



PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**

CONTENTS

	Page
Directors' Report	1
Auditor's Independence Declaration.....	9
Balance Sheet.....	10
Income Statement.....	11
Cash Flow Statement.....	12
Statement of Changes in Equity	13
Notes to the Financial Statements.....	14
Directors' Declaration.....	33
Independent Audit Report.....	34
Additional Information	36

DIRECTORS' REPORT
30 JUNE 2009

The Directors present their report together with the financial report on Phosphate Australia Limited ("Phosphate Australia" or "the Company") for the year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

DETAILS OF DIRECTORS

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

MR JAMES (JIM) RICHARDS (Age 46 years)

B.Sc. Hons (Geology), MAusIMM

Non-executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based company director and geologist with 20 years experience in exploration for a wide variety of commodities. Until October 2007, Mr Richards was the chief executive officer and director of United Minerals Corporation NL ("UMC"), a successful listed iron ore and bauxite exploration company.

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

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

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

MR ANDREW JAMES (Age 40 years)

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

Managing Director

Andrew James is a geology graduate of the Queensland Institute of Technology. He has 18 years of experience in the petroleum industry, 12 of them working as an independent consultant for both junior and multi-national oil companies.

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

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

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

DIRECTORS' REPORT
30 JUNE 2009

MS LISA WELLS (Age 38 years)
B.Sc. (Multidisciplinary Science)
Executive Director - Technical

Lisa Wells is a geology graduate from Curtin University of Technology with 14 years of exploration and consulting experience. Ms Wells joined Mackay & Schnellmann Geological Consultants in 1996 and specialised in writing independent geological reports for prospectuses, project management, prospectivity analysis and designing and implementing GIS databases. She gained particular experience in manipulation and interpretation of remotely sensed data for target generation purposes. Commodity experience includes: diamonds (India, Angola, Western Australia), mineral sands (Western Australia), gold (Ghana, Western Australia), base metals (Queensland, Western Australia) and iron ore (Western Australia).

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

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

MR GRANT MOONEY (Age 42 years)
B.Bus, CA
Director & Company Secretary
(Appointed as a director 14 October 2008)

Grant Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies.

Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director and company secretary to several ASX listed companies including resources company Barra Resources Limited and renewable energy company Carnegie Corporation Limited. He is a member of the Institute of Chartered Accountants in Australia.

DIRECTORSHIP OF OTHER LISTED COMPANIES

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

Director	Company	Year of directorship
James Richards	United Minerals Corporation Limited	September 2004 to November 2007
Grant Mooney	Ampella Mining Limited	1 July 2008 to 24 November 2008
	Barra Resources Limited	29 November 2002 to the present
	Carnegie Corporation Limited	19 February 2008 to the present

DIRECTORS' REPORT
30 JUNE 2009

DIRECTORS' SHARE AND OPTION HOLDINGS

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

Director	Ordinary Shares	Options (Unlisted)
James Richards <i>(i)</i>	15,000,000	6,000,000
Andrew James <i>(ii)</i>	20,050,000	9,000,000
Lisa Wells <i>(iii)</i>	2,250,000	2,000,000
Grant Mooney <i>(iv)</i>	262,500	500,000

- (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 and 500,000 options.*

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The loss from ordinary activities after income tax of the Company for the year ended 30 June 2009 was \$632,638 (2008: \$57,735 loss).

REVIEW OF OPERATIONS

Since our 2008 Operations Report, Phosphate Australia has continued with an intense level of technical work in order to advance the Highland Plains phosphate project as rapidly as possible. The key achievement was the completion of two highly successful drilling programs from September to December in 2008 and from April to May in 2009. The historic mineralisation tonnage estimate on which the company floated was based on 36 holes for 1049 m drilled in 1968 (for full details please refer to the 2008 prospectus). The company's drilling programs have added an additional 130 reverse circulation and air core holes to the deposit data base for 3721 m as well as 17 cored holes for a further 343 m.

The 2008 drilling allowed the company's resource consultants to calculate an initial JORC-compliant inferred resource of 56 Mt at 16% P2O5. More importantly, Cube Consulting also identified a shallower, higher grade subset of the deposit of 7 Mt at 23% P2O5 referred to as the "Western Mine Target Zone" (WMTZ). This part of the deposit contains the thickest, shallowest and highest grade intersections, for example, HAC001 (9 m at 27.1% P2O5 from 1m) and HRC063 (12 m at 31.1% P2O5 from 9 m). As at mid-August 2009, the company was still awaiting the last of the assay results from the second round of drilling. Once these results are in Cube Consulting will refine the resource model which will allow the company to commence work on mining concept selection studies.

