

# PHOSPHATE AUSTRALIA LIMITED

ABN 51 129 158 550

## ANNUAL REPORT 2012



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## CORPORATE DIRECTORY

### Directors

Jim Richards - Chairman

Andrew James - Managing Director

Grant Mooney - Non-Executive Director  
& Company Secretary

ASX Code: POZ

ABN: 51 129 158 550

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Dear fellow shareholder,

I am pleased to present the fifth Annual Report of Phosphate Australia Limited for the year ended June 30th 2012.

A leading aim over the last twelve months, has been to find a strategic partner to assist with the development of our advanced and 100%-owned Highland Plains phosphate project in the Northern Territory (JORC compliant Inferred Resource of 56 million tonnes (Mt) at 16% P<sub>2</sub>O<sub>5</sub>).

This process has proven lengthier and more frustrating than the Board had anticipated. However, we continue to be in communication with various groups and are still hopeful of securing a partner for what would be a transformative deal for our Company.

Concurrent with this, the Company has continued to pursue other mineral opportunities. In particular, the acquisition in August last year of the Tuckanarra Gold Project (100% POZ) in the prolific Murchison gold region of Western Australia. The Board is very pleased with the rapid progress to date at Tuckanarra which includes:

- Granting of the main project tenements.
- Securing all required permitting for ongoing work.
- Successful execution of three drilling programs.
- Implementation of an ongoing metallurgical test work program.
- Execution of continuing on-ground and desktop environmental studies.
- Commencement of resource calculations and appointment of resource consultants.

Phosphate Australia now has sufficient confidence from its drilling results at Tuckanarra to apply for a mining lease later in the year.

In March, a farm-in agreement was signed with Anglo American Exploration (Australia) Pty Ltd a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups. This agreement covered the Company's Copper-Nickel-Platinum Group Element Project in the Musgrave region of Western Australia. The farm-in will see this project progressed by Anglo American at no cost to the Company which retains a 30% free carry.

In July, a key placement was made to an experienced private investor – Lodestone Equities Limited. I would like to thank our corporate, exploration and administrative teams at POZ for their hard work during what has been a busy year.

The Company is in a strong position in terms of cash on hand, skilled staff and projects. We will continue to seek partners for our phosphate project at Highland Plains and to further develop other mineral opportunities. I invite you to continue to share our journey over what should be an exciting year ahead.

Yours Sincerely



**Jim Richards**  
Chairman

**Tuckanarra Gold Project WA**

The Tuckanarra gold project is owned by POZ 100% with no private royalties. The project lies within the prolific West Australian Murchison goldfield (Figure 1) and has historic production of approximately 125,000 ounces. It was last mined in 1993 when the gold price was around US\$330 an ounce. There is a substantial existing computerised historical database covering the Tuckanarra project with data on 2,556 holes totalling 96,626 metres.

The Board believes the project has considerable potential for delineating significant shallow gold mineralisation. The Project is situated centrally within the Murchison goldfield with nearby existing gold plants at Burnakura (40 km), Bluebird (60km on highway), Cue (40 km on highway) and Tuckabiana (planned mill 65 km on highway and haul road) opening up possibilities for nearby toll treatment.

The project was acquired by POZ in August 2011 and the Company is very pleased with the rapid progress to date which includes,

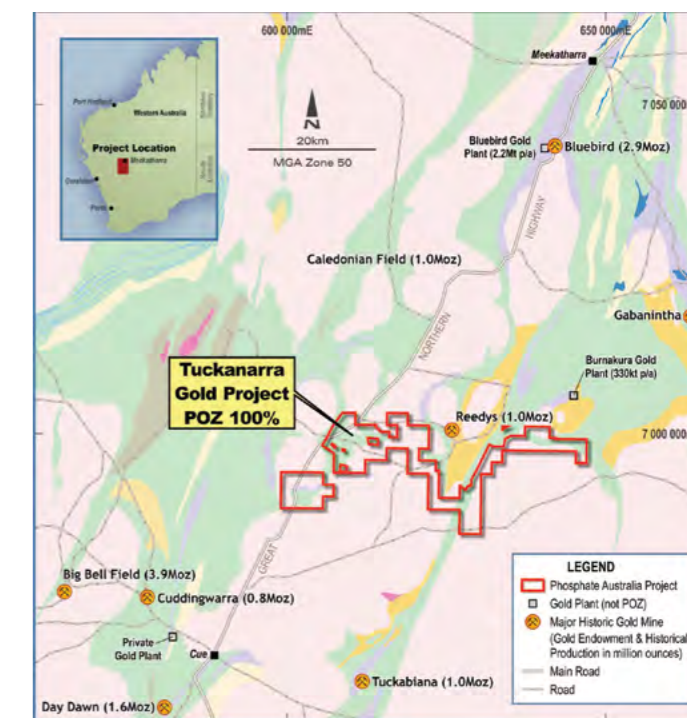
- Granting of the main project tenements.
- Securing all required permitting for ongoing work.
- Successful execution of three drilling programs.
- Implementation of an ongoing metallurgical test work program.
- Execution of continuing on-ground and desktop environmental studies.
- Commencement of in-house resource calculations and resource consultants appointed.

**Table 1: POZ Drilling Programs Summary**

Drilling Program	Type	No Holes	Metres Drilled
Phase 1	RC	16	1,635
Phase 2	Aircore	215	5,070
Phase 3	RC	52	2,963
<b>Total</b>		<b>283</b>	<b>9,668</b>

The Company has to date conducted three drilling programs at Tuckanarra. These programs have all

