



Phosphate Australia Limited

ABN 51 129 158 550

**Interim Financial Report
31 December 2009**

TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
DIRECTORS' REPORT	3
AUDITORS' INDEPENDENCE DECLARATION	5
CONDENSED STATEMENT OF COMPREHENSIVE INCOME	6
CONDENSED STATEMENT OF FINANCIAL POSITION.....	7
CONDENSED STATEMENT OF CASH FLOWS	8
CONDENSED STATEMENT OF CHANGES IN EQUITY	9
1. CORPORATE INFORMATION	10
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	10
3. FINANCIAL RISK MANAGEMENT	11
4. SEGMENT INFORMATION	11
5. REVENUE FROM ORDINARY ACTIVITIES.....	11
6. CASH AND CASH EQUIVALENTS	11
7. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE.....	12
8. ISSUED CAPITAL.....	12
9. DIRECTORS EQUITY MOVEMENT.....	12
10. COMMITMENTS AND CONTINGENCIES.....	12
11. RELATED PARTY TRANSACTIONS WITH DIRECTOR RELATED ENTITIES	13
12. EVENTS AFTER THE BALANCE SHEET DATE.....	13
DIRECTORS'S DECLARATION	14
INDEPENDENT AUDITOR'S REVIEW REPORT.....	15

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr James (Jim) Richards – Non Executive Chairman
Mr Andrew James – Managing Director
Ms Lisa Wells – Executive Director – Technical
Mr Grant Mooney – Non Executive Director

OPERATING RESULTS

The loss from ordinary activities of the Company for the half-year ended 31 December 2009 after income tax was \$542,197 (2008: \$178,642).

REVIEW OF OPERATIONS

Phosphate Australia Limited (POZ) is pleased to present its half yearly Summary of Operations for the six months to the end of December 2009.

The Company is focussed on the development of the Highland Plains phosphate project. In October the company released a resource upgrade at Highland Plains based on the 2009 drilling program. The global JORC inferred resource stands at 56 million tonnes at 16% P2O5. The Western Mine Target Zone ("WMTZ") JORC inferred resource is currently 14 million tonnes at 20% P2O5. The WMTZ has been selected as the area most likely to support the early mining operation due to a combination of relatively thick and shallow mineralisation on its western boundary.

Since the release of the resource upgrade most of the technical studies for the project have been concentrated on metallurgical investigations. POZ is targeting the production and sale of a high-grade product from Highland Plains and the delivery of an efficient metallurgical flowsheet is key to these aims. Early testing of the flotation process has yielded highly encouraging results. For example, rock phosphate ore has been upgraded from approximately 23% P2O5 to 33.4% P2O5 at 84.6% recovery for the coarse fraction (greater than 20 microns) and upgraded to 30.5% P2O5 at 52.3% recovery for the fine fraction (less than 20 microns).

Optimisation testing of the flotation process is now underway to further increase grade and recovery. An early test result in the optimising test work has given an assay of 35.9% P2O5 at 66% recovery for the coarse material with multiple opportunities to improve on product recovery. For full details on the metallurgical testwork please refer to POZ ASX releases on 29 October and 21 December 2009 and 29 January 2010.

Two other key studies received during the half year were for ground water at Highland Plains and for a slurry pipeline transport option to the Gulf of Carpentaria from the potential mine site.

Based on an initial water exploration program and regional water bore experience, there appears to be an excellent supply of shallow ground water at Highland Plains (refer ASX release, 7 December 2009). Due to this early success, a scoping study on slurry pipeline options from Highland Plains was undertaken and the report released to the market (ASX, 29 January 2010). The report is highly encouraging with a reduction in transport OPEX from the project to a potential barging site of approximately A\$30 per tonne. This has allowed the board to scale up the proposed scope of the project from 500,000 tpa to 2 – 3 million tonnes per annum. To underpin this development the company intends to commence an aggressive drilling program to complete the resource estimate at Highland Plains and to begin examining some of the exploration potential near Highland Plains in the second Quarter of 2010.

PHOSPHATE AUSTRALIA LIMITED INTERIM FINANCIAL REPORT

The Board continues to be highly encouraged by the technical data received to date and will focus on the resource and metallurgical studies as well as the economic scoping investigations that will underpin the potential development of the rock phosphate resource at Highland Plains.

