



PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

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CORPORATE DIRECTORY

Directors

Jim Richards
Chairman

Andrew James
Managing Director

Lisa Wells
Exploration Director

Grant Mooney
Non-Executive Director
& Company Secretary

ASX Code

POZ

ABN

51 129 158 550

Website & Email

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Email: info@phosphateaustralia.com.au

Principal Place of Business

Ground Floor, 41-47 Colin Street
West Perth WA 6005
Phone: +61 (8) 9422 9555
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Registered Office

Suite 4, 6 Richardson Street
West Perth WA 6005
Phone: +61 (8) 9322 6811
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Share Registry

Link Market Services
Ground Floor, 178 St Georges Terrace
Perth WA 6000
Phone: 1300 554 474
Fax: + 61 (2) 9287 0303

Auditors

Deloitte Touche Tohmatsu
Woodside Plaza
Level 14, 240 St Georges Terrace
Perth WA 6000
Phone: +61 (8) 9365 7000
Fax: +61 (8) 9365 7001

DIRECTORS' REPORT
30 JUNE 2010

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 2010. 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 21 years experience in exploration for a wide variety of commodities.

Prior to the ASX listing of Phosphate Australia, Mr Richards was the chief executive officer and director of United Minerals Corporation NL ("UMC"). At UMC, Mr Richards led the technical team that discovered the high grade iron 'Railway Deposit' in the Pilbara. BHP Billiton acquired the Railway Deposit in February 2010 by a take-over of UMC for AUD\$204 million

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 41 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 2010

MS LISA WELLS (Age 39 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 43 years)
B.Bus, CA
Director & Company Secretary

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

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

Currently, Mr Mooney serves as a director and company secretary to several ASX listed companies including resources company Barra Resources Limited, Wild Acre Metals Limited and renewable energy company Carnegie Wave Energy 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 Wave Energy Limited	19 February 2008 to the present
	Wild Acre Metals Limited	1 May 2007 to the present

DIRECTORS' REPORT
30 JUNE 2010

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	Ordinary Shares granted during year	Options (Unlisted)	Options granted during year
James Richards (i)	15,000,000	-	6,350,000	350,000
Andrew James (ii)	20,050,000	-	9,500,000	500,000
Lisa Wells (iii)	2,250,000	-	2,500,000	500,000
Grant Mooney (iv)	262,500	-	850,000	350,000

- (i) James Richards holds 15,000,000 shares and 6,000,000 options in his own name. Herma Glen, spouse of James Richards holds 350,000 options.
- (ii) Andrew James holds 20,000,000 shares and 9,000,000 options in his own name. Stephen James, father of Andrew James holds 50,000 shares. Bronwyn James, spouse of Andrew James holds 500,000 options.
- (iii) Lisa Wells holds 2,000,000 shares and 2,000,000 options in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 shares and 500,000 options.
- (iv) Grant Mooney holds 12,500 shares and 350,000 options 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 2010 was \$1,003,918 (2009: \$632,638 loss).

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2010:

- metallurgical testwork program was ongoing with the aim of beneficiating the Highland Plains rock phosphate to produce a high grade, premium product. The Company's metallurgy consultants, Orway Mineral Consultants in conjunction with Amdel Laboratories continued conducting the work with a final report in progress detailing options for the next phase of metallurgical investigations required to take the project to the pre-feasibility stage.
- In September 2009, groundwater drilling investigations were conducted at Highland Plains, coordinated by the Company's hydrogeological consultants, Klohn Crippen Berger Ltd. This work has indicated there is ample water in the area to support a mining operation and associated slurry pipeline.
- An Engineering logistics study reviewed options for a logistics solution to the Highland Plains project that could be used for moving beneficiated rock phosphate to the coast, culminating in a slurry pipeline study was commissioned to analyse the potential costs of using slurry to transport up to 3 million tonnes per annum of beneficiated rock. Independent Consultants, Slurry Systems Pty Limited were contracted to undertake the work.

