

8 May 2013

Dear Security Holder

NON-RENOUCEABLE ENTITLEMENT ISSUE

On 8 May 2013, Phosphate Australia Limited ("**Company**") lodged an offer document ("**Offer Document**") with ASX Limited ("**ASX**") for a pro-rata non-renounceable entitlement issue of approximately 40,292,083 ordinary fully paid shares in the Company ("**Shares**"), on the basis of one (1) Share for every three (3) Shares held on 17 May 2013 ("**Record Date**"), to be issued at 1 cent per Share to raise approximately \$402,921 before costs ("**Rights Issue**").

A full copy of the Offer Document will be mailed on or about 23 May 2013 to all Shareholders with a registered address in Australia or New Zealand at the Record Date ("**Eligible Shareholders**").

The Offer Document is available on the ASX website at www.asx.com.au or the Company's website at www.phosphateaustralia.com.au.

The rights issue is partly underwritten by the directors or entities associated with the directors of the Company up to a total amount of \$200,000. The directors and entities associated with the directors will not receive any underwriting fees.

The timetable for the Rights Issue is as follows:

Ex Date (the date from which securities commence trading without the entitlement to participate in the rights issue)	13 May 2013
Record Date for determining entitlements of Eligible Shareholders to participate in the Rights Issue	17 May 2013
Offer Document despatched and Opening Date	23 May 2013
Closing Date	6 June 2013
Deferred Settlement Trading	7 June 2013
Notification of Undersubscriptions to ASX	12 June 2013
Despatch Shareholder Notices and Deferred Settlement Trading Ends	17 June 2013
Normal Trading	18 June 2013

Note: These dates are determined based upon the current expectations of the Directors and may, subject to the Listing Rules, be changed without notice. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Shares are expected to commence trading on ASX may vary.

It is intended that the proceeds from the Rights Issue will be used for:

- advancing the Tuckanarra Gold Project;
- general working capital;
- payment of the costs of the rights issue process.

The capital structure of the Company post-completion of the Rights Issue will be as follows:

Description	Shares	Options
Securities on issue pre Rights Issue	120,876,250	7,750,000
Securities issued pursuant to Rights Issue	40,292,083	Nil
Total securities on issue post-completion	161,168,333	7,750,000

Application will be made to the ASX for official quotation of the Shares offered under the Rights Issue. In the calculation of any entitlement, fractions will be rounded down to the nearest whole number. No shareholder approval is required to the Right Issue.

Overseas Shareholders

The offer is only made to Eligible Shareholders (shareholders with a registered address in Australia or New Zealand at the Record Date). Therefore, if you are a shareholder with a registered address other than in Australia or New Zealand, no offer will be made to you. In making this decision, the Directors have taken into account the small number of overseas Shareholders and the costs and administrative complexity of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

Option Holders Only

Existing option holders may participate in the Rights Issue upon exercise of their options. There are no participating rights or entitlements inherent in the options and you are not entitled to participate in new issues of capital offered to shareholders during the currency of your options. You have the ability to exercise your options prior to the Record Date, being 17 May 2013, which will entitle you to participate in the entitlements issue. Please contact the share registry, Link Market Services Limited (telephone 1300 554 474) if you wish to exercise your options.

If you have any queries concerning your entitlement or participation in the Rights Issue, please do not hesitate to contact the Company.

Yours faithfully



Jim Richards
Executive Chairman