents	3.6 cents
15 cents	3.4 cents

The value of the Options to be granted to each Director are detailed below.

	Total value of Options (\$)		
	Assumed exercise price 10 cents	Assumed exercise price 12.5 cents	Assumed exercise price 15 cents
Jim Richards	\$195,000	\$180,000	\$170,000
Grant Mooney	\$19,500	\$18,000	\$17,000
Mark Thompson	\$19,500	\$18,000	\$17,000

(i) **Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in granting the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass Resolutions 5, 6 or 7.

5.3 Proxy restrictions

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on Resolutions 5, 6 and 7 by marking either "For", "Against" or "Abstain" on the proxy form for these items of business.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report or a closely related party of that member as your proxy, and you do not direct that person on how to vote on Resolution 5, 6 or 7, the proxy cannot exercise your vote and your vote will not be counted in relation to those Resolutions.

If you appoint the Chair as your proxy, and you do not direct the Chair on how to vote on this Resolutions 5, 6 or 7, then by signing and returning the proxy form you are giving express authorisation for the Chair to vote in accordance with his or her intentions. The Chair intends to vote all undirected proxies **FOR Resolutions 5, 6 or 7** even though the resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel.

6. RESOLUTION 8 – APPROVAL OF EMPLOYEE INCENTIVE SCHEME

At the time of listing on ASX in 2008, the Company adopted an employee incentive scheme called the "Phosphate Australia Employee Share Option Plan" (the "**Plan**"). A summary of the terms of the Plan were set out in the Company's prospectus dated 28 May 2008. This summary is annexed in Annexure 2.

The purpose of the Plan is to provide an incentive for eligible employees to participate in the future growth of the Company and, upon becoming shareholders, to participate in the Company's profits and development. An eligible employee is an employee (whether full-time or part-time) of the Company or a director of the Company.

Under the Plan, the Board may offer to eligible employees the opportunity to subscribe for employee options in the Company on the terms set out in the rules of the Plan. Participation in the Plan will be offered to eligible employees at the Board's discretion but based on a consideration of, among other things, the seniority of the person, and the length of service of the eligible employee with the Company and the potential contribution of the eligible employee to the growth of the Company.

The Company has issued 1,400,000 employee options under the Plan since it was adopted.

Shareholder approval is not required under the Corporations Act or the Listing Rules for the implementation of the Plan. However, shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the 15% placement capacity under Listing Rule 7.1. Listing Rule 7.2 exception 9 provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders within 3 years before the date of issue of the scheme.

If an offer is made to a Director to participate in the Plan then separate Shareholder approval will need to be obtained at that time.

7. RESOLUTION 9 – ADDITIONAL PLACEMENT CAPACITY

7.1 General

Listing Rule 7.1 permits entities to issue 15% of its issued capital without shareholder approval in a 12 month period, subject to a number of exceptions.

The ASX has recently amended the Listing Rules to allow small to mid-cap companies to seek shareholder approval for additional placement capacity. Listing Rule 7.1A permits

eligible entities, which have obtained shareholder approval by special resolution, to issue Equity Securities up to an additional 10% of its issued capital by placements over a 12 month period after the annual general meeting ("**Additional Placement Capacity**").

The Company seeks Shareholder approval under Resolution 9 to be able to issue Equity Securities under the Additional Placement Capacity. The exact number of Equity Securities to be issued is not fixed and will be determined in accordance the formula prescribed in Listing Rule 7.1A.2 (set out below).

7.2 Requirements of Listing Rule 7.1A

(a) Eligible entities

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

(b) Shareholder approval

Shareholders must approve the Additional Placement Capacity by special resolution at the annual general meeting. A resolution under Listing Rule 7.1A cannot be put at any other shareholder meeting.

(c) Equity Securities

Equity Securities issued under the Additional Placement Capacity must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has one class of Equity Securities quoted on ASX being fully paid ordinary Shares.