DIRECTORS' REPORT
30 JUNE 2010

REVIEW OF OPERATIONS (continued)

- During October 2009 an on the ground flora and fauna survey was conducted by the Company's Environmental Consultants, EcOZ Environmental. In April 2010, an end of wet season flora and fauna survey was completed to follow up on the Consultant's recommendations. This work also confirmed the findings from the dry season survey. The recommendations given from the survey have been implemented into the Company's Environmental Management Plans.
- In May 2010, Gresham Advisory Partners Limited ("Gresham") were appointed to assist the Company in the search for a Strategic Partner that would help in the development of the Company's phosphate assets focusing on Highland Plains.
- The Company has exchanged Confidentiality Agreements with a number of groups and has supplied data to enable interested parties to consider an potential involvement in the Highland Plains project.
- Preparations for future exploration activities on regional areas of tenement EL25068 (host to the Highland Plains project), tenements to the North of EL25068 on Aboriginal Freehold land, and tenement EL25600 which contains the phosphate target areas known as Buchanan Dam, Alroy and Alexandria, were conducted through the reporting year.
- Two field trips were conducted for the purposes of exploring tenement EL25068 for its iron potential. The focus of this work was to delineate potential iron target areas and map and sample these areas. Rock chip assays of up to 63.7% with low levels of phosphorous have been identified from this work. The area is prospective for Clinton style oolitic iron mineralization. Mapping by the NTGS has confirmed that the host unit for the iron ore deposits is similar to those of the Constance Range iron ore deposits occurring over the border in Queensland.

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 matter or circumstance subsequent to the end of the year that has significantly affected the operations of the company, the results of operations or the state of affairs in future financial years.

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.

DIRECTORS' REPORT
30 JUNE 2010

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
2,100,000	30 cents	23 October 2012
400,000	20 cents	30 June 2013

No shares were issued during or since the end of the financial year as a result of the exercise of options.

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' MEETINGS

There were 7 Directors' meetings held during the year ended 30 June 2010. 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	7	7
Andrew James	7	7
Lisa Wells	6	7
Grant Mooney	7	7

There were also three (3) circular resolutions passed by the Board of Directors during the year (2009: One (1)).

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.

DIRECTORS' REPORT
30 JUNE 2010

REMUNERATION REPORT (continued)
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.

The following were Directors and Senior Management 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*)

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	% of Total consisting of Option
		Salary & Fees	Bonus	Super-annuation	Options		
		\$	\$	\$	\$	\$	
Directors							
James Richards	2010	80,000	-	7,200	49,385	136,585	36%
	2009	73,333	-	6,600	-	79,933	0%
Andrew James	2010	230,000	-	20,700	70,550	321,250	22%
	2009	210,833	-	18,975	-	229,808	0%
Lisa Wells	2010	200,000	-	18,000	70,550	288,550	24%
	2009	183,333	-	16,500	-	199,833	0%
Grant Mooney	2010	40,000	-	3,600	49,385	92,985	53%
	2009	25,161	-	2,265	-	27,426	0%
TOTAL	2010	550,000	-	49,500	239,870	839,370	29%
TOTAL	2009	492,660	-	44,340	-	537,000	0%

DIRECTORS' REPORT
30 JUNE 2010

REMUNERATION REPORT (continued)

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

During the financial year, the following share based payment arrangements were in existence for directors and senior management:

Options Series	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Issued 7 May 2008	07/05/2008	31/07/2012	\$0.05	07/05/2010
Issued 21 October 2009	21/10/2009	23/10/2012	\$0.1411	23/10/2012

During and since the end of the financial year an aggregate of 1,700,000 share options were granted to the following directors as part of their remuneration. Each option provides a right to one share in the company.

Name of Director	Option Series	Exercise Price	Number granted	Number vested	% of grant vested	% of grant forfeited	Value of options granted	% of compensation for the year consisting of options
James Richards	Issued 21 Oct 2009	\$0.30	350,000	350,000	100%	n/a	\$49,385	36%
Andrew James	Issued 21 Oct 2009	\$0.30	500,000	500,000	100%	n/a	\$70,550	22%
Lisa Wells	Issued 21 Oct 2009	\$0.30	500,000	500,000	100%	n/a	\$70,550	24%
Grant Mooney	Issued 21 Oct 2009	\$0.30	350,000	350,000	100%	n/a	\$49,385	53%

No amounts were paid or payable by the recipients on the options issued. The options vest immediately and have an expiry date of 23 October 2012. No options were exercised during the year. The company does not have a policy for limiting the exposure to risk for the Directors and Senior Management in relation to the securities issued as a part of remuneration.

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.

Remuneration levels, shares and options granted are not dependent upon any performance criteria as the nature of the company's operations are exploration, and they are not generating profit.

DIRECTORS' REPORT
30 JUNE 2010

REMUNERATION REPORT (continued)

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 director or member of senior management 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.

NON AUDIT SERVICES

The directors are satisfied that the provision of non audit services, during the year, by the auditor Deloitte Touche Tohmatsu, and the previous 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.