DIVIDENDS

No dividends have been paid or declared since the start of the financial period and the Directors do not recommend the payment of a dividend in respect of the financial half-year.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 5.

Signed in accordance with a resolution of the Directors



James Richards
Chairman



Andrew James
Managing Director

Dated: 12 March 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Phosphate Australia Limited for the half year ended 31 December 2009, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Phosphate Australia Limited during the half year.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia on this 12th day of March 2010.

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PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	NOTE	31 December 2009 \$	31 December 2008 \$
Sales		-	-
Other revenues from ordinary activities	5	142,839	309,956
Total Revenue		142,839	309,956
Employee benefits expense		227,475	180,732
Depreciation expense		110,237	66,307
Rental expenses		90,818	26,026
Administration expenses		240,632	204,820
Share based payments		15,875	10,713
Total Expenses		685,037	488,598
Loss for the period before income tax expense		542,197	178,642
Income tax expense		-	-
Loss for the period after related income tax expense		542,197	178,642
Other Comprehensive Income:		-	-
Total Comprehensive Income for the period		542,197	178,642
Basic loss per share (cents per share)		(0.517)	(0.189)
Diluted loss per share (cents per share)		(0.517)	(0.189)

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	NOTE	31 December 2009 \$	30 June 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	6,953,601	5,057,270
Trade and other receivables		94,929	110,595
Prepayments		19,127	1,271
Other current assets		280	1,826
Total Current Assets		7,067,937	5,170,962
Non-Current Assets			
Property, plant and equipment		1,144,275	1,069,830
Exploration, evaluation and development expenditure	7	4,223,413	3,128,232
Total Non-Current assets		5,367,688	4,198,062
TOTAL ASSETS		12,435,625	9,369,024
LIABILITIES			
Current liabilities			
Trade and other payables		233,507	303,428
Provisions		63,142	36,989
TOTAL LIABILITIES		296,649	340,417
NET ASSETS		12,138,976	9,028,607
EQUITY			
Issued Capital	8	13,328,696	9,692,004
Share Option Reserve		42,850	26,976
Accumulated losses		(1,232,570)	(690,373)
TOTAL EQUITY		12,138,976	9,028,607

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	NOTE	31 December 2009 \$	31 December 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(604,009)	(141,350)
Interest received		161,850	228,418
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(442,159)	87,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(203,020)	(1,159,326)
Payments for exploration, evaluation and development expenditure		(1,095,182)	(1,686,949)
Deposits paid		-	(15,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,298,202)	(2,861,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising		3,834,338	-
Share applications refundable		-	(129,000)
Share issue expenses		(197,646)	(61,523)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		3,636,692	(190,523)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		1,896,331	(2,964,730)
Cash and cash equivalents at the beginning of the period		5,057,270	9,615,734
Cash and cash equivalents at the end of the period	6	6,953,601	6,651,004

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2009

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2008	9,692,004	3,144	(57,735)	9,637,413
Loss for the period	-	-	(178,642)	(178,642)
Other comprehensive income	-	-	-	-
Total comprehensive income for half year	-	-	(178,642)	(178,642)
Share based payments	-	10,713	-	10,713
Share issue expenses	(30,510)	-	-	(30,510)
Balance as at 31 December 2008	9,661,494	13,857	(236,377)	9,438,974

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2009	9,692,004	26,976	(690,373)	9,028,607
Loss for the period	-	-	(542,197)	(542,197)
Other comprehensive income	-	-	-	-
Total comprehensive income for half year	-	-	(542,197)	(542,197)
Shares issued	3,834,338	-	-	3,834,338
Share based payments	-	15,874	-	15,874
Share issue expenses	(197,646)	-	-	(197,646)
Balance as at 31 December 2009	13,328,696	42,850	(1,232,570)	12,138,976

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

The financial report of Phosphate Australia Limited (the company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 12 March 2010.

Phosphate Australia Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX Code: POZ).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Phosphate Australia Limited as at 30 June 2009, the interim financial statements have been prepared using the same accounting policies as disclosed at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Phosphate Australia Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

From 1 July 2009 the company has adopted the following standards and interpretations, mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the company.

- (i) AASB 8 *Operating Segments*;
- (ii) AASB101 *Revised Presentation of Financial Statements*;
- (iii) AASB 123 *Revised Borrowing Costs*.