**Figure 1: Tuckanarra Gold Project Location, Tenements & Gold Plants**



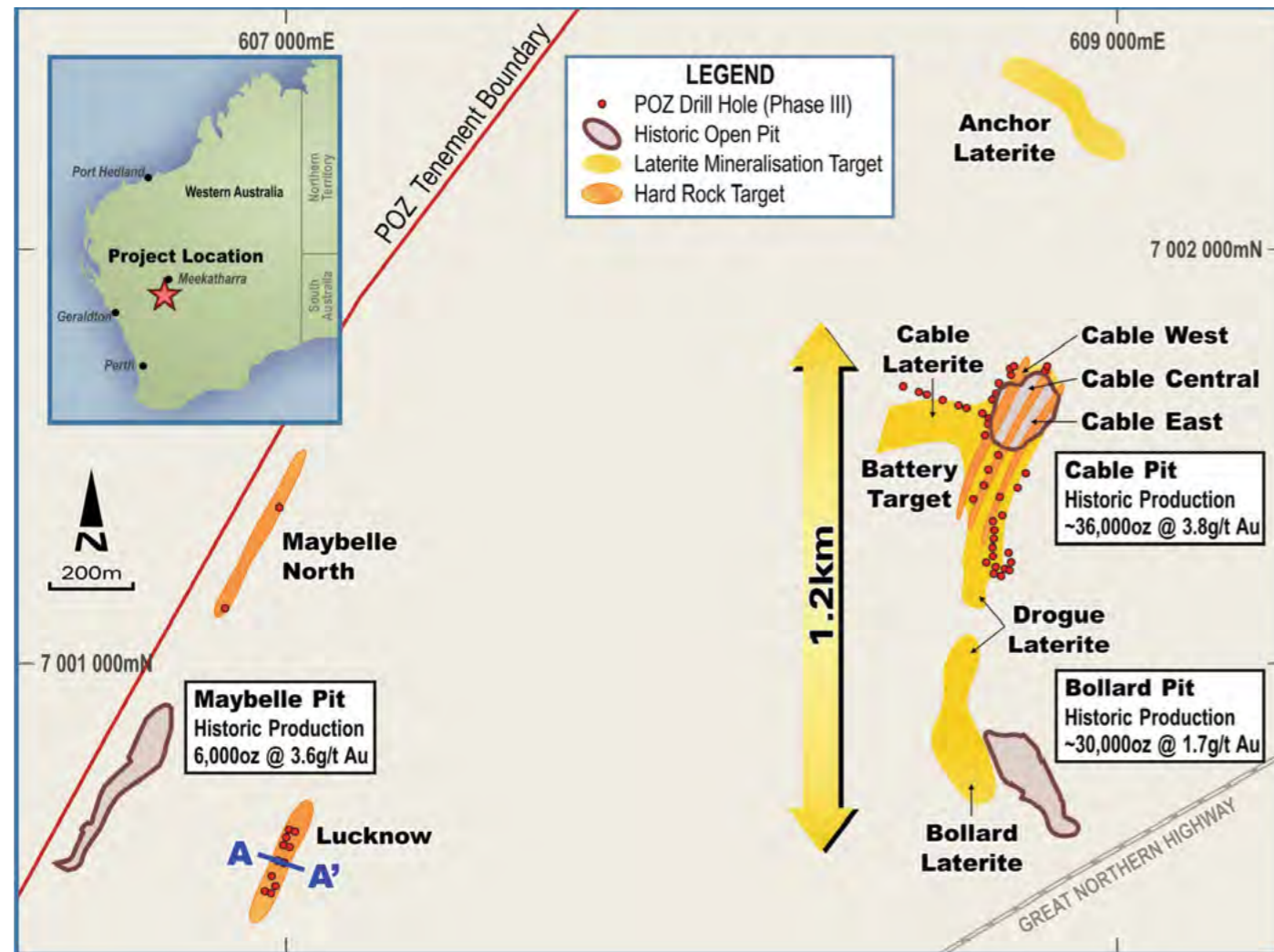
been highly successful and significant mineralisation was delineated in each program.

The detailed results of each of these programs have been reported in three separate ASX releases dated 14th February, 19th March and 15th August 2012. These results are now being incorporated into the resource model.

The Tuckanarra gold project consists of a number of discrete prospects (Figure 2). The main prospects are Cable, Anchor, Drogue, Battery, Bollard, Maybelle, Maybelle North and Lucknow. These prospects host a variety of shallow, hard rock and laterite mineralisation which represent very attractive targets.

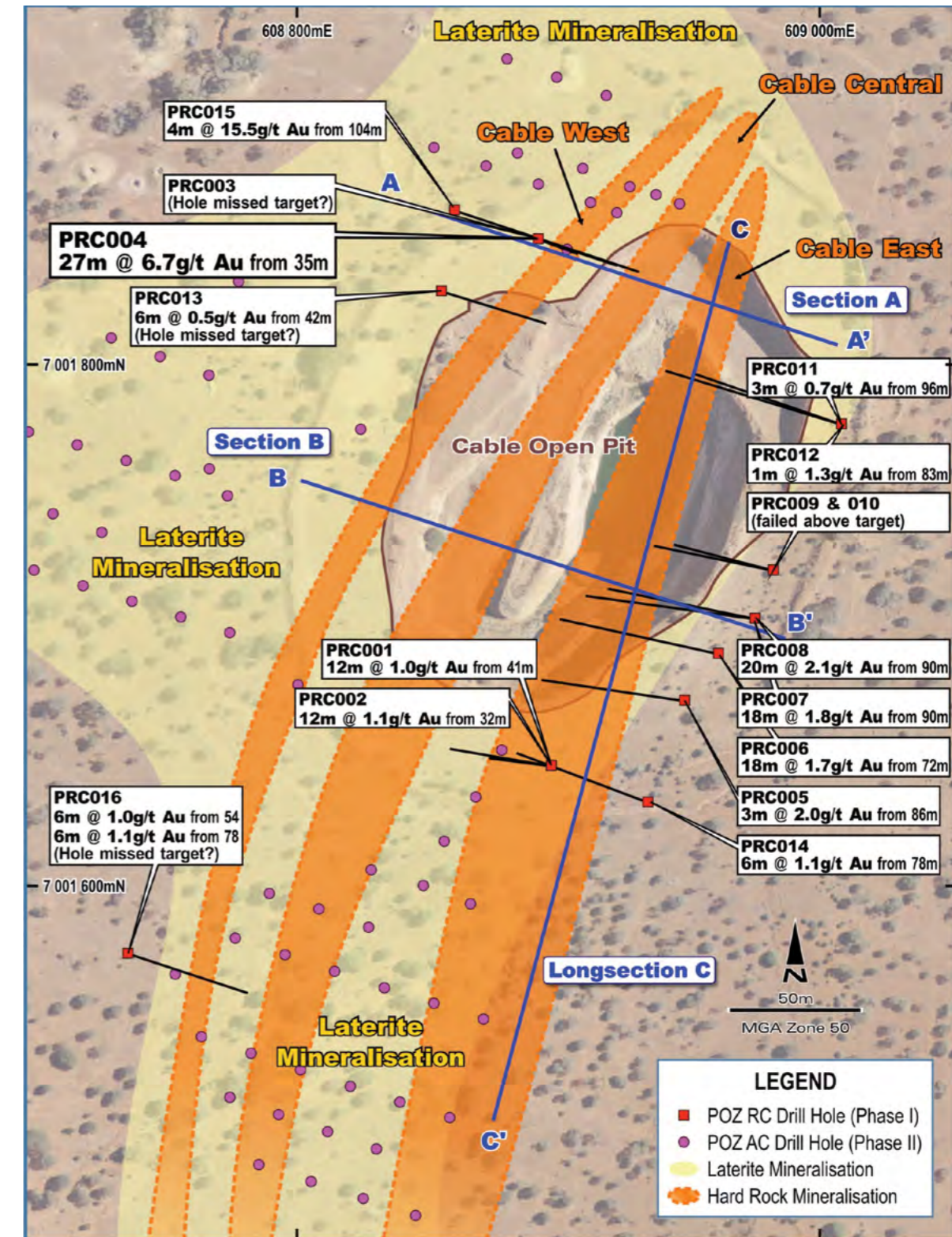
Extensive historic workings date back to the early 1900's with more recent large open pits being mined circa 1992 at Cable, Bollard and Maybelle. A further significant project at Bottle Dump lies roughly 1500 metres east of Cable, this project is yet to be drilled.