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 ~~20th September~~ ²⁰¹⁰ in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



JAMES RICHARDS
Chairman



ANDREW JAMES
Managing Director

The Board of Directors
Phosphate Australia Limited
Suite 4, 6 Richardson Street
WEST PERTH WA 6005

20 September 2010

Dear Board Members

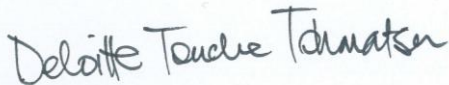
Phosphate Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Phosphate Australia Limited.

As lead audit partner for the audit of the financial statements of Phosphate Australia Limited for the financial year ended 30 June, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	30 June 2010 \$	30 June 2009 \$
Other revenues from ordinary activities	3	280,588	431,130
Total Revenue	3	280,588	431,130
Employee benefits expense		(759,208)	(408,052)
Depreciation expense	4	(228,367)	(169,886)
Rental expenses	4	(156,036)	(81,943)
Administration expenses		(478,900)	(403,887)
Total Expenses		(1,622,511)	(1,063,768)
Loss before income tax expense		(1,341,923)	(632,638)
Income tax benefit	5	338,005	-
Loss for the year		(1,003,918)	(632,638)
Other Comprehensive Income / (Loss)		-	-
Total Comprehensive Loss for the year		(1,003,918)	(632,638)
Basic loss per share (cents per share)	22	(0.939)	(0.668)
Diluted loss per share (cents per share)	22	(0.939)	(0.668)

The accompanying notes form part of these financial statements.

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	30 June 2010 \$	30 June 2009 \$
CURRENT ASSETS			
Cash and cash equivalents	8	5,823,062	5,057,270
Trade and other receivables	9	403,378	110,595
Prepayments	10	61,608	1,271
Other Financial Assets	11	155,840	1,826
TOTAL CURRENT ASSETS		6,443,888	5,170,962
NON CURRENT ASSETS			
Property, plant and equipment	12	1,045,377	1,069,830
Exploration and evaluation expenditure	13	4,962,376	3,128,232
TOTAL NON CURRENT ASSETS		6,007,753	4,198,062
TOTAL ASSETS		12,451,641	9,369,024
CURRENT LIABILITIES			
Trade and other payables	14	397,434	303,428
Provisions	15	72,845	36,989
TOTAL LIABILITIES		470,279	340,417
NET ASSETS		11,981,362	9,028,607
EQUITY			
Issued capital	16	13,328,696	9,692,004
Share option reserve	17	346,957	26,976
Accumulated losses	18	(1,694,291)	(690,373)
TOTAL EQUITY		11,981,362	9,028,607

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 2010

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance as at 1 July 2008	9,692,004	3,144	(57,735)	9,637,413
Loss for the year	-	-	(632,638)	(632,638)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(632,638)	(632,638)
Transactions with owners in their capacity as owners				
Options expensed for year	-	23,832	-	23,832
Balance as at 30 June 2009	9,692,004	26,976	(690,373)	9,028,607
Balance as at 1 July 2009	9,692,004	26,976	(690,373)	9,028,607
Loss for the year	-	-	(1,003,918)	(1,003,918)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,003,918)	(1,003,918)
Transactions with owners in their capacity as owners				
Shares issue at \$0.27 on 21 August 2009	3,834,338	-	-	3,834,338
Share issue costs	(197,646)	-	-	(197,646)
Options expensed for year	-	319,981	-	319,981
Balance as at 30 June 2010	13,328,696	346,957	(1,694,291)	11,981,362

The accompanying notes form part of these financial statements

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	30 June 2010 \$	30 June 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(938,720)	(765,012)
Interest received		280,595	408,087
Interest Paid		(14)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	(658,139)	(356,925)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(224,176)	(1,350,183)
Payments for exploration, evaluation and development expenditure		(1,834,143)	(2,707,356)
Deposits paid		(154,442)	(15,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,212,761)	(4,072,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,834,338	-
Share applications refundable		-	(129,000)
Share issue expenses		(197,646)	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		3,636,692	(129,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		765,792	(4,558,464)
Cash and cash equivalents at the beginning of the year		5,057,270	9,615,734
Cash and cash equivalents at the end of the year	8	5,823,062	5,057,270

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Note 1. CORPORATE INFORMATION

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

The address of the registered office and the principal place of business are disclosed on the contents page.

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 2010 was authorised for issue in accordance with a resolution of the directors on 20 September 2010.