DIRECTORS' REPORT
30 JUNE 2009

REVIEW OF OPERATIONS (continued)

Of equal importance to the assay data derived from the drill samples, has been the commencement of metallurgical studies. Based on extensive discussions the company has had with fertiliser industry participants an early decision was made to target a high-grade, beneficiated rock phosphate product for sale from the Highland Plains project. Georgina Basin phosphorites generally have a much lower CaO:P₂O₅ ratio than the typical Middle-East rock phosphate product. This means that sulphuric acid consumption is lower when using the rock to produce phosphoric acid (a precursor to the manufacture of phosphate fertilisers). Counterbalancing this, silica levels are relatively higher. Less than 6 to 8 % SiO₂ is considered ideal for the manufacture of phosphoric acid.

In order to achieve this level of silica in a Highland Plains rock phosphate product it will be necessary to beneficiate (enrich) the ore. This is regularly achieved in other established rock phosphate mining operations but each deposit has its own combination of unique characteristics. The company had early encouragement from the receipt of QEMSCAN scan data which is a mineralogical study utilising a scanning electron microscope. QEMSCAN data from Highland Plains suggests that the size and structure of the fluorapatite (phosphate mineral) and quartz grains should make them amenable to separation by froth floatation. Core samples from the second round of drilling are currently being metallurgically tested in Adelaide and the company hopes to have some reportable results by the end of October.

In conjunction with the resource calculations, mine planning and metallurgical studies, the company has commenced logistics studies in order to select the most efficient means of moving rock phosphate product to market. Early results of these studies indicate that a barging operation where the phosphate is loaded at a dedicated, fit-for-purpose, facility operated by the company and then transferred 30 to 40 km offshore in the Gulf of Carpentaria to an ocean going vessel, is the most likely solution to provide the project with the optimum combination of CAPEX and OPEX for the early mine life.

Planning is also underway for hydrographic and hydro-geological investigations which, along with the data above, will allow the company to produce a scoping study by the start of 2010. This document will then allow the company to put together a final "road-map" of the technical work that will need to be finalised to allow a mine construction commitment at Highland Plains. Key components of this next round of technical work would be pilot-scale metallurgical testing, mine and processing plant design and complete logistics design along with final construction cost estimates for these elements.

The company is well funded, the fundamentals of the world phosphate market continue to work in our favour and we look forward to the exciting opportunities ahead over the next 12 months.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

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

- On 19 August 2009 the Company announced a share placement of 14,201,250 shares to a select group of institutions and Sophisticated Investors at an issue price of 27 cents per share raising gross proceeds of \$3.83 million. The share placement has been facilitated by Bell Potter Securities Limited with funds being applied towards drilling, metallurgical studies and pre feasibility work at the Highland Plains Project.

DIRECTORS' REPORT
30 JUNE 2009

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

SHARE OPTIONS

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

Number of Shares Under Options	Exercise Price	Expiry Date
22,850,000	20 cents	31 July 2012
150,000	20 cents	11 August 2010

No options were issued during the financial year.

INDEMNIFYING OFFICER OR AUDITOR

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

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

DIVIDENDS

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

DIRECTORS' REPORT
30 JUNE 2009

DIRECTORS' MEETINGS

There were 5 Directors' meetings held during the year ended 30 June 2009. The names of directors who held office during the year and their attendance at Board meetings is detailed below:

Director	Number Attended	Number Eligible to Attend
Jim Richards	5	5
Andrew James	5	5
Lisa Wells	5	5
Grant Mooney (Appointed 14.10.08)	2	2

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

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

REMUNERATION REPORT

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

Remuneration Policy

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

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

Directors receive a superannuation guarantee contribution required by the Government, which is currently 9% and do not receive any other retirement benefit.

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

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

DIRECTORS' REPORT
30 JUNE 2009

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

		Short-term employee benefits		Post-employment benefits	Share-based payments	Total
		Salary & Fees	Bonus	Super-annuation	Options	
		\$	\$	\$	\$	\$
Directors						
James Richards	2009	73,333	-	6,600	-	79,933
	2008	-	-	-	-	-
Andrew James	2009	210,833	-	18,975	-	229,808
	2008	-	-	-	-	-
Lisa Wells	2009	183,333	-	16,500	-	199,833
	2008	31,093	-	-	-	31,093
Grant Mooney	2009	25,161	-	2,265	-	27,426
	2008	-	-	-	-	-
TOTAL	2009	492,660	-	44,340	-	537,000
TOTAL	2008	31,093	-	-	-	31,093

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

Value of options issued to directors

There were no options that were granted, exercised or lapsed during the year.