Figure 2: Tuckanarra Phase 3 Drilling & Prospect Areas



RC drilling at Cable Prospect

Figure 3: Phase 1 RC Drilling Results, Cable Area, Plan View



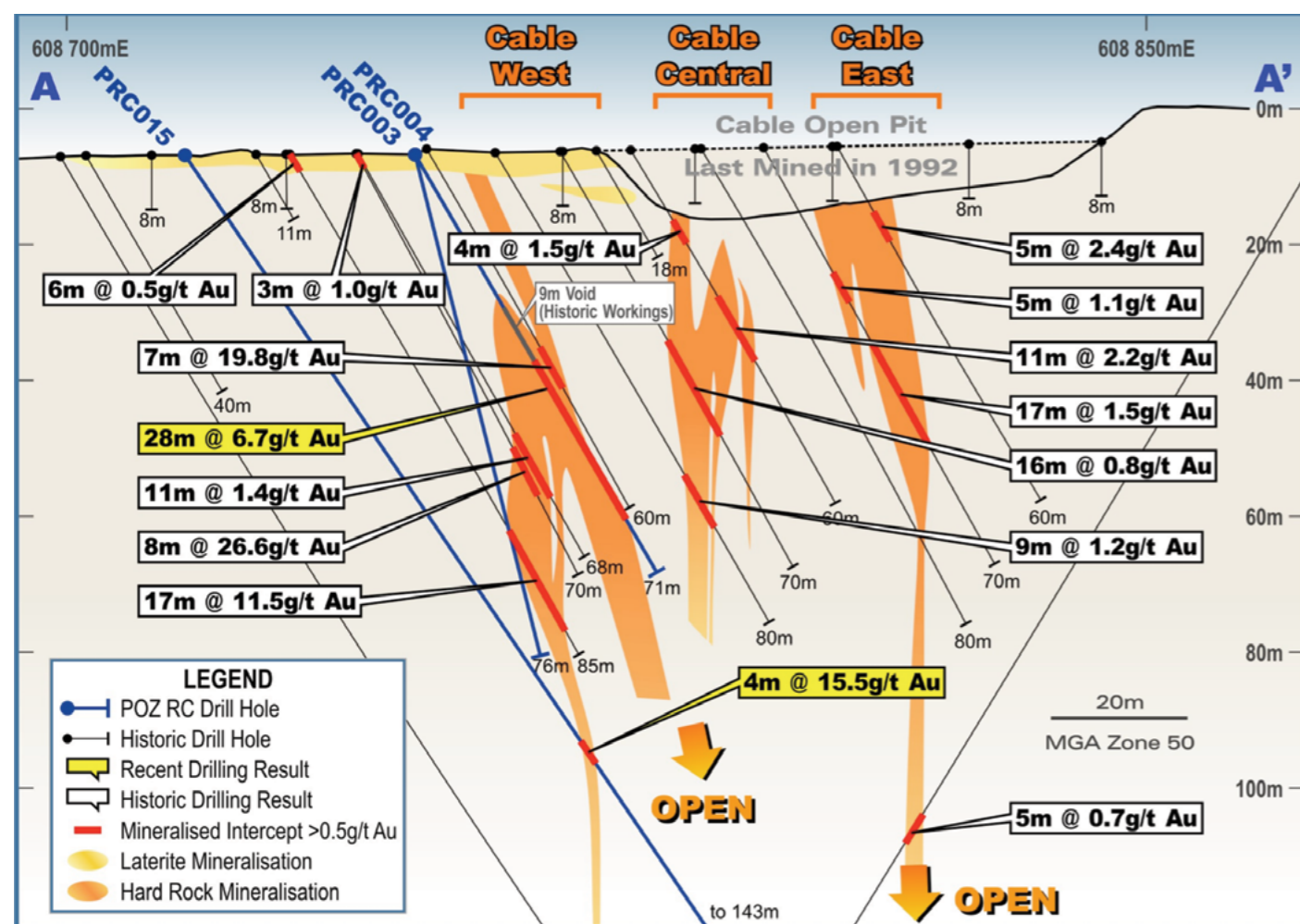
The Cable West target is a strongly mineralised structure with very high grades in part. POZ geologists have reinterpreted this structure using 3D geological modelling software and believe it has considerable potential which was not realised during the last phase of mining in the early 1990's.

The best POZ result targeting this structure was from hole PRC 004, intersecting 28 m at 6.7g/t Au

from 25 m. Importantly, directly above this drill intersection was a 9 m cavity which was mined out by the circa 1900's underground miners.

Cable West appears to be dipping sub vertically to the East. Almost all of the historic drilling has been sub parallel to this structure and this includes the POZ Phase 1 drilling (due to access problems caused by the open pit).

Figure 4: Cable West with Phase 1 Drilling Results



Cable Central also represents a well mineralised and persistent structure. It is a good target with some excellent historic drilling intersections (11 metres @ 2.2 g/t, 3 metres @ 8.5 g/t, shown in Figures 4 & 5).

Cable East was the main lode mined at Cable during the 1991-2 operations. It is a continuous, well mineralised structure up to 13 metres wide. Strike length has now been upgraded to approximately 500

metres which is open at depth as shown in the long section (Figure 6). Cable East is largely un-mined and mostly lies to the south of the existing Cable open pit.

Hole PAC084 intersected the Cable East vein just south of the Cable open pit and returned 12 m @ 3.28 g/t from 16 m to end of hole.