(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

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The following new and revised Standards and Interpretations have been adopted in the current period but have not had an effect on amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set on the following page.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

AASB 101 <i>Presentation of Financial Statements</i> (as revised in September 2007), AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i> and AASB 2007-10 <i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 <i>Operating Segments</i>	Disclosures relating to this standard have been reviewed, and no effect has been recognised in the financial statements.
AASB 2009-2 <i>Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments</i>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 <i>Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations</i>	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 123 <i>Borrowing Costs</i> (as revised in 2007) and AASB 2007-6 <i>Amendments to Australian Accounting Standards arising from AASB 123</i>	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
AASB 2008-8 <i>Amendments to Australian Accounting Standards – Eligible Hedged Items</i>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i> and AASB 2008-13 <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-cash Assets to Owners</i>	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
Interpretation 18 <i>Transfers of Assets from Customers</i>	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with AASB 118 <i>Revenue</i> .

**NOTES TO AND FORMING PART OF THE
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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 2010. These are outlined in the table below:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2010	30 June 2011
<i>AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions</i>	1 January 2010	30 June 2011
<i>AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues</i>	1 February 2010	30 June 2011
<i>AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
<i>AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
<i>AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011	30 June 2011
<i>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	30 June 2011

(c) 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.

(d) 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 short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long term employee benefits 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.

(e) 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.

**NOTES TO AND FORMING PART OF THE
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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.

(f) 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.

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 profit or loss, except when it relates to items credited or debited to profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, 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.

(g) 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.

(h) 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 term 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:

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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(i) 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.

(j) 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.

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

(l) Exploration and evaluation

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

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

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

- the period for which the Company has the right to explore in the specific area has expired during the 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 a decision is made to proceed with development in respect of a particular area of interest, the accumulated costs for the relevant area of interest are tested for impairment and the balance is then transferred to development assets.

**NOTES TO AND FORMING PART OF THE
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(m) 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.

(n) 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.

(o) 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.

(p) 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
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Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

(q) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible 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 inflows 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 profit or loss 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 profit or loss immediately.

(r) 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 statement of financial position 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.

**NOTES TO AND FORMING PART OF THE
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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.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on the grant date 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 the grant date 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
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**NOTES TO AND FORMING PART OF THE
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Note 3. Revenue from Ordinary Activities	30 June 2010	30 June 2009
	\$	\$
Other Revenue		
Interest received from financial institutions	280,588	431,130
Total Revenue	280,588	431,130

Note 4. Loss from Ordinary Activities

Expenses		
Depreciation / amortisation of non-current assets	228,367	169,886
Rental expense on operating leases	141,713	66,236
Annual leave charges	35,855	36,399
Share based payment expenses	319,981	23,832

Note 5. Income Tax	30 June 2010	30 June 2009
	\$	\$

(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	(1,341,923)	(632,638)
Income tax expense calculated at 30% (2009: 30%)	(402,577)	(189,791)
Non deductible expenses	94,926	7,182
Temporary differences not brought to account as a deferred tax asset	(11,156)	(18,596)
Adjustments in respect of previous current income tax	(338,005)	-
Tax losses not brought to account as a deferred tax asset	318,807	201,205
Income tax expense at effective rate of 29.9% (2009: 0%)	(338,005)	-

(b) Deferred Tax liability

Exploration and Evaluation	1,488,713	940,786
Add: Other	9,689	9,664
	1,498,402	950,450

(c) Deferred tax assets

Temporary differences	-	11,097
Tax losses – revenue	1,498,402	939,353
Deferred tax assets recognised	1,498,402	950,450

Not recognised:

Unrecognised tax losses	(318,807)	(244,260)
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Note 5 Income Tax (continued)

The deferred tax asset arising from the tax losses has not been recognised as an asset in the statement of financial position 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. Key Management Personnel Compensation

The compensation paid to Key Management Personnel of the Company for is set out below:

		Short-term employee benefits		Post-employment benefits	Share-based payments	Total	% of Total consisting of Option
		Salary & Fees	Bonus	Super-annuation	Options (i)		
		\$	\$	\$	\$	\$	
Directors							
James Richards	2010	80,000	-	7,200	49,385	136,585	36%
	2009	73,333	-	6,600	-	79,933	0%
Andrew James	2010	230,000	-	20,700	70,550	321,250	22%
	2009	210,833	-	18,975	-	229,808	0%
Lisa Wells	2010	200,000	-	18,000	70,550	288,550	24%
	2009	183,333	-	16,500	-	199,833	0%
Grant Mooney	2010	40,000	-	3,600	49,385	92,985	53%
	2009	25,161	-	2,265	-	27,426	0%
TOTAL	2010	550,000	-	49,500	239,870	839,370	29%
TOTAL	2009	492,660	-	44,340	-	537,000	0%

(i) The options were granted on 21 October 2009, further details are discussed in Note 17 of the financial statements.