NON AUDIT SERVICES

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

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

DIRECTORS' REPORT
30 JUNE 2009

AUDITORS INDEPENDENCE DECLARATION

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

Signed on 26th of August 2009 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



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

JAMES RICHARDS
Chairman



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

ANDREW JAMES
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Phosphate Australia Limited for the year ended 30 June 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Phosphate Australia Limited.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 26th day of August 2009.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	30 June 2009 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents	8	5,057,270	9,615,734
Trade and other receivables	9	110,595	69,227
Prepayments	10	1,271	14,923
Other	11	1,826	1,818
TOTAL CURRENT ASSETS		5,170,962	9,701,702
NON CURRENT ASSETS			
Property, plant and equipment	12	1,069,830	10,116
Exploration, evaluation and development expenditure	13	3,128,232	106,007
TOTAL NON CURRENT ASSETS		4,198,062	116,123
TOTAL ASSETS		9,369,024	9,817,825
CURRENT LIABILITIES			
Trade and other payables	14	303,428	179,821
Provisions	15	36,989	591
TOTAL LIABILITIES		340,417	180,412
NET ASSETS		9,028,607	9,637,413
EQUITY			
Issued capital	16	9,692,004	9,692,004
Share option reserve	17	26,976	3,144
Accumulated losses	18	(690,373)	(57,735)
TOTAL EQUITY		9,028,607	9,637,413

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	30 June 2009 \$	10 Jan 2008 to 30 June 2008 \$
Sales		-	-
Other revenues from ordinary activities	3	431,130	9,399
Total Revenue	3	431,130	9,399
Employee benefits expense		(384,220)	(591)
Depreciation expense	4	(169,886)	(1,419)
Rental expenses	4	(81,943)	(3,612)
Administration expenses		(403,887)	(58,368)
Share Based Payment	4	(23,832)	(3,144)
Total Expenses		(1,063,768)	(67,134)
Loss before income tax expense		(632,638)	(57,735)
Income tax expense	5	-	-
Loss after related income tax expense		(632,638)	(57,735)
Basic loss per share (cents per share)	22	(0.668)	(0.065)
Diluted loss per share (cents per share)	22	(0.668)	(0.065)

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	30 June 2009 \$	10 January 2008 to 30 June 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(765,012)	(48,592)
Interest received	408,087	-
Payments from trade debtors	-	4,543
NET CASH FLOWS USED IN OPERATING ACTIVITIES (see (i) below)	(356,925)	(44,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,350,183)	(12,688)
Payments for exploration, evaluation and development expenditure	(2,707,356)	(107,001)
Deposits paid	(15,000)	(2,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(4,072,539)	(121,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	10,201,875
Share applications refundable	(129,000)	129,000
Share issue expenses	-	(549,403)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(129,000)	9,781,472
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD	(4,558,464)	9,615,734
Cash and cash equivalents at the beginning of the year	9,615,734	-
Cash and cash equivalents at the end of the year	5,057,270	9,615,734
(i) CASH FLOW INFORMATION		
Reconciliation of the loss from continuing operations after income tax to the net cash flows from operating activities.		
- Loss from continuing operations after income tax	(632,638)	(57,735)
- Increase in debtors	(24,717)	(9,398)
- (Increase)/decrease in prepayments	13,652	(795)
- Increase in trade creditors	56,662	18,725
- Depreciation expense	169,886	1,419
- Share based payments	23,832	3,144
- Employee benefits accrued	36,398	591
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(356,925)	(44,049)
CASH AT BANK	5,057,270	9,615,734

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance on incorporation 10 January 2008	-	-	-	-
Share issued for during the period	10,001,975	-	-	10,091,975
Options issued during the period	-	3,144	-	3,144
Less: Share issue costs	(509,871)	-	-	(509,871)
Loss for the year	-	-	(57,735)	(57,735)
Balance as at 30 June 2008	9,692,004	3,144	(57,735)	9,637,413
Balance as at 1 July 2008	9,692,004	3,144	(57,735)	9,637,413
Options expensed for year	-	23,832	-	23,832
Loss for the year	-	-	(632,638)	(632,638)
Balance as at 30 June 2009	9,692,004	26,976	(690,373)	9,028,607

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 1. CORPORATE INFORMATION

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

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

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report of Phosphate Australia Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 26 August 2009.

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

(a) Basis of preparation

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

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

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

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

(b) Statement of Compliance

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting year ended 30 June 2009. These are outlined in the table below:

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(b) Statement of Compliance (cont)

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(c) Prior year comparatives

The Company was incorporated on 10 January 2008. As such, the profit and loss comparatives shown are for the period 10 January 2008 to 30 June 2008.

(d) Cash and cash equivalents

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

(e) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contribution to defined contribution superannuation plans are expensed when incurred.