Figure 5: Cable East with Phase 1 Drilling Results

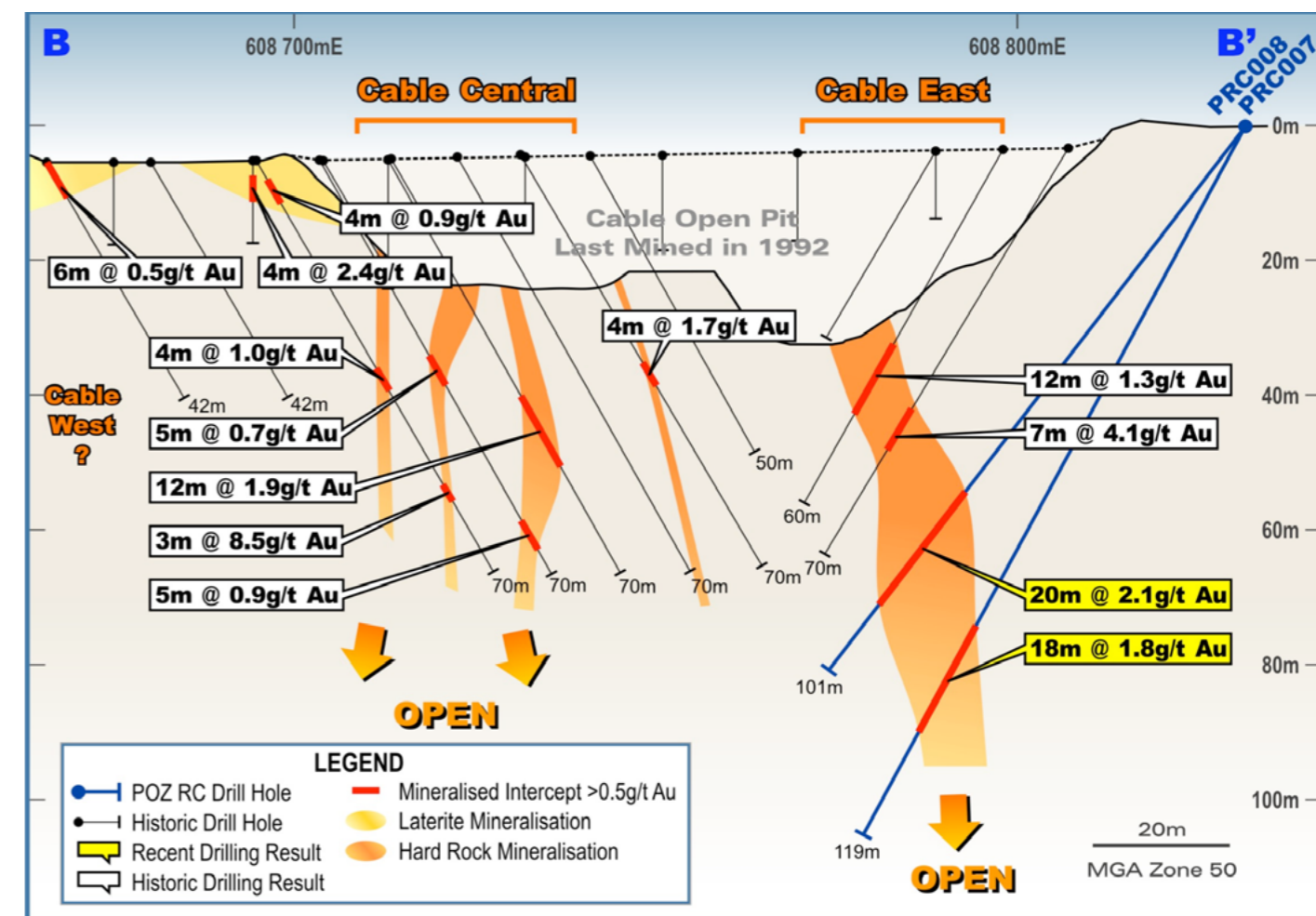


Figure 6: Long Section View, Cable East Target

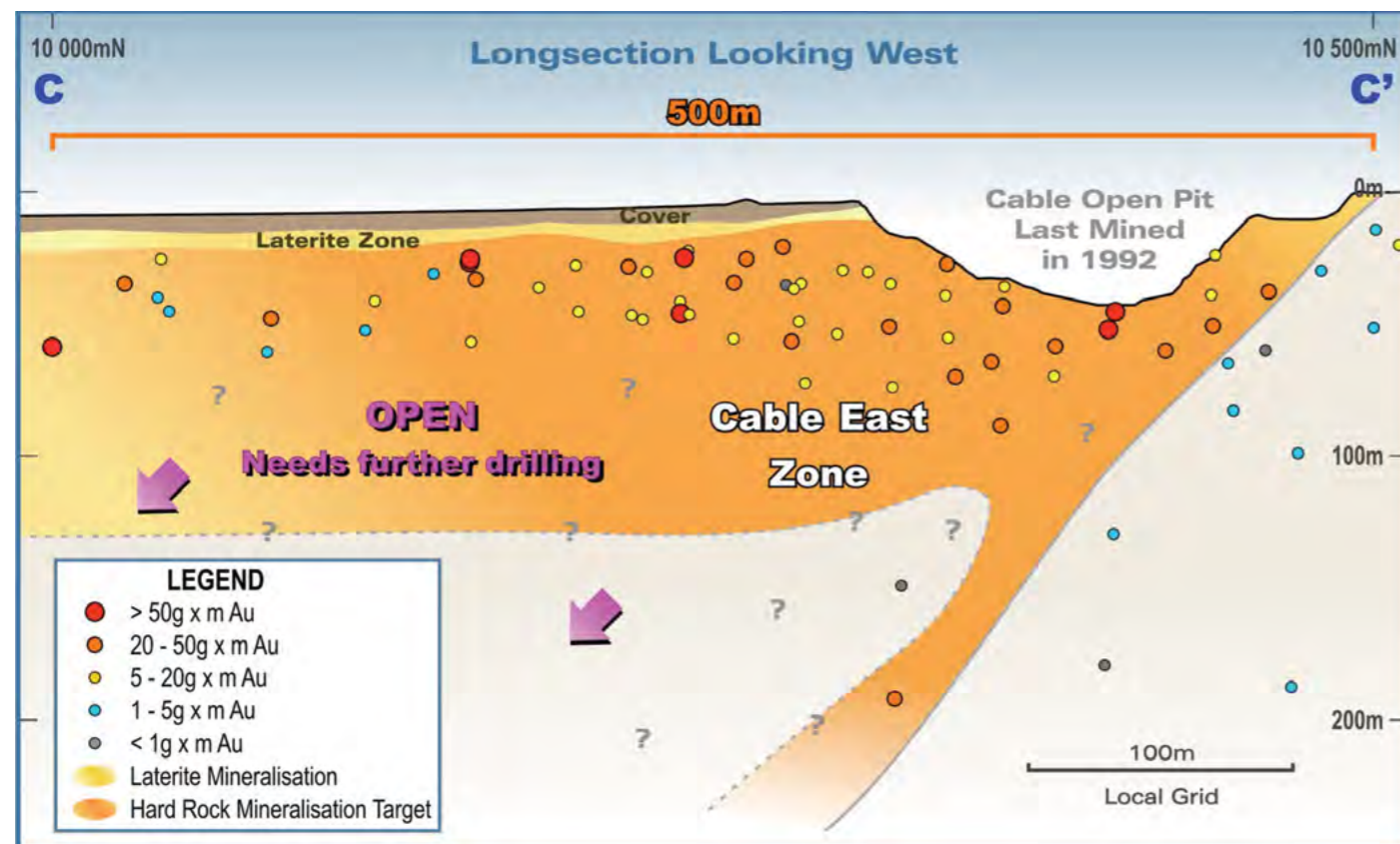
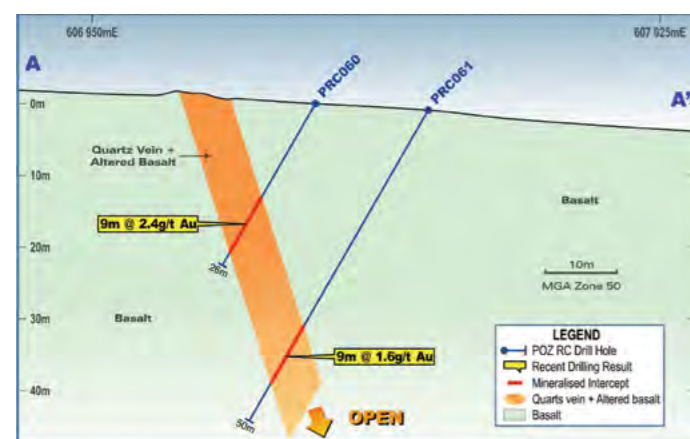


Figure 7: Lucknow Prospect Cross Section



The Lucknow Prospect was discovered by historic drilling, it was unmined and the previous work was not followed up. POZ targeted Lucknow in the third round of drilling and has successfully delineated a mineralised structure.