Note 7. Auditors Remuneration

Amounts received, or due and receivable by the former auditors, PKF Chartered Accountants, for audit or review of the financial report

	30 June 2010	30 June 2009
	\$	\$
• Taxation services	17,810	3,000
• Audit	26,763	26,710
• GST advice	-	3,569
	44,573	33,279

Amounts received, or due and receivable by the current auditors, Deloitte Touche Tohmatsu, for audit or review of the financial report

19,000	-
63,573	33,279

During the financial year the auditor was PKF Chartered Accountants. From July 2010, the auditor for Phosphate Australia Limited is Deloitte Touche Tohmatsu.

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**NOTES TO AND FORMING PART OF THE
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Note 8. Cash and Cash Equivalents

Cash at bank	5,823,062	5,057,270
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CASH FLOW INFORMATION

Reconciliation of the loss from continuing operations after income tax to the net cash flows from operating activities.

	(1,003,918)	(632,638)
- Loss from continuing operations after income tax	(271,975)	(24,717)
- Increase in debtors	(60,337)	13,652
- (Increase)/decrease in prepayments	94,006	56,662
- Increase in trade creditors	228,249	169,886
- Depreciation expense	319,981	23,832
- Share based payments	35,855	36,398
- Employee benefits accrued		

NET CASH FLOWS USED IN OPERATING ACTIVITIES	(658,139)	(356,925)
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CASH AT BANK	5,823,062	5,057,270
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Note 9. Trade and Other Receivables

Current

Interest receivable	32,296	32,290
Australian Taxation Office receivable	317,026	-
Other debtors	54,056	78,305
	403,378	110,595

Note 10. Prepayments

Prepayments	61,608	1,271
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Note 11. Other Financial Assets

Deposits paid	155,840	1,826
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Note 12. Property, Plant & Equipment

	30 June 2010	30 June 2009
	\$	\$
Cost	1,444,932	1,241,136
Accumulated depreciation	(399,555)	(171,306)
	1,045,377	1,069,830
Land and Buildings	497,183	501,656
Plant and Equipment	164,952	199,776
Motor Vehicles	339,941	364,126
Fixtures & Fittings	43,301	4,272
	1,045,377	1,069,830

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**NOTES TO AND FORMING PART OF THE
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Note 12. Property, Plant & Equipment (continued)

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor Vehicles</i>	<i>Fixtures & Fittings</i>	<i>Total</i>
<i>Cost</i>					
Balance as at 1 July 2008	-	11,535	-	-	11,535
Additions	574,919	258,220	391,792	4,670	1,229,601
Balance as at 30 June 2009	574,919	269,755	391,792	4,670	1,241,136
Additions	86,462	67,347	8,977	41,832	204,618
Disposals	(822)	-	-	-	(822)
Balance as at 30 June 2010	660,559	337,102	400,769	46,502	1,444,932
<i>Accumulated Depreciation</i>					
Balance as at 1 July 2008	-	(1,419)	-	-	(1,419)
Depreciation	(73,263)	(68,560)	(27,666)	(398)	(169,887)
Balance as at 30 June 2009	(73,263)	(69,979)	(27,666)	(398)	(171,306)
Depreciation	(90,232)	(102,171)	(33,161)	(2,803)	(228,367)
Eliminated on disposal	118	-	-	-	118
Balance as at 30 June 2010	(163,377)	(172,150)	(60,827)	(3,201)	(399,555)

Note 13. Exploration and Evaluation Expenditure	30 June 2010	30 June 2009
	\$	\$
Opening balance Exploration and evaluation expenditure	3,128,232	106,007
Exploration and evaluation expenses capitalised during year/period	1,834,144	3,022,225
Less: impairment	-	-
Closing balance Exploration and evaluation expenditure	4,962,376	3,128,232

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 outcomes of native title issues (Refer Note 24).

Note 14. Trade and Other Payables	30 June 2010	30 June 2009
	\$	\$
Trade Creditors	294,826	160,566
Payroll accruals	84,020	114,397
Other Creditors	18,588	28,465
	397,434	303,428

The average credit period on purchases is 60 days. There is no interest charged on payables.