(f) Goods and services tax

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

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

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

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

(g) Income tax

Current tax

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

Deferred tax

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

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(g) Income tax – continued

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

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

Current and deferred tax for the year

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

(h) Payables

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

(i) Property, plant and equipment

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

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

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

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

(j) Provisions

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

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

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(k) Revenue recognition

Interest revenue

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

Sale of Goods

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

(l) Share-based payments

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

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

(m) Exploration and evaluation

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

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

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

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

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

When production commences, the accumulated costs for the relevant area of interest are transferred to development assets.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(n) Development Costs

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

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

(o) Provision for restoration and rehabilitation

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

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

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

(p) Financial instruments

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

(q) Financial Assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(r) Impairment of assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately.

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

(s) Leased assets

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

Entity as lessee

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

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

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

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

(t) Critical Accounting Estimates and Judgements

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

Shared based payments

The values of amounts recognised in respect of share based payments have been estimated based on fair value of the options. To estimate the fair value an option pricing model has been used. There are many variable assumptions used as inputs into the model (which have been detailed in note 17). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 3. Revenue from Ordinary Activities

	30 June 2009	30 June 2008
	\$	\$
Sales Revenue	-	-
Total Sales Revenue	-	-
Other Income		
Interest received from financial institutions	431,130	9,399
Total Other Income	431,130	9,399
Total Revenue	431,130	9,399

Note 4. Loss from Ordinary Activities

Expenses		
Depreciation / amortisation of non-current assets	169,886	1,419
Rental expense on operating leases	66,236	3,612
Annual leave charges	36,399	591
Share based payment expenses	23,832	3,144
Company set up and secretarial expenses	82,353	14,744

Note 5. Income Tax

(a) Income tax expense

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

Loss from continuing operations	(632,638)	(57,734)
Income tax expense calculated at 30%	(189,791)	(17,320)
Permanent differences:		
Non deductible expenses	7,182	5,666
Temporary differences not brought to account as a deferred tax asset	(18,596)	(29,826)
Tax losses not brought to account as a deferred tax asset	201,205	41,480
Income tax expense	-	-

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 5. Income Tax – continued	30 June 2009	30 June 2008
	\$	\$
(b) Deferred Tax liability		
Exploration interests at balance sheet	940,786	31,802
Less: Deferred tax assets recognised (tax losses)		
Income not assessable for taxation purposes	9,664	2,820
	950,450	33,622
(c) Deferred tax assets		
Timing differences	11,097	177
Tax losses – revenue	939,353	34,445
Less: Deferred tax assets recognised	-	-
Deferred tax assets not recognised	950,450	34,622
Not recognised:		
Unrecognised tax losses	(244,260)	(41,480)

The deferred tax asset arising from the tax losses has not been recognised as an asset in the balance sheet because recovery is not probable.

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

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

Note 6. Remuneration Benefits

- (a) The following were key management personnel of the Company during the year:
 - James Richards (*Non-Executive Chairman*)
 - Andrew James (*Managing Director*)
 - Lisa Wells (*Executive Director - Technical*)
 - Grant Mooney (*Non-Executive Director and Company Secretary*)
- (b) The Board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is \$400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. Remuneration is not linked to specific performance criteria.
- (c) The Board policy is to remunerate executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the executive Directors and reviews their remuneration on an individual basis, based on market practices, duties and accountability. Independent external advice is sought when required. Remuneration is not linked to specific performance criteria.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 6. Remuneration Benefits – continued

		Short-term employee benefits		Post-employment benefits	Share-based payments	Total
		Salary & Fees	Bonus	Super-annuation	Options	
		\$	\$	\$	\$	\$
Directors						
James Richards	2009	73,333	-	6,600	-	79,933
	2008	-	-	-	-	-
Andrew James	2009	210,833	-	18,975	-	229,808
	2008	-	-	-	-	-
Lisa Wells	2009	183,333	-	16,500	-	199,833
	2008	31,093	-	-	-	31,093
Grant Mooney	2009	25,161	-	2,265	-	27,426
	2008	-	-	-	-	-
TOTAL	2009	492,660	-	44,340	-	537,000
TOTAL	2008	31,093	-	-	-	31,093

- (i) Directors' options are exercisable at 20 cents each with an expiry date of 31 July 2012. Director Lisa Wells must remain in continuous employment for a period of two years from the date of listing in order to exercise her options. Subsequent to an independent valuation using the Black & Scholes Option Pricing Model a nil value was given to the directors' options.
- (ii) Ms Lisa Wells has been paid as a consultant to the Company during the previous year from January to May 2008. These fees totalled \$31,093. Lisa Wells became a director of the Company on 10 February 2008 and a full time employee of with effect from 1 July 2008.