Thirteen holes for 353 metres were drilled at Lucknow, with the best result being 9 m @ 2.4 g/t from 15 m in hole PRC61. The results from Lucknow are now being included in a resource model currently being constructed.

The conceptual target at the Battery Prospect which is concealed under cover along strike from the numerous workings that surround the old Cable Battery (Figure 2) was drilled during Phase 3 and the Company is pleased to confirm a new discovery based upon the original concept.

Two holes reported high grade results, PRC055 with 11 m @ 10.2 g/t from 36 m (part composite) and PRC024 with 2 m @ 7.4g/t from 21 m. These strong intersections warrant follow up and are an exciting target for future drilling in this un-mined area.

There are substantial zones of laterite mineralisation at Cable, Anchor, Drogue and Bollard. These are generally shallow and at surface in places. These laterites have now been largely drilled and will be included in the resource modelling.

Maybelle has not been drilled by POZ and was mined in 1992. However, substantial drilling records do indicate the mineralised structure that was mined does continue under the existing pit. The Maybelle North prospect was not mined, but was drilled. POZ has drilled two RC holes into this prospect in order to carry out metallurgical testing.

Bottle Dump has not yet been drilled by POZ, but is very prospective. The 1990's mining reportedly extracted 23,391 ounces of gold from the Bottle Dump pit at a grade of 4.0 g/t. The Company is planning further work in this area.

Initial metallurgical test results for 48 hour cyanide bottle rolls indicate extremely favourable extractions of between 94.7% and 99.3% gold at a 75 micron grind.

The five test samples were composited from the Company's previous RC and aircore drilling chips. These samples represent the main resource target rock types. Further metallurgical test work will be required at a later stage using diamond drill core.

Importantly, the two high grade Cable West vein samples gave gravity recoveries of 53.4% and 75.6% gold for the oxidised and fresh material respectively. This is significant as it may open up opportunities for a lower capital cost gravity recovery circuit at Tuckanarra which could greatly assist initial project economics. Results are summarised in Table 2.

Table 2: Metallurgical Testing Gold Recovery Results. Bottle Rolls:

Material Type	Head Assay: consists of two assays for each sample		Calculated Head Grade	Solids Tail Value	Gravity Recovery	Lime Cons	NaCN Cons	Total Extraction
	Au (g/t)	Au (g/t)						
Cable West oxide	8.01	6.13	9.53	0.14	53.4	3.08	0.82	98.5
Cable West fresh	9.75	10.10	11.80	0.08	75.8	0.39	0.96	99.3
Cable East oxide	4.95	3.43	4.56	0.17	35.8	0.83	1.52	96.3
Pisolite	1.06	1.01	1.14	0.06	12.9	1.85	2.61	94.7
Laterite/Saprolite/Clays	1.24	1.30	1.50	0.05	8.9	0.83	1.63	96.7

NB: Bottle rolls at a 75 micron grind, 0.1% NaCN for 48 hours. Gravity recovery via 3" Knelson and amalgamation.

Metallurgical studies are ongoing with the Phase 3 drilling collecting metallurgical samples from the Lucknow and Maybelle prospects. These samples are currently being prepared for cyanide bottle roll tests.

For information on metallurgy results at Tuckanarra refer to the POZ ASX release dated 17 May 2012.

In-house gold resource modelling, incorporating the recent three phases of Company drilling and also the historic drilling, is currently underway. Independent resource consultants have been appointed to assist with the reporting of a gold resource at Tuckanarra.

Environmental consultants have been commissioned to commence fauna and flora surveys and on-site studies.

The Tuckanarra gold project is progressing well, the shallow and in parts high grade mineralisation, excellent initial metallurgical recoveries and the proximity of various third party gold processing mills, give the Company considerable confidence in the project.

Further strong results from the Phase 3 drilling program have enabled the Company to confidently move towards resource modelling, further metallurgical studies and an environmental survey. The Company intends to apply for a mining lease later in the year.

The Company only acquired the un-granted permits at Tuckanarra in August 2011 and the Board is very pleased with the rapid progress on the project to date.

### Highland Plains Phosphate NT

The Highland Plains phosphate project has a JORC compliant Inferred Resource of 56 Mt at 16% P<sub>2</sub>O<sub>5</sub>. The project is 100%-owned by POZ and the Company is currently targeting the production and sale of up to 3 million tonnes per annum of beneficiated rock phosphate from Highland Plains, to be transported by slurry pipeline to a barging facility in the Gulf of Carpentaria for export.

**Figure 8: Highland Plains Location with Rock Phosphate Export Options**



POZ Managing Director, Mr Andrew James, has spent a significant amount of time in Asia during the last year and has conducted a number of meetings with different parties who have shown potential interest in forming a strategic partnership with POZ to develop the Highland Plains phosphate project.

As a result of this promotional and marketing activity the Company is examining in detail a number of options for taking the project forward in conjunction with potential joint venture partners. As part of this process, beneficiated rock phosphate samples have been dispatched overseas and the Company has responded to technical due-diligence requests. In mid-January, a helicopter-supported inspection of

the Highland Plains project was undertaken as part of a technical audit of the project by an interested party.

As part of this joint-venture process, the Company has facilitated meetings with government authorities in the Northern Territory for potential SFPs and wishes to thank the various organisations and individuals involved for their continuing assistance.

In parallel with the various due-diligence investigations into Highland Plains taking place, detailed discussions to agree on potential commercial terms are underway. There can be no guarantee of being able to finalise joint venture arrangements for Highland Plains on terms acceptable to the Company but the Board continues to be encouraged by progress.

Market conditions for the rock phosphate product which is targeted for export from Highland Plains remain buoyant with high grade (→33% P<sub>2</sub>O<sub>5</sub>) material selling at around US\$180/t fob ex-Morocco. The Company remains committed to taking the project forward by selecting an appropriate established fertiliser industry participant.

### Iroquois Manganese Prospect WA

Phosphate Australia Limited completed the Company's maiden drilling program on the Iroquois manganese prospect in Western Australia. The Company took advantage of a rig which was mobilising into the region to complete a short program of drilling around the historic hole, TRC4, drilled in the 1990s by base metals explorer, RGC Exploration Limited. This hole returned an intersection of 6 m @ 34.1% Mn and 4.2% Pb from 34 m.