Note 15. Provisions

Employee entitlements – annual leave accrued	72,485	36,989
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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Note 16. Issued Capital	Number	\$
Opening balance 1 July 2008	94,675,000	9,692,004
Movements	-	-
Less: Share issue costs	-	-
Closing Balance 30 June 2009	94,675,000	9,692,004
Share placement – 21 August 2009	14,201,250	3,834,337
Less: Share issue costs	-	(197,645)
Closing balance 30 June 2010	108,876,250	13,328,696

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	23 October 2012	30 June 2010
Exercise price	\$0.20 (Directors)¹	\$0.20 (Other)²	\$0.20 (Employee & consultant)³	\$0.20 (Employee under ESOP)⁴	\$0.30 (Directors⁶ and Employee under ESOP)⁷	\$0.20 (Employee under ESOP)⁸
On issue at the beginning of the year	17,000,000	5,000,000	850,000	150,000	-	-
Directors option issue	-	-	-	-	1,700,000	-
Employee option issue	-	-	-	-	400,000	-
Employee option issue – 30 June 2008	-	-	-	-	-	400,000
Outstanding at balance date	17,000,000	5,000,000	850,000	150,000	2,100,000	400,000

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. The terms of the transfer did not require a modification to the option term, expiry date or escrow period. The shares vested immediately.
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 and vest immediately.
5. There are no rights to dividends or voting on the above options.
6. Directors' options are exercisable at 30 cents each, by the expiry date noted above. The shares vest immediately.
7. Employee options are exercisable at 30 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 and vest immediately.
8. Employee options are exercisable at 30 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. Of the 400,000 shares, 150,000 shares vest immediately, and the remaining 250,000 shares have a 6 month vesting period beginning 30 June 2010.

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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Note 17. Share Option Reserve

	30 June 2010	30 June 2009
	\$	\$
Opening Balance	26,976	3,144
Directors option issue – 26 March 2008	-	-
Employee and consultants option issue – 7 May 2008	18,105	21,251
Employee option issue – 30 June 2008	7,829	2,581
Directors option issue – 21 October 2009	239,870	-
Employee option issue – 18 December 2009	48,880	-
Employee option issue – 30 June 2010	5,297	-
	346,957	26,976
Closing balance	346,957	26,976

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

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

INPUT	DIRECTOR OPTIONS	EMPLOYEE OPTIONS	EMPLOYEE OPTIONS	DIRECTORS OPTIONS	EMPLOYEE OPTIONS	EMPLOYEE OPTIONS
Exercise Price	\$0.20	\$0.20	\$0.20	\$0.30	\$0.30	\$0.20 (i)
Share price	\$0.001	\$0.10	\$0.20	\$0.24	\$0.24	\$0.115
Grant date	26-Mar-08	7-May-08	30-Jun-08	21-Oct-09	18-Dec-09	30-Jun-10
Expected volatility (ii)	88%	88%	100%	100%	100%	66.67%
Expiry date	31-Jul-12	31-Jul-12	11-Aug-10	23-Oct-12	23-Oct-12	30-Jun-13
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	6.12%	6.28%	6.83%	3%	3%	3%
Value per option	\$0.00	\$0.05	\$0.0694	\$0.1411	\$0.1222	\$0.0350
Number of options	22,000,000	850,000	150,000	1,700,000	400,000	400,000
Value of options	\$0.00	\$42,500	\$10,410	\$239,870	\$48,880	\$14,000

(i) The value of 250,000 out of the 400,000 employee options exercisable at 20 cents will be expensed over 6 months in line with the period over which the vesting conditions apply, which commences on grant date of the options. The remaining 150,000 shares vested immediately.

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

Note 18. Accumulated Losses

	30 June 2010	30 June 2009
	\$	\$
Balance at the beginning of the year	(690,373)	(57,735)
Net loss for the year	(1,003,918)	(632,638)
	(1,694,291)	(690,373)
Balance at the end of the year	(1,694,291)	(690,373)

**NOTES TO AND FORMING PART OF THE
 FINANCIAL STATEMENTS
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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.

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	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2009
James Richards (i)	20,000,000	-	-	(5,000,000)(v)	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.
- (v) Pursuant to a voluntary court order dated 7 October 2008, James Richards transferred 5,000,000 shares.

2010

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2010
James Richards (i)	15,000,000	-	-	-	15,000,000
Andrew James (ii)	20,050,000	-	-	-	20,050,000
Lisa Wells (iii)	2,250,000	-	-	-	2,250,000
Grant Mooney (iv)	262,500	-	-	-	262,500

- (i) James Richards holds 15,000,000 shares in his own name.
- (ii) Andrew James holds 20,000,000 shares in his own name. Stephen James, father of Andrew James holds 50,000 shares.
- (iii) Lisa Wells holds 2,000,000 shares in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 shares.
- (iv) Grant Mooney holds 12,500 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares.