Services Agreements

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

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

No key management personnel are entitled to any termination payment apart from remuneration payable up to and including the termination date and any amounts payable due upon accrued leave.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 7. Auditors Remuneration

	30 June 2009	30 June 2008
	\$	\$
Amounts received, or due and receivable by the auditors for audit or review of the financial report		
• Taxation services	3,000	-
• Audit	26,710	14,000
• Investigating Accountants Report	-	15,000
• GST advice	3,569	3,102
	<u>33,279</u>	<u>32,102</u>

The auditor for Phosphate Australia Limited is PKF Chartered Accountants.

Note 8. Cash and Cash Equivalents

Cash at bank	<u>5,057,270</u>	<u>9,615,734</u>
--------------	------------------	------------------

Note 9. Trade and Other Receivables

Current

Interest receivable	32,290	9,399
Other debtors	<u>78,305</u>	<u>59,828</u>
	<u>110,595</u>	<u>69,227</u>

Note 10. Prepayments

Prepayments	<u>1,271</u>	<u>14,923</u>
-------------	--------------	---------------

Note 11. Other - Current Assets

Deposits paid	<u>1,826</u>	<u>1,818</u>
---------------	--------------	--------------

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 12. Property, Plant & Equipment

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor Vehicles</i>	<i>Fixtures & Fittings</i>	<i>Total</i>
Year ended 30 June 2009					
At 1 July 2008, Net of accumulated depreciation	-	10,116	-	-	10,116
Additions	574,919	258,220	391,792	4,670	1,229,601
Disposals	-	-	-	-	-
Depreciation charge for the year	(73,263)	(68,560)	(27,666)	(398)	(169,887)
At 30 June 2009, Net of accumulated depreciation	501,656	199,776	364,126	4,272	1,069,830
At 1 July 2008					
Cost or fair value	-	11,535	-	-	11,535
Accumulated depreciation and impairment	-	(1,419)	-	-	(1,419)
Net carrying amount	-	10,166	-	-	10,166
At 30 June 2009					
Cost or fair value	574,919	269,755	391,792	4,670	1,241,136
Accumulated depreciation and impairment	(73,263)	(69,979)	(27,666)	(398)	(171,306)
Net carrying amount	501,656	199,776	364,126	4,272	1,069,830

**Note 13. Exploration, Evaluation and
Development Expenditure**

	30 June 2009	30 June 2008
	\$	\$
Opening balance Exploration evaluation and development	103,515	-
Exploration evaluation and development expenses capitalised during year/period	3,022,203	103,515
Closing balance Exploration evaluation and development	3,125,718	103,515
Opening Balance Tenement expenditure capitalised	2,492	-
Tenement expenditure capitalised during year/period	22	2,492
Closing Balance Tenement expenditure capitalised	2,514	2,492
	3,128,232	106,007

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

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

Note 14. Trade and Other Payables

Share applications refundable	-	129,000
Trade Creditors	160,566	-
Payroll accruals	114,397	7,017
Other Creditors	28,465	43,804
	303,428	179,821

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 15. Provisions	30 June 2009	30 June 2008
	\$	\$
Employee entitlements – annual leave accrued	36,989	591
Total number of employees at the end of the year	13	1
Note 16. Issued Capital		
(a) Issued and Paid up Capital	10,201,875	10,201,875
94,675,000 ordinary shares, fully paid		
Opening Balance	10,201,875	-
Add movement:		
Founding shares - 10 January 2008	-	1,000
Capital subdivision – 28 February 2008	-	-
Seed Capital share issue @ 0.001 cent – 28 March 2008	-	200
Seed Capital share issue @ 0.01 cent – 8 April 2008	-	675
Seed Capital share issue @ 10 cents – 9 May 2008	-	200,000
Prospectus share issue @ 20 cents – 25 June 2008	-	10,000,000
Less: Share issue expenses	(509,871)	(509,871)
Closing balance	9,692,004	9,692,004

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

(b) Options on Issue

Expiry date	31 July 2012	31 July 2012	31 July 2012	11 August 2010
Exercise price	\$0.20 (Directors)¹	\$0.20 (Other)²	\$0.20 (Employee & consultant)³	\$0.20 (Employee under ESOP)⁴
On issue at the beginning of the year	-	-	-	-
Directors option issue – 31 March 2008	22,000,000	-	-	-
Employee and consultants option issue - 7 May 2008	-	-	850,000	-
Options transferred	(5,000,000)	5,000,000	-	-
Employee option issue –30 June 2008	-	-	-	150,000
Outstanding at balance date	17,000,000	5,000,000	850,000	150,000

The above-mentioned options have the following key terms:

1. Directors' options are exercisable at 20 cents each, by the expiry date noted above. Director Lisa Wells must remain in continuous employment for a period of two years from the date of listing in order to exercise her options.
2. Other options were initially issued to directors, but were transferred pursuant to a voluntary court order dated 7 October 2008.
3. Employee and Consultant options are exercisable at 20 cents each, by the expiry date noted above. The parties must remain in continuous employment for a period of two years from the date of listing in order to exercise their options.
4. Employee options are exercisable at 20 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Company's Employee Share and Option Plan with a vesting date of 11 August 2008.
5. There are no rights to dividends or voting on the above options.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 17. Share Option Reserve