Drilling conditions were not ideal for an air core rig, but seven holes were drilled for 282 m within a 500 m radius of TRC4. The drilling also tested an anomalous feature detected during the Company's previously flown airborne electro-magnetic survey.

The Iroquois prospect (100% POZ) was part of a larger basin-wide Earahedy Base Metals Project targeting Mississippi Valley Type (MVT) miner-

alisation on the margins of the late Proterozoic Earahedy Basin of Western Australia. MVT deposits host some of the most significant lead-zinc mines in the world including Pine Creek in Canada.

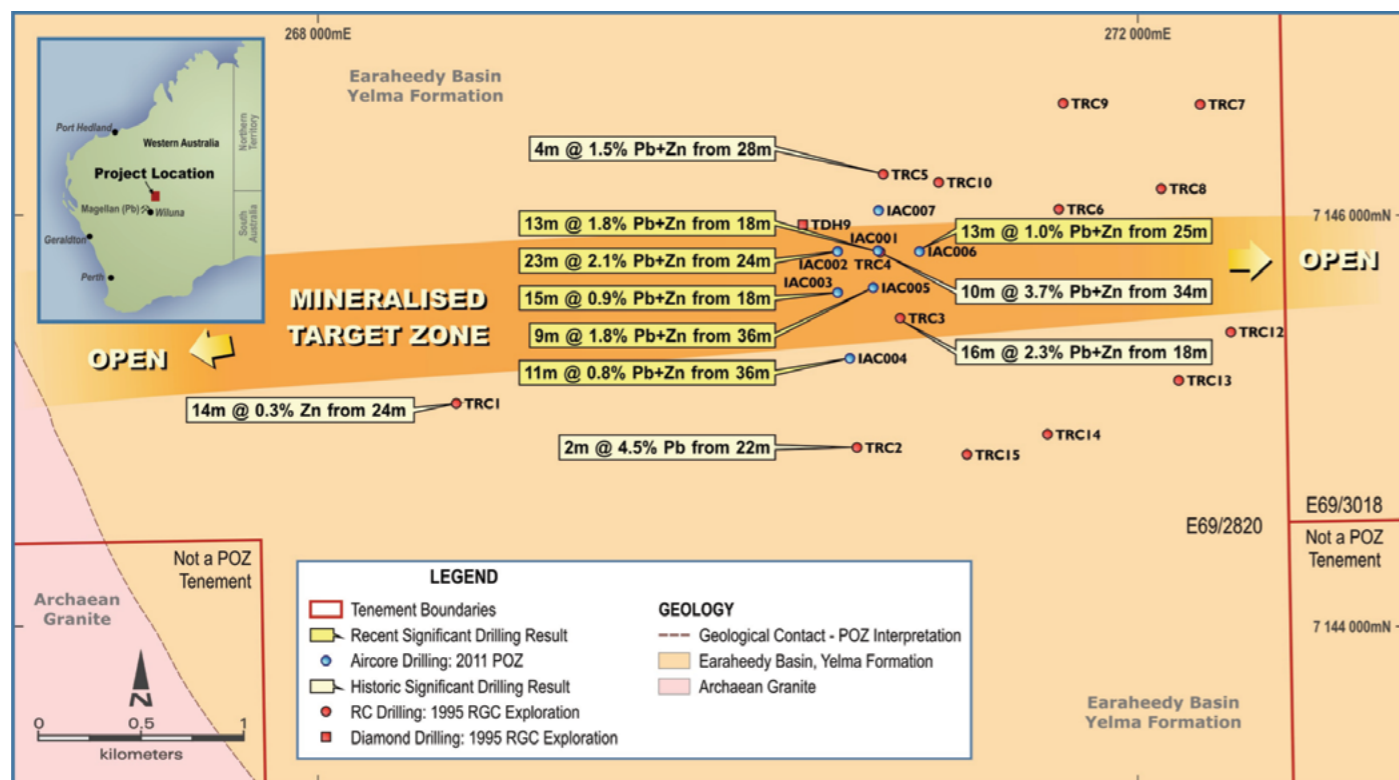
The Iroquois prospect drilling program also targeted manganese. However, the drill campaign has highlighted the more significant base metals potential of the area with less emphasis on its manganese potential. The best POZ drilling assay result was 23 metres at 2.1% Pb+Zn from 24 metres. This result included 4 metres at 4.9% Pb+Zn. Significant lead and zinc (Pb+Zn) mineralisation was found in four of the seven drill holes. No potentially commercial manganese mineralisation was recorded.

Given that TRC4 mineralisation commences at 34 m (10 m @ 3.7% Pb+Zn) and that IAC001 mineralisation commences at 18 m (13 m @ 1.8% Pb+Zn) it can be presumed that the original hole TRC4 is not quite correctly located. It is encouraging that POZ hole IAC001 discovered mineralisation at a much shallower depth (from 18 m) than TRC4 and also ended in strong mineralisation (1.7% Pb+Zn). IAC001 was abandoned due to drilling difficulties.

The poor ground conditions in the area meant several holes had to be abandoned and it is therefore significant that all of the POZ holes ended in zones of anomalous lead and zinc. The Company believes that the prospect will need to be more thoroughly drilled with a larger rig. From this initial drilling, a large target zone has now been identified of approximately 5 km long by 500 metres wide. This corridor is prospective for large MVT style lead-zinc orebodies.

POZ believes the lead-zinc mineralisation confirmed by the drilling of the Iroquois prospect is part of a Mississippi Valley Type (MVT) system. This is significant as it opens up the Earahedy base metals project to further exploration for this style of deposit. MVT deposits are a large and very important source of lead and zinc. MVT deposit mining regions include Pine Creek in Canada and the Viburnum trend in Missouri USA.

Figure 9: Iroquois Prospect Significant Drilling Results and Target Zone 5 km x 500 m



The hosts of MVT deposits vary widely and can include solution collapse breccias related to overlying karstic topography, facies changes within a reef, mudbank complexes, collapse structures related to thinning of underlying beds by subsurface drainage or areas above basement highs related to stratal pinch outs (facies changes).

Pointers to MVT style mineralisation observed during the Iroquois drilling program are:

1. The mineralisation appears to be hosted in and around altered dolomites (the Iroquois dolomite) similar to carbonate hosted MVTs.
2. The metal concentrations of Pb>Zn>>Cu are characteristic of carbonate hosted MVTs.
3. The mineralisation appears to be epigenetic (post deposition).

POZ has specifically targeted the Yelma formation (which includes the Iroquois dolomite) as being prospective for this style of MVT mineralisation. The Iroquois dolomite lies on the edge of the Earahedy Basin directly overlying the Archaean unconformity

and would be a likely route for circulating fluids to pass through due to the porous nature of dolomites and the less permeable underlying Archaean granitic rocks. The reactive nature of the Iroquois dolomite would aid mineralisation being deposited from these circulating fluids.

The presence in the region of the Magellan lead mine (also hosted in the Yelma formation), further lifts the prospectivity of the formation. POZ is pleased to have confirmed an extensive area of shallow, tabular base metals mineralisation. The drilling has upgraded the prospectivity of the Yelma formation and it is now a good target for MVT style base lead-zinc deposits.