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

Executive unlisted share options issued by Phosphate Australia Limited

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

2009

Directors	Balance as at beginning of year	Transferred (v)	Balance vested at 30 June 2009	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards (i)	10,000,000	(4,000,000)	6,000,000	-	6,000,000	-
Andrew James(ii)	10,000,000	(1,000,000)	9,000,000	-	9,000,000	-
Lisa Wells (iii)	2,000,000	-	2,000,000	-	2,000,000	-
Grant Mooney (iv)	500,000	-	500,000	-	500,000	-

(i) As at 30 June 2009 James Richards holds 6,000,000 options in his own name.

(ii) As at 30 June 2009 Andrew James holds 9,000,000 options in his own name.

(iii) As at 30 June 2009 Lisa Wells holds 2,000,000 options in her own name.

(iv) As at 30 June 2009 a company in which Grant Mooney is the sole director, Mooney & Partners Pty Ltd holds 500,000 options.

(v) Pursuant to a voluntary court order dated 7 October 2008, James Richards transferred 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.

2010

Directors	Balance as at beginning of year	Granted as compensation	Balance vested at 30 June 2010	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards (i)	6,000,000	350,000	6,350,000	-	6,350,000	350,000
Andrew James(ii)	9,000,000	500,000	9,500,000	-	9,500,000	500,000
Lisa Wells (iii)	2,000,000	500,000	2,500,000	-	2,500,000	500,000
Grant Mooney (iv)	500,000	350,000	850,000	-	850,000	350,000

(i) As at 30 June 2010 James Richards holds 6,000,000 options in his own name. His spouse holds 350,000 options.

(ii) As at 30 June 2010 Andrew James holds 9,000,000 options in his own name. His spouse holds 500,000 options.

(iii) As at 30 June 2010 Lisa Wells holds 2,000,000 options in her own name. Margaret Wells, Lisa's mother holds 500,000 options.

(iv) As at 30 June 2010 Grant Mooney holds 350,000 options in his own name. Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 500,000 options.

Transactions with director related entities

- (c) During the financial year a company associated with Lisa Wells provided a credit of \$10,000 to the company for drilling and associated costs invoiced in the prior financial year (2009: was paid \$553,209).

During the year, companies associated with Grant Mooney were paid for company secretarial and bookkeeping/accounting services provided to the Company totalling \$89,039 (2009: \$154,683).

During the year, companies associated with Grant Mooney were paid for rental of office premises totalling \$15,416 (2009: 61,142) pursuant to lease and sub-lease arrangements.

**NOTES TO AND FORMING PART OF THE
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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. All financial assets and liabilities are held at amortised cost.

Capital Risk Management

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.

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt equity balance. The company's focus has been to raise sufficient funds through equity to fund exploration activities.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16, 17 and 18 respectively. The company is not subject to externally imposed capital requirements."

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.

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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:

2010	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial assets:					
Cheque account	-	-	-	48,832	48,832
Savings accounts	4.5%	-	3,519,230	-	3,519,230
Term deposits	5.94%	2,255,000	-	-	2,255,000
Receivables	-	-	-	403,378	403,378
		2,255,000	3,519,230	452,210	6,226,440
Financial liabilities:					
Accounts payable	-	-	-	397,434	397,434
		-	-	397,434	397,434

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

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 movement of 10 basis points 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 remain constant.

	Profit or loss		Retained Earnings	
	+10% \$	-10% \$	+10% \$	-10% \$
2010				
Cash and cash equivalents	29,224	(29,224)	29,224	(29,224)
2009				
Cash and cash equivalents	20,351	(20,351)	20,351	(20,351)

**NOTES TO AND FORMING PART OF THE
 FINANCIAL STATEMENTS
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(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:

	2010	2009
	\$	\$
Cash and cash equivalents	5,823,062	5,057,270
Trade and other receivables	403,378	110,595
	6,226,440	5,167,865

(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) 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

	2010	2009
	cents	cents
Basic (loss) per share (cents per share)	(0.939)	(0.0668)
Diluted (loss) per share (cents per share)	(0.939)	(0.0668)
Basic Earnings per Share	2010	2009
	\$	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(1,003,918)	(632,638)
	2010	2009
	No.	No.
Weighted average number of ordinary shares	106,891,966	94,675,000

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
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Note 23. Significant Events Subsequent to Year End

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.