	30 June 2009	30 June 2008
	\$	\$
Opening Balance	3,144	-
Directors option issue – 31 March 2008	-	-
Employee and consultants option issue - 7 May 2008	21,251	3,144
Employee option issue –30 June 2008	2,581	-
	26,976	3,144
Closing balance	26,976	3,144

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

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

INPUT	DIRECTOR OPTIONS @ \$0.20	OTHER OPTIONS @ \$0.20	EMPLOYEE OPTIONS @ \$0.20	EMPLOYEE OPTIONS @ \$0.20
Share price	\$0.001	\$0.001	\$0.10	\$0.20
Grant date	26 March 2008	26 March 2008	7 May 2008	30 June 2008
Expected volatility	88%	88%	88%	100%
Expiry date	31 July 2012	31 July 2012	31 July 2012	11 August 2010
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	6.12%	6.12%	6.28%	6.83%
Value per option	\$0.00	\$0.00	\$0.05	\$0.40
Number of options	17,000,000	5,000,000	850,000	150,000
Value of options	\$0.00	\$0.00	\$42,500	\$10,401

The value of the employee options will be expensed over 2 years in line with the year over which the vesting conditions apply, which commences on grant date of the options.

Volatility using the Black Scholes method was determined by looking at similar companies for a similar period.

Note 18. Accumulated Losses

	30 June 2009	30 June 2008
	\$	\$
Balance at the beginning of the year	(57,735)	-
Net loss for the year	(611,091)	(57,735)
	(668,826)	(57,735)
Balance at the end of the year	(668,826)	(57,735)

Note 19. Statement of Operations by Segment

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 20. Related Party Transactions

(a) Key management personnel compensation

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

(b) Key management personnel equity holdings

Fully Paid ordinary shares issued by Phosphate Australia Limited

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

2009

Director	Balance at beginning of year	Movement during year	Balance as at 30 June 2009
James Richards (i)	20,000,000	(5,000,000)*	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.

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 year	Movement During the Year	Balance as at 30 June 2009	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards	10,000,000	(4,000,000)*	6,000,000	-	6,000,000	-
Andrew James	10,000,000	(1,000,000)*	9,000,000	-	9,000,000	-
Lisa Wells	2,000,000	-	2,000,000	2,000,000	-	-
Grant Mooney	500,000	-	500,000	500,000	-	-

* Pursuant to a voluntary court order dated 7 October 2008, James Richards transferred 5,000,000 shares and 4,000,000 options to a third party. Under the same court order, Andrew James transferred 1,000,000 options to the same third party.

(c)

Transactions with director related entities

During the financial year a company associated with Lisa Wells was paid for drilling and associated costs totalling \$553,209.

During the year, companies associated with Grant Mooney were paid for company secretarial and bookkeeping/accounting services provided to the Company totalling \$154,683.

During the year, companies associated with Grant Mooney were paid for rental of office premises totalling \$61,142 pursuant to lease and sub-lease arrangements.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 21. Financial Instruments

(a) Overview

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

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

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

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

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

b) Interest rate risk

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

Financial liabilities:

2009	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial assets:					
Cheque account	-	-	-	45,912	45,912
Savings account	3.00	-	930,115	-	930,115
Term deposits	4.09	4,066,243	-	-	4,066,243
Receivables	-	-	-	110,595	110,595
		4,066,243	930,115	156,507	5,152,865
Financial liabilities:					
Accounts payable	-	-	-	303,428	303,428
		-	-	303,428	303,428

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

b) Interest rate risk (continued)

2008	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial assets:					
Cheque account	-	-	-	175,734	175,734
Savings account	7.15	-	9,400,000	-	9,400,000
Term deposits	8.00	40,000	-	-	40,000
Receivables	-	-	-	69,227	69,227
		40,000	9,400,000	244,961	9,684,961
Financial liabilities:					
Accounts payable	-	-	-	179,821	179,821
				179,821	179,821

Interest rate sensitivity

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

	Profit or loss		Equity	
	+10% \$	-10% \$	+10% \$	-10% \$
2009				
Cash and cash equivalents	20,351	(20,351)	20,351	(20,351)
2008				
Cash and cash equivalents	67,530	(67,530)	67,530	(67,530)

(c) Credit risk

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

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

	2009 \$	2008 \$
Cash and cash equivalents	5,057,270	9,615,734
Trade and other receivables	110,595	69,227
	5,167,865	9,684,961

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due.