(d) Formula for calculating number of Equity Securities that may be issued under the Additional Placement Capacity

If Resolution 9 is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

$$(AxD)-E$$

A	<p>The number of shares on issue 12 months before the date of issue or agreement:</p> <ul style="list-style-type: none"> • plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2; • plus the number of partly paid shares that became fully paid in the 12 months; • plus the number of fully paid shares issued in the 12 months with the approval of shareholders under Listing Rules 7.1 or 7.4; • less the number of fully paid shares cancelled in the 12 months.
D	10%

E	The number of Equity Securities issued or agreed to be issued under Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.
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(e) **Interaction between Listing Rules 7.1 and 7.1A**

The Additional Placement Capacity under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

The Company has 120,876,250 Shares on issue as at the date of this Notice. If all of the Resolutions in this Notice are passed, the Company will be permitted to issue (as at the date of this Notice:

- 18,131,438 Equity Securities under Listing Rule 7.1; and
- 12,087,625 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will be permitted to issue under Listing Rule 7.1A will be calculated at the date of issue or agreement to issue the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out above).

The effect of Resolution 9 will be to allow the Company to issue securities under Listing Rule 7.1A without using the Company's placement capacity under Listing Rule 7.1.

7.3 Information for Shareholders as required by Listing Rule 7.3A

(a) **Minimum price**

The issue price of the new Equity Securities will be no lower than 75% of the volume weighted average price (VWAP) for securities in the relevant quoted class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Business Days of the date above, the date on which the Equity Securities are issued.

(b) **Risk of economic and voting dilution**

If Resolution 9 is passed and the Company issues securities under the Additional Placement Facility, existing Shareholders' voting power in the Company will be diluted.

There is the risk that:

- the market price for the Company's existing Equity Securities may be significantly lower on the date of issue of the new Equity Securities than on the date of the Meeting; and

- the new Equity Securities may be issued at a price that is at a discount to the market price of the Company's existing Equity Securities on the issue date or the new Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the new Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example a pro rata entitlement issue) or future placements under Listing Rule 7.1 that are approved by Shareholders in the future;
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.033 50% decrease in Issue Price	\$0.066 Issue Price	\$0.132 100% increase in Issue Price
Current 120,876,250 Shares	10% Voting Dilution	12,087,625 Shares	12,087,625 Shares	12,087,625 Shares
	Funds raised	\$398,892	\$797,783	\$1,595,567
50% increase in Variable A 181,314,375 Shares	10% Voting Dilution	18,131,438 Shares	18,131,438 Shares	18,131,438 Shares
	Funds raised	\$598,337	\$1,196,675	\$2,393,350
100% increase in Variable A 241,752,500 Shares	10% Voting Dilution	24,175,250 Shares	24,175,250 Shares	24,175,250 Shares
	Funds raised	\$797,783	\$1,595,567	\$3,191,133

This table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the Additional Placement Capacity.
- No quoted Options (including any quoted Options issued under the Additional Placement Capacity) are exercised into Shares before the date of the issue of the Equity Securities.

- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the Additional Placement Capacity consists only of Shares. If the issue of Equity Securities includes quoted Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.066 (6.6 cents), being the latest closing price of the Shares on ASX on 2 October 2012.

The Company's ability to issue securities under Listing Rule 7.1A is in addition to its ability to issue securities under listing rule 7.1.

(c) **Placement Period**

Shareholder approval of the Additional Placement Capacity under Listing Rule 7.1A is valid from 23 November 2012 (the date of this Meeting) and expires on the earlier of:

- 23 November 2013, which is 12 months after this Meeting; or
- the date that Shareholders approve a transaction under Listing Rule 11.1.2 (significant change to nature or scale of activities) or 11.2 (disposal of the main undertaking,

or such longer period as allowed by ASX (the "**Placement Period**").

The Company will only issue and allot new securities during the Placement Period. The approval will cease to be valid in the event that Shareholders' approve a transaction under Listing Rules 11.1.2 or 11.2.

(d) **Purposes for which the new Equity Securities may be issued**

The Company may seek to issue new Equity Securities for the following purposes:

- cash consideration to raise funds for the acquisition of new assets or investments (including the expenses associated such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and for general working capital; or
- non-cash consideration for acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) **Allocation policy**

The Company's allocation policy for the issue of new Equity Securities under the Additional Placement Capacity will depend on the market conditions existing at the time of the proposed issue. The allottees will be determined at the relevant time having regard to factors such as:

- the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- the effect of the issue of new securities on the control of the Company;
- the financial situation and solvency of the Company;
- advice from corporate, financial and broking advisers (as relevant).