The following Amending Standards have also been adopted from 1 July 2009:

- (i) AASB 2008-1 *Amendments to Australian Accounting Standards Share-based Payments; Vesting Conditions and Cancellations*;
- (ii) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- (iii) AASB 2008-6 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;

The company has not elected to early adopt any new standards or amendments, and they are not deemed to have a material effect on the company's financial statement.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. FINANCIAL RISK MANAGEMENT

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual financial report as at and for the year ended 30 June 2009.

4. SEGMENT INFORMATION

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.

5. REVENUE FROM ORDINARY ACTIVITIES

	31 December 2009 \$	31 December 2008 \$
Sales revenue	-	-
Total sales revenue	-	-
Other income		
Interest received from financial institutions	142,371	309,956
Other income	468	-
Total other income	142,839	309,956
Total revenue	142,839	309,956

6. CASH AND CASH EQUIVALENTS

For the purposes of the half year condensed cash flow statement, cash and cash equivalents comprise of the following:

	31 December 2009 \$	31 December 2008 \$
Cash at bank	545,952	1,596,004
Term Deposits	6,392,649	5,055,000
Environmental bond	15,000	-
Total cash and cash equivalents	6,953,601	6,651,004

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	31 December 2009	30 June 2009
	\$	\$
Opening balance Exploration, evaluation and development	3,125,718	103,515
Exploration, evaluation and development capitalised during period	1,095,181	3,022,203
Closing balance Exploration, evaluation and development	4,220,899	3,125,718
Opening balance Tenement expenditure	2,514	2,492
Tenement expenditure capitalised during period	-	22
Closing balance Tenement expenditure	2,514	2,514
	4,223,413	3,128,232

8. ISSUED CAPITAL

Issued and paid up capital	14,036,212	10,201,875
Opening Balance	10,201,875	10,201,875
Add movements:		
Share placement at 27 cents – 21/8/2009	3,834,338	-
Less Share issue expenses	(707,517)	(509,871)
Closing balance	13,328,696	9,692,004

9. DIRECTORS EQUITY MOVEMENTS

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:

Director	Balance at beginning of period	Movement during period	Balance as at 31 December 2009
James Richards (i)	15,000,000	-	15,000,000
Andrew James (ii)	20,050,000	-	20,050,000
Lisa Wells (iii)	2,250,000	-	2,250,000
Grant Mooney (iv)	262,500	-	262,500

(i) James Richards holds 15,000,000 shares in his own name.

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

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

(iv) Grant Mooney holds 12,500 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. DIRECTORS EQUITY MOVEMENTS (CONTINUED)

Executive unlisted share options issued by Phosphate Australia Limited

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

Directors	Balance as at beginning of period	Issued During the Period	Balance as at 31 December 2009
James Richards	6,000,000	350,000	6,350,000
Andrew James	9,000,000	500,000	9,500,000
Lisa Wells	2,000,000	500,000	2,500,000
Grant Mooney	500,000	350,000	850,000

10. COMMITMENTS AND CONTINGENCIES

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).

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 commitments if it is to retain all of its present interests in mining and exploration properties is \$2,395,300.

11. RELATED PARTY TRANSACTIONS WITH DIRECTOR RELATED ENTITIES

During the 6 months ended 31 December 2009, the company incurred rental costs of \$14,956 from an entity related to Grant Mooney. No amounts remained unpaid at 31 December 2009 as the lease over the rental property ceased in November 2009.

During the 6 months ended 31 December 2008, the company incurred accounting costs of \$9,548 from an entity related to Grant Mooney. At 31 December 2008, an amount of \$4,400 was owing to this entity.

Arrangements with other related parties continue to be in place. For details of these arrangements, refer to the 30 June 2009 annual financial report.

12. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

DIRECTORS'S DECLARATION

In accordance with a resolution of the directors of Phosphate Australia Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2009 and the performance for the half-year ended on that date; and
 - ii. comply with Australian Accounting Standards (AASB 134 *Interim Financial Reporting*) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



James Richards
Chairman

Perth, ~~12~~¹¹ March 2010



Andrew James
Managing Director



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PHOSPHATE AUSTRALIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phosphate Australia Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Phosphate Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Phosphate Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia on this 12th day of March 2010.