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

(e) Commodity price risk

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

(f) Capital management

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

(g) Fair value

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

Note 22. Earnings per Share

	2009	2008
Basic (loss) per share (cents per share)	(0.668)	(0.065)
Diluted (loss) per share (cents per share)	(0.668)	(0.065)

Basic Earnings per Share

	2009	2008
	\$	\$

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Loss	(632,638)	(57,735)
------	-----------	----------

	2009	2008
	No.	No.

Weighted average number of ordinary shares	94,675,000	88,410,884
--	------------	------------

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 23. Significant Events Subsequent to Year End

On 19 August 2009 the Company announced a share placement of 14,201,250 shares to a select group of institutions and Sophisticated Investors at an issue price of 27 cents per share raising gross proceeds of \$3.83 million. The share placement has been facilitated by Bell Potter Securities Limited with funds being applied towards drilling, metallurgical studies and pre feasibility work at the Highland Plains Project.

Apart from the above there were no significant events subsequent to year end.

Note 24. Contingent Liabilities

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

Note 25. Commitments for Expenditure

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

	2009	2008
	\$	\$
1. Operating Lease Commitment as follows:		
Office Rental		
- Due within 1 year	24,491	4,000
Other Rental		
- Due within 1 year	21,960	-
- Due 1 to 2 years	3,660	-

Exploration Expenditure Commitments

2. The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected to 30 June 2009 if it is to retain all of its present interests in mining and exploration properties is \$337,000 (2008: \$192,000).

DIRECTORS' DECLARATION

The Directors of Phosphate Australia Limited declare that:

- (a) in the directors' opinion the financial statements and notes of the Company have been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position of the Company as at 30 June 2009 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2;
- (c) the directors have been given the declarations by the Managing Director required by Section 295A; and
- (d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors:



JAMES RICHARDS
Chairman



ANDREW JAMES
Managing Director

Dated this day 26 August 2009



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PHOSPHATE AUSTRALIA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Phosphate Australia Limited which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Phosphate Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia on this 26th day of August 2009.

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 26 August 2009.

Spread of Holdings	Ordinary Shares
1 - 1,000	42,260
1,001 - 5,000	531,814
5,001 - 10,000	1,797,887
10,001 - 100,000	17,838,548
100,001 - and over	88,665,741

Number of Holders 984

Number of shareholders holding less than a marketable parcel: 125

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Andrew James	20,050,000
James Richards	15,000,000
Pankaj Oswal	5,558,772
United Minerals Corporation NL	5,000,000

VOTING RIGHTS

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

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Securities Exchange are 66,826,250 fully paid shares.

TOTAL SHARES ON ISSUE

There are 42,050,000 fully paid ordinary shares that are not quoted on the Australian Securities exchange, with total fully paid ordinary shares totalling 108,876,250 shares on issue.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Grant Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies.

Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director and company secretary to several ASX listed resources company Barra Resources Limited, and renewable energy company Carnegie Corporation Limited. He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

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

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES (as at 26 August 2009)

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
Andrew Stephen James	20,000,000	18.37
James M ^c Arthur Richards	15,000,000	13.78
Equitas Nominees Pty Limited	6,109,519	5.61
United Minerals Corporation NL	5,000,000	4.59
Lisa Kathleen Wells	2,000,000	1.84
UBS Nominees Pty Ltd	1,983,333	1.82
Tony Aloisi, Jane Rosemary Searles & Isobel Searles <Yu Khen Investment A/c>	1,663,250	1.53
Cleland Projects Pty Ltd <Investment A/c>	1,150,000	1.06
Sam John & Lynette Ruby Sammut <Rama Super Fund A/c>	1,030,000	0.95
Peter Pasqualino & Steven Blanc <P Blanco Super Fund A/c>	1,000,000	0.92
Joan Deshan & Thomas Christopher Jessup <The Joan Deshan S/F A/c>	1,000,000	0.92
Instinctive Vision Pty Ltd	1,000,000	0.92
ANZ Nominees Limited <Cash Income A/c>	953,925	0.88
HSBC Custody Nominees (Australia) Limited – A/c 2	864,152	0.79
LXL Pty Ltd	750,000	0.69
Seven Sands Pty Ltd	750,000	0.69
Jillian Patricia Andrews	730,000	0.67
Superannuation & Corporate Services Pty Limited	700,000	0.64
Sandhurst Trustees Ltd <EGF> A/c	646,810	0.59
Station Capital Pty Limited	555,555	0.51
Total	62,886,544	57.77

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS OPTIONS

Option Holder Name	Directors Options 31 March 2008	Other Options 31 March 2008	Employee/ Consultant Options 7 May 2008	ESOP Options 30 June 2008
James Richards	6,000,000	-	-	-
Andrew James	9,000,000	-	-	-
United Minerals Corporation NL	-	5,000,000	-	-
Lisa Wells	2,000,000	-	-	-
Grant Mooney	-	-	500,000	-
Doug Kirby	-	-	350,000	150,000
Sarah Tomas	-	-	-	-
	17,000,000	5,000,000	850,000	150,000

RESTRICTED SECURITIES

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

Number of Securities	Escrow year ends	Year of escrow
42,050,000 ordinary shares	1 July 2010	Restricted securities – 24 months from listing date
22,000,000 options	1 July 2010	Restricted securities – 24 months from listing date

CORPORATE GOVERNANCE

(a) The Board of Directors

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

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

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

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

A summary of the Company's key policies follow.