The Company is reviewing its options to explore the region further.

### Iron Ore Project NT

Results of the Iron Ore sampling and mapping program on the Company's 100% owned Nicholson Iron Project in the NT (and which tenements surround the Highland Plains phosphate project location), were released to the ASX on 10 August 2010.

The project area has considerable potential with an area of 1,400 km<sup>2</sup> prospective for Clinton-style oolitic iron mineralisation. A one tonne metallurgical sample was collected by Company geologists from one of the mineralised sites. Results from the metallurgical testing of this one tonne sample are shown below.

Table 3: Nicholson Iron – One tonne Bulk Sample Headgrade

Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
55.6	10.2	6.7	0.040	3.0

Assay by Spectrolab Pty Ltd XRF

These results are encouraging with the low level of phosphorus being especially pleasing. No attempt has been made to optimise the metallurgical test work at this very early stage.

In late June, the Company entered into discussions with Lodestone Equities Limited ("Lodestone") to negotiate a Joint Venture on the Nicholson iron project in the Northern Territory (NT). As announced on 2 July, POZ signed a Letter Of Intent with Lodestone to finalise Joint Venture terms. POZ granted Lodestone a period of exclusivity to negotiate

Table 4: Nicholson Iron – Beneficiation Results

Test #	Size Fraction	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI	Recovery %
#1	+34 to -1000 um	59.3	7.5	5.1	0.032	2.3	40
#2	+34 to -212 um	59.1	7.4	5.2	0.034	2.4	55

Assay by XRF, performed by Spectrolab Pty Ltd

Metallurgical test separation of the iron sample was via a wet gravity spiral technique. The work was performed to gain an initial understanding of the upgrade potential of iron sourced from the Nicholson Basin.

a joint venture agreement covering POZ's 100% controlled Nicholson iron project.

POZ also placed 11 million ordinary shares at a consideration of 7.4 cents per share with Lodestone for a total raising of \$814,000. These shares were issued within the Company's 15% share issue capacity pursuant to the ASX Listing Rules and in accordance with the 'excluded offer' provisions of The Corporations Act.

In September 2012, in the new financial year, the Company announced to the ASX that Lodestone had allowed the option period to negotiate a final Joint Venture agreement to lapse.



Above: Nicholson Iron Project



### Musgrave Project WA

The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel and 0.3% copper) remains the most significant discovery in the region to date.

POZ geologists have taken a small number of rock chip samples from an occurrence of massive, out-cropping platinum group element (PGE) enriched magnetite on one the Company's tenements. The rock chips assayed up to 3.4g/t PGE.

PGE rich magnetite seams such as this occur as discrete layers within the igneous intrusive complex and can be traced as continuous seams for 10's of kilometres, providing significant tonnage potential. Thicknesses of these seams can vary from a few metres to 15 metres or more.

Phosphate Australia has negotiated a A\$3 million, four year farm-in agreement for its Musgrave Project in Western Australia with Anglo American Exploration (Australia) Pty Ltd ("Anglo American"), a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups. This agreement covers three granted tenements within the Musgrave Project area near the WA border with the NT and SA: E69/2862, E69/2863 and E69/2864 (Figure 10).

The key terms of the Agreement were:

1. Reimbursement from Anglo American to POZ of \$50,000 for prior expenditure.
2. Anglo American to complete a SPECTREM airborne electro-magnetic survey over greater than 80% of the tenement areas with a minimum line spacing of 500 metres.
3. Under the terms of the Agreement, Anglo American will have four years to meet the earn-in requirements at which point Anglo

American will earn a 70% interest in the tenements and a Joint Venture will be formed.

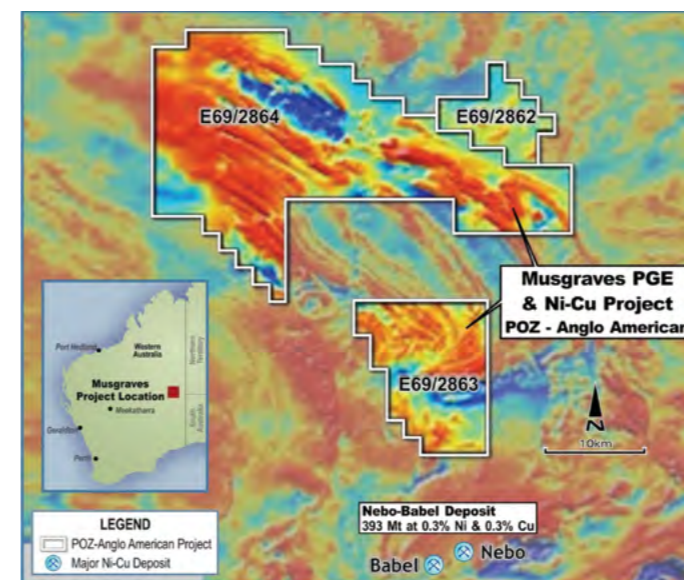
4. In order to meet the earn-in requirements, Anglo American must spend a minimum expenditure of \$3 million dollars including the reimbursement of prior expenditure and completion of the SPECTREM survey.
5. Prior to vesting of the 70% interest, Anglo American are also required to complete a minimum of 5,000 m of drilling on the tenements.
6. POZ will be free-carried by Anglo American through any subsequent exploration and evaluation phases within the Joint Venture tenements until the completion of a Bankable Feasibility Study.

The three tenements have been granted and under the terms of the Agreement, Anglo American will lead the negotiations with the Ngaanyatjaraku Land Council ("NLC") to finalise an Access Agreement to access the tenements, which are located within Aboriginal Reserve lands.

The main target of the SPECTREM survey was Nebo-Babel or Voisey's Bay style nickel-copper sulphide deposits. The Board is extremely pleased to be working with Anglo American, an exploration team with the proven technical skills and existing logistical support required to work in the remote Musgrave area.

Anglo American has completed the interpretation of its SPECTREM airborne electro-magnetic survey which was flown over the project area in March and April 2012. A number of bedrock conductors, potentially related to the presence of sulphides, have been identified and are recommended for on-ground follow-up work. The aim of Anglo American is to follow up these SPECTREM anomalies once ground access has been secured with the NLC.

**Figure 10: Phosphate Australia Musgraves tenement applications on regional aeromagnetic map**



### Other Projects

Results from reconnaissance exploration undertaken over the Company's Muccan molybdenum-copper project, northeast of Marble Bar (WA) (withdrawn tenement applications E45/3835, E45/3836, E45/38738, E45/3840, E45/3842) were generally disappointing. A number of soil and rock samples were taken over occurrences previously mapped by the GSWA and were not anomalous.

A previously located copper occurrence was sampled with a single rock chip which returned 6.1% Cu, 144 ppb Au and 21 ppm Ag. Trace element analysis of As, Bi, Hg and Sb indicate the potential for an epithermal system. The original five permit applications have been withdrawn and a smaller application lodged over the copper occurrence. The Company is planning to complete a geochemical soil survey over the prospect in 2012.