As at the date of this Notice the allottees are not known but may include existing substantial Shareholders and/or new Shareholders. No allottee under the Additional Placement Capacity will be a related party or associate of a related party. Existing Shareholders may or may not be entitled to subscribe for any Equity Securities issued under the Additional Placement Capacity and it is possible that their shareholding will be diluted.

If the Additional Placement Capacity is used to acquire new assets or investments then it is likely that the allottees will be the vendors of the new assets.

The Company will comply with the disclosure obligations under Listing Rule 7.1A(4) and 3.10.5A on the issue of any new securities.

(f) Details of Equity Securities issued under earlier placement capacity approval

The Company has not previously obtained approval under Listing Rule 7.1A.

(g) Voting exclusion

At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in a proposed issue of Equity Securities under the proposed Additional Placement Capacity. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8. RESOLUTION 10 – AMENDMENT TO CONSTITUTION

8.1 Background

Resolution 10 is a special resolution proposing to amend the Constitution. Section 136(2) of the Corporations Act allows a company to amend its constitution by a special resolution passed at a general meeting of the company.

8.2 Reasons for the proposed Resolution

A director of a company owes fiduciary duties to the company at common law by reason of holding such an office. These fiduciary duties include avoiding conflicts of interest and duty (so that a director must not have an interest that conflicts or may possibly conflict with his or her duty to the company) and not exploiting or diverting business opportunities (at least if engaged full-time, a director must not divert any profit-making opportunity, in the same line of business as the company's present or prospective business, to himself or herself or to some other person).

The common law fiduciary duties are supplemented by statutory obligations such as duties imposed under the Corporations Act. These duties upon directors include not to use his or her position to gain advantage for himself or herself or others or cause detriment to the

company and not to use information to gain advantage for himself or herself or others or to cause detriment to the company. Under the Corporations Act directors also have a duty to disclose to fellow directors any material personal interest in matters that relate to the affairs of the company.

The constitution of a company can re-shape or attenuate the common law fiduciary duties. Statutory duties such as those imposed by the Corporations Act will be unaffected by provisions of a constitution.

Currently Rule 7.6 of the Company's Constitution provides that a Director may hold an office in the Company or deal with the Company and if that Director discloses any interest arising, then the Director may contract with the Company (including in a capacity other than as an officeholder of the Company), be counted in a quorum and vote at a Directors' meeting and may retain the benefits. Further the Company cannot avoid the relevant contract merely because of the existence of the Director's interest. These matters are subject to the Corporations Act.

Rather than seek to focus on Directors contracting with the Company in terms of Rule 7.6 it is proposed to replace Rule 7.6 with a new Rule in terms of Annexure 3.

The new Rule is a different approach in that it states in a positive sense the fundamental fiduciary duty of a director to avoid conflicts of interest and duty including exploiting any property, information or opportunity for the benefit of a party other than the Company. The new Rule then provides that, subject to the Corporations Act and the Listing Rules, it is the independent Directors (and not the Shareholders) who may authorise a director in terms of the conflict of interest rule and who may forgive any breach of a fiduciary duty owed to the Company. The Directors consider it appropriate that independent Directors determine such matters without the likely necessity to otherwise have such matters determined by Shareholders.

8.3 **Board Recommendation**

The Directors recommend that Shareholders vote in favour of amending the Constitution for the reasons set out above.

9. **RESOLUTION 11 – SPILL RESOLUTION**

This Spill Resolution will only be voted on where at least 25% of the votes cast on Resolution 1 (Adoption of the Remuneration Report) are against adoption of the Remuneration Report.

9.1 **Spill meeting**

Shareholders should refer to section 1 of this Explanatory Statement for an explanation about the "two strikes process" in relation to the Remuneration Report (Resolution 1), which is relevant to this Spill Resolution.

The Spill Resolution is a resolution to hold another meeting of Shareholders within 90 days at which the board of the Company will be re-elected (the spill meeting). At the spill meeting, those Directors who were directors when the resolution to make the directors' report considered at this Meeting was passed (except for the managing director) cease to hold office immediately before the end of the spill meeting. The Directors are eligible for re-election. Mr Jim Richards as Executive Chairman is performing the role of managing director of the Company. As such, he will not be required to stand for re-election at a spill meeting.

9.2 Proxy restrictions

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on Resolution 11 by marking either "For", "Against" or "Abstain" on the proxy form for this item of business.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 11, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 11.