	2010	2009
	\$	\$
1. Operating Lease Commitment as follows:		
<u>Office Rental</u>		
- Due within 1 year	184,755	24,491
- Due 1 to 5 years	230,945	-
 <u>Other Commitments</u>		
- Due within 1 year	37,500	21,960
- Due 1 to 2 years	-	3,660

2. Exploration Expenditure Commitments:

The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected for the next 12 months if it is to retain all of its present interests in mining and exploration properties is \$716,190* (2009: \$337,000).

* The Company has not yet received confirmation of the minimum expenditure in relation to EL25068. The company has submitted a budget to the Department of Resources (Northern Territory) but is awaiting a response. Therefore the commitments shown are based on management's best estimates of the expected minimum commitment.

DIRECTORS' DECLARATION

The Directors of Phosphate Australia Limited declare that:

- a) 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;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company
- c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2(b) to the financial statements; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

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 20th September 2010

Independent Auditor's Report to the Members of Phosphate Australia Limited.

We have audited the accompanying financial report of Phosphate Australia Limited which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 34.

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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the 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.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

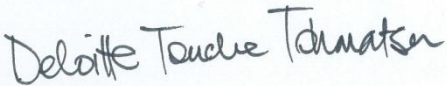
- (a) the financial report of Phosphate Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian 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.

Report on the Remuneration Report

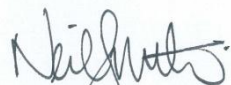
We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Phosphate Australia Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith

Partner

Chartered Accountants

Perth, Western Australia 20th September 2010

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 17 September 2010.

Spread of Holdings	Ordinary Shares
1 - 1,000	38,147
1,001 - 5,000	608,133
5,001 - 10,000	1,965,121
10,001 - 100,000	19,331,636
100,001 - and over	86,944,213

Number of Holders 1,096

Number of shareholders holding less than a marketable parcel: 165

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 / TOTAL SHARES ON ISSUE

Listed on the Australian Securities Exchange are 108,876,250 fully paid shares.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

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

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

Currently, Mr Mooney serves as a director and company secretary to several ASX listed 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
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TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES (as at 17 September 2010)

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
Ms Anne Marie Hutchings	3,288,400	3.02
Lisa Kathleen Wells	2,000,000	1.84
Dale Leonard Andrews <Dog Star Super Fund A/c>	2,000,000	1.84
Cleland Projects Pty Ltd <Investment A/c>	1,250,000	1.15
Sam John & Lynette Ruby Sammut <Rama Super Fund A/c>	1,190,000	1.09
Tony Aloisi, Jane Rosemary Searles & Isobel Searles <Yu Khen Investment A/c>	988,250	0.91
Medilite Engineering Pty Ltd <Medilite Super Fund A/c>	750,000	0.69
JWP Pty Ltd <JWP Super Fund A/c>	750,000	0.69
Seven Sands Pty Ltd	750,000	0.69
LXL Pty Ltd	750,000	0.69
Jillian Patricia Andrews	730,000	0.67
Pyromallis Nominees Pty Ltd	700,000	0.64
Joan Deshan & Thomas Christopher Jessup <The Joan Deshan S/F A/c>	650,000	0.60
Okcin Holdings Pty Ltd <Okcin Investment A/c>	645,495	0.59
Virginia Warnecke	617,000	0.57
S & S Securities Pty Ltd <The Will & Lovett Super Fund A/c>	550,000	0.51
Total	63,718,664	58.54

**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	Directors Options 21 Oct 2009	ESOP Options 21 Oct 2009	ESOP Options 30 Jun 2010
James Richards	6,000,000	-	-	350,000	-	-
Andrew James	9,000,000	-	-	500,000	-	-
United Minerals Corporation NL	-	5,000,000	-	-	-	-
Lisa Wells	2,000,000	-	-	500,000	-	-
Grant Mooney	-	-	500,000	350,000	-	-
Doug Kirby	-	-	350,000	-	200,000	-
Sarah Tomas	-	-	-	-	200,000	150,000
Michael Denny	-	-	-	-	-	250,000
	17,000,000	5,000,000	850,000	1,700,000	400,000	400,000

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, Deloitte Touche Tohmatsu 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.

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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. 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. • The Board should establish a Nomination Committee. Given the Company's size, it is not considered necessary to have a separate Nomination Committee. In addition to the above, the following information is provided: The skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report. 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>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. 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>

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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

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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>
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