### Directors Disclosure

Director Jim Richards has entered into an agreement for small scale prospecting and mining of alluvial and eluvial gold from leases M45/618, P45/2746 and P45/2774 in the Pilbara region of Western Australia. This agreement is with Talga Gold Limited.



Above: Cable Pit, Tuckanarra



Above: Tuckanarra

Tenement Schedule

Permit	Locality	Interest	Status
E69/2820	Iroquois	20%	Granted
E69/2862	Camel Bore	100%	Granted
E69/2863	Jamieson	100%	Granted
E69/2864	Domeyer Hill	100%	Granted
E20/782	Tuckanarra West	100%	Granted
E20/783	Tuckanarra	100%	Granted
E51/1494	Stake Well North	100%	Granted
P20/2180	Cable North West	100%	Granted
P20/2181	Cable North East	100%	Granted
P20/2182	Cable	100%	Granted
P20/2183	Drogue	100%	Granted
P20/2184	Maybelle	100%	Granted
P20/2185	Maybelle South	100%	Granted
P20/2187	Tuckanarra South	100%	Granted
EL25068	Highland Plains	100%	Granted
EL25600	Alexandria-Buchanan Dam	100%	Granted
EL27038	Highland Plains South	100%	Granted
EL27269	Highland Plains South West	100%	Granted
EL28152	Highland Plains North (Fe)	100%	Granted
EL28153	Highland Plains Central (Fe)	100%	Granted
EL28157	Highland Plains West (Fe)	100%	Granted
E04/2058	Alexander Creek	100%	Application
E45/3968	Five Mile Well	100%	Application
E69/3018	Iroquois East	100%	Application
E53/1647	Lake Way	100%	Application
E53/1668	Lake Way	100%	Application
E53/1671	Lake Way	100%	Application
E53/1676	Lake Way	100%	Application
E53/1677	Lake Way	100%	Application
E53/1683	Lake Way	100%	Application
E53/1686	Lake Way	100%	Application
E53/1701	Lake Way	100%	Application
P53/1579	Lake Way	100%	Application
E20/806	Tuckanarra	100%	Application
P20/2193	Bottle Dump East	100%	Application
E80/4716	Mad Gap	100%	Application
E09/2010	Talisker Coal	100%	Application
EL26604	"The Strip"	100%	Application
EL26645	Nicholson North West	100%	Application
EL26646	Nicholson North	100%	Application
EL26648	Nicholson Central East	100%	Application
EL26649	Rheem Creek	100%	Application
EL26650	Nicolson South	100%	Application
EL28220	Nicolson West	100%	Application
EL27854	Robinson River North	100%	Application
EL27855	Robinson River South	100%	Application
EL27856	Robinson River East	100%	Application
ELA2012/00125	Mikkira SA	100%	Application
EL4910	Uley West - SA	100%	Granted

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richards is a Director of POZ. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.



Above: Cable Open Pit  
Below: Drilling at Tuckanarra





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**PHOSPHATE AUSTRALIA LIMITED  
AND CONTROLLED ENTITIES  
ABN 51 129 158 550**

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**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2012**

**PHOSPHATE AUSTRALIA LIMITED  
ABN 51 129 158 550**

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**DIRECTORS' REPORT  
30 JUNE 2012**

The Directors present their report together with the financial report on Phosphate Australia Limited ("Phosphate Australia" or "the Group") for the year ended 30 June 2012. 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 Group holding office during the year and at the date of this report are:

**MR JAMES (JIM) RICHARDS (Age 48 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 Group director and geologist with 22 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 43 years)**

**B. App. Sc. Hons (Geology), MAusIMM, MAICD**  
*Managing Director*

Andrew James is a geology graduate of the Queensland Institute of Technology. He has 19 years of experience in the petroleum industry, 13 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 Group'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 Group 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 Group Directors.

**MR GRANT MOONEY (Age 45 years)**

**B.Bus, CA**  
*Director & Group 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 Group secretary to several ASX listed companies including resources Group Barra Resources Limited, Carbine Resources Limited, Attila Resources Limited, Wild Acre Metals Limited and renewable energy Group Carnegie Wave Energy Limited. He is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' REPORT  
30 JUNE 2012

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	Group	Year of directorship
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
	Attila Resources Limited	16 February 2010 to the present
	Carbine Resources Limited	18 January 2012 to the present

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 Group were:

Director	Ordinary Shares	Ordinary Shares granted during year	Options (Unlisted)	Options granted during year
James Richards (i)	15,000,000	-	-	-
Andrew James (ii)	20,050,000	-	-	-
Grant Mooney (iii)	262,500	-	-	-

(i) James Richards holds 15,000,000 shares in his own name. Herma Glen, spouse of James Richards holds 350,000 options.

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

(iii) 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.

PRINCIPAL ACTIVITIES

The principal activity of the Group is phosphate, iron and gold exploration.

OPERATING RESULTS

The consolidated loss from ordinary activities after income tax of the Group for the year ended 30 June 2012 was \$1,666,356 (2011: \$936,845 loss).

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2012:

- The Tuckanarra gold project is owned by POZ 100% with no private royalties. The project lies within the prolific West Australian Murchison goldfield (Figure 1) and has historic production of approximately 125,000 ounces. It was last mined in 1993 when the gold price was around US\$330 an ounce. There is a substantial existing computerised historical database covering the Tuckanarra project with data on 2,556 holes totalling 96,626 metres.
- The detailed results of each of these programs have been reported in three separate ASX releases dated 14th February, 19th March and 15th August 2012. These results are now being incorporated into the resource model.

DIRECTORS' REPORT  
30 JUNE 2012

REVIEW OF OPERATIONS (continued)

- The Tuckanarra gold project consists of a number of discrete prospects. The main prospects are Cable, Anchor, Drogue, Battery, Bollard, Maybelle, Maybelle North and Lucknow. These prospects host a variety of shallow, hard rock and laterite mineralisation which represent very attractive targets. Extensive historic workings date back to the early 1900's with more recent large open pits being mined circa 1992 at Cable, Bollard and Maybelle. A further significant project at Bottle Dump lies roughly 1500 metres east of Cable, this project is yet to be drilled.
- The Cable West target is a strongly mineralised structure with very high grades in part. The Company's geologists have reinterpreted this structure using 3D geological modelling software and believe it has considerable potential which was not realised during the last phase of mining in the early 1990's. Cable Central also represents a well mineralised and persistent structure. It is a good target with some excellent historic drilling. Cable East was the main lode mined at Cable during the 1991-2 operations. It is a continuous, well mineralised structure up to 13 metres wide. Strike length has now been upgraded to approximately 500 metres which is open at depth as shown in the long section. Cable East is largely un-mined and mostly lies to the south of the existing Cable open pit.
- The Lucknow Prospect was discovered by historic drilling, it was unmined and the previous work was not