If you appoint the Chair as your proxy, and you do not direct the Chair on how to vote on this Resolution 11, then by signing and returning the proxy form you are giving express authorisation for the Chair to vote in accordance with his or her intentions. The Chair intends to vote all undirected proxies **AGAINST Resolution 11**.

The Directors recommend against the Spill Resolution.

PHOSPHATE AUSTRALIA LIMITED
ACN 129 158 550

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

Additional Placement Capacity	the capacity to issue additional Equity Securities by way of placement approved by Shareholders under Listing Rule 7.1A.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691).
Board	the Board of Directors of the Company.
Chair	the person appointed to chair the Meeting convened by this Notice.
Company	Phosphate Australia Limited (ACN 129 158 550).
Constitution	the constitution of the Company.
Corporations Act	the Corporations Act 2001 (Cth).
Directors	Directors of the Company from time to time.
Equity Securities	has the same meaning as in the Listing Rules.
Explanatory Statement	this Explanatory Statement.
Listing Rules	the listing rules of the ASX.
Meeting	the meeting convened by this Notice.
Notice	notice of meeting that accompanies this Explanatory Statement.
Option	an option to subscribe for a Share.
Placement Period	the period during which Shareholder approval under Listing Rule 7.1A is valid.
Plan	the Phosphate Australia Employee Share Option Plan.
Resolution	a resolution referred to in the Notice.
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a registered holder of Shares in the Company.
WST	Western Standard Time, Perth, Western Australia.
\$	Australian dollars unless otherwise stated.

ANNEXURE 1

RESOLUTIONS 5-7 TERMS OF OPTIONS TO BE GRANTED TO DIRECTORS

Each Option entitles the holder to subscribe for Shares on the following terms and conditions:

1. Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
2. The Options will expire at 5:00 pm (WST) on 3 years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon exercise of each Option will be 145% of the Volume Weighted Average Price (**VWAP**) of the Company's fully paid ordinary shares on the ASX over the 8 trading days preceding the day on which the Options are issued (**Exercise Price**).
4. An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 1. a written notice of exercise of Options specifying the number of Options being exercised; and
 2. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised (**Exercise Notice**).
5. If a Director resigns from his position with the Company before the expiry date, the Options will automatically lapse unless the Board determines within 30 days that they may be retained.
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
9. The Company will not apply for quotation of the Options on ASX.
10. If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
11. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

12. An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
13. An Option shall not be transferable except with the consent of the Board.

ANNEXURE 2

RESOLUTION 8 SUMMARY OF THE TERMS OF THE PHOSPHATE AUSTRALIA EMPLOYEE SHARE OPTION PLAN

Option Issue

The Board may, in its absolute discretion, offer Options to eligible participants under the Employee Share Option Plan ("ESOP"). The Options will be issued for no consideration and each Option will carry the right in favour of the Option holder to subscribe for one Share (fully paid ordinary) in the capital of the Company.

An eligible participant is a full or part time employee or a director of a company within the Phosphate Australia group of companies. The Company must obtain Shareholder approval before the participation under the ESOP of an eligible participant who is a Director of, or otherwise a related party of the Company.

The Board may impose performance criteria such as vesting hurdles.

The Options issued under the ESOP are not transferable except with the prior written consent of the Board.

Restrictions

The Options may only be issued or exercised within the limitations imposed by the Corporations Act and the Listing Rules.

Further, the total number of Shares that would be issued under the ESOP were each Option issued pursuant to the ESOP exercised, and the number of Shares issued by the Company pursuant to an employee share or option scheme implemented by the Company during the previous 5 years may not exceed 5% of the total number of Shares on issue as at the date any Options are offered pursuant to the ESOP.

Exercise Price and Expiry Date

The exercise price of the Options to be issued under the ESOP after the date of listing on ASX will, unless otherwise determined by the Board, be the weighted average closing sale price of Shares recorded on ASX over the last 5 trading days on which sales of Shares were recorded preceding the day on which the Board resolves to offer the Options. The expiry date will be determined by the Board but will be no longer than 5 years from the issue date.

Exercise of Options

If performance criteria are imposed on an Option holder, that Option holder may only exercise their Options upon satisfaction of the performance criteria and prior to the expiry date. Notwithstanding this, all Options may be exercised during a takeover period or, in the Board's discretion, upon the death or permanent disablement of an eligible participant.