(b) Board and Senior Executive Evaluation

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

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

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

(c) Code of Conduct

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

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

(d) Continuous Disclosure

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

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

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

CORPORATE GOVERNANCE (Continued)

(e) Selection of External Auditor

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

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

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

(f) Senior Executives Remuneration

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

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

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

(g) Non-executive Directors Remuneration

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

(h) Selection and Appointment of New Directors

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

CORPORATE GOVERNANCE (Continued)

(i) Risk Management

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

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

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

(j) Security Trading

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

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

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

(k) Shareholder Communication Policy

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

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

(l) Independent Professional Advice

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

(m) Matters for Approval by the Board of Directors

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

(n) Explanations for Departure From Best Practice Recommendations

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

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

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

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
1	Lay Solid Foundations for Management and Oversight	<p>The Company has not complied with the recommendations as set out under this Principle as follows:</p> <p>A performance evaluation for senior executives was not undertaken during the reporting period as the Company was listed for less than one year and reviews are annual. A review of Senior Executive performance was undertaken subsequent to the end of the financial year.</p> <p>The Company has a policy for the evaluation of the Board and Senior Executives Evaluation Policy.</p> <p>A policy on matters reserved for the Board is outlined in this Report and is available on the Company's website.</p>	Not applicable
2	Structure the Board to Add Value	<p>The Company does not comply with the following recommendation:</p> <ul style="list-style-type: none"> • A majority of the Board should be independent directors. <p>This is largely as a result of two of the Company's directors, Jim Richards and Andrew James being substantial shareholders while a third director Lisa Wells and Andrew James also perform an executive function within the Company. Director Grant Mooney is considered to be an independent director as he is not substantial shareholder, does not perform an executive role within the organisation, is not a material supplier or customer (including over past 3 years) and have no material contract with the Company.</p> <ul style="list-style-type: none"> • The Board should establish a Nomination Committee. <p>Given the Company's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>In addition to the above, the following information is provided:</p> <p>The skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report.</p> <p>If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice.</p>	<p>The Company deals with the lack of independent directors by ensuring that conflicts of interest are adequately disclosed in accordance with the Company's Code of Conduct. Where adequate skills do not exist within the pool of independent directors, external advice is sought.</p> <p>The Company also maintains a strict policy of disclosure of external interests which may conflict with the core business of the Company. An opportunity to disclose any such matter is provided at each board meeting.</p> <p>The Board, in consultation with external advisers where required, undertakes this role. A separate policy for Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.</p>

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

3	Promote Ethical and Responsible Decision Making	The Company complies with this Principle.	Not applicable.
4	Safeguard Integrity in Financial Reporting	<p>The Company does not comply with the following recommendation:</p> <ul style="list-style-type: none"> • The Board should establish and Audit Committee. <p>The Company does not presently have an Audit Committee.</p> <p>The Company has a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Company's website.</p>	<p>The Directors are of the view that given the size of the Company, the relatively small number of directors and the fact that there is only one independent director, it is not practical to have an Audit Committee. The Board undertakes this role. Independent Director Grant Mooney is a Chartered Accountant with suitable financial experience to provide advice in the areas normally required of an Audit Committee.</p>
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	<p>The Company complies with this Principle.</p> <p>The Board of Directors has received a report from Management in relation to the effectiveness of the Company's management of the Company's material business risks.</p> <p>The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks</p> <p>The Company also has a separate policy in relation to Risk Management which is available on the Company's website.</p>	Not Applicable

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

8	Remunerate Fairly and Responsibly	<p>The Company does not comply with the following recommendation:</p> <ul style="list-style-type: none">• The Board should establish a Remuneration Committee. <p>The Company does not presently have a Remuneration Committee.</p> <p>There is presently no scheme for retirement benefits, other than superannuation for non-executive directors.</p>	<p>The Directors are of the view that given the size of the Company, the relatively small number of directors and the fact that there is only one independent director, it is not practical to have a Remuneration Committee. The Board undertakes this role with the assistance of any external advice which may be required from time to time. The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.</p>
---	-----------------------------------	--	---