If an eligible participant acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any company within the Phosphate Australia group of companies, then, notwithstanding any other provisions in the ESOP, the Board may deem any unexercised options of the eligible participant to have lapsed.

Notice of Exercise

Options may only be exercised by the Option holder delivering an option exercise notice to the Company specifying the number of Options being exercised (which must be no less than multiples of 1,000) and accompanied by the exercise price for the Options specified in the option exercise notice and the certificates for those Options.

Bonus Issue

If, prior to the expiry of any Options, the Company makes a bonus share issue to the holders of Shares on a pro rata basis, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the date the Shares the subject of the bonus issue had been duly allotted and issued.

Reconstruction of Capital

In the event that prior to the expiry of any Options, there is a reconstruction (including consolidation, subdivision, reduction, return or pro rata cancellation) of the issued capital of the Company, then the number of Options to which each Option holder is entitled or the exercise price or both will be reconstructed in the manner required by the Listing Rules.

Pro Rata Issues

In the event the Company makes a pro rata issue of securities, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

Administration of the ESOP

The Board will supervise the administration of the ESOP and has a discretion to amend the rules.

ANNEXURE 3
RESOLUTION 10
AMENDMENT TO CONSTITUTION

Replace Rule 7.6 (**Interests of Directors**) with the following:

"7.6 Conflict of Interest and Business Opportunities

- (a) *A Director must avoid a situation in which that Director has or can have, a direct or indirect interest or duty that conflicts, or possibly may conflict, with the interests or duties of the Company.*
- (b) *Rule 7.6(a) applies in particular to the exploitation of any property, information or opportunity (and it is immaterial whether the Company could take advantage of the property, information or opportunity).*
- (c) *The duty in Rule 7.6(a) is not breached if:*
 - (i) *the situation cannot reasonably be regarded as likely to give rise to a conflict of interest; or*
 - (ii) *subject to the Corporations Act and Listing Rules, if the matter has been authorised by the Directors who do not have a material personal interest in the matter.*
- (d) *Subject to the Corporations Act and Listing Rules, in the event that a Director breaches the duty in Rule 7.6(a) or any fiduciary duty at law owed to the Company, it will be the Directors who do not have a material personal interest in the matter who will be authorised to forgive any such breach.*
- (e) *The authorisation of Directors in Rule 7.6(c) or Rule 7.6(d) is effective only if:*
 - (i) *any requirement as to the quorum at the Directors meeting at which the matter is considered is satisfied without counting the Director in question or any other Director with a material personal interest; and*
 - (ii) *the matter was agreed to without the Director in question or would have been agreed to if their votes had not been counted."*

Currently Rule 7.6, which is proposed to be replaced, provides the following:

"7.6 Interests of Directors

- (a) A Director may:
 - (i) hold an office or place of profit (except as auditor) in the Company, on any terms as the Directors resolve;
 - (ii) hold an office, or otherwise be interested in, any Related Corporation or other body corporate in which the Company is interested or;
 - (iii) act, or the Director's firm may act, in any professional capacity for the Company (except as auditor) or any Related Corporation or other

body corporate in which the Company is interested, and retain the benefits of doing so if the Director discloses (in accordance with the Corporations Act and the Listing Rules) the interest giving rise to those benefits.

- (b) If a Director discloses any interest giving rise to a benefit to the Director in accordance with Rule 7.6(a):
- (i) the Director may contract or make an arrangement with the Company, a Related Corporation or a body corporate in which the Company is interested, in any matter and in any capacity;
 - (ii) the Director may, subject to the Corporations Act, be counted in a quorum for a meeting of Directors considering that contract or arrangement;
 - (iii) the Director may, subject to the Corporations Act, vote on whether the Company enters into the contract or arrangement, and on any matter that relates to the contract, arrangement or interest;
 - (iv) the Director may sign on behalf of the Company, or witness the affixing of the Seal to, any document in respect of the contract or arrangement;
 - (v) the Director may retain the benefits under the contract or arrangement; and
 - (vi) the Company cannot avoid the contract or arrangement merely because of the existence of the Director's interest.
- (c) The failure of a Director to:
- (i) disclose an interest;
 - (ii) not be present while a matter in which the Director is interested is being considered at a meeting of Directors; or
 - (iii) not vote on a matter, in accordance with the Corporations Act,
- does not affect the validity of any act, transaction, agreement, instrument, resolution or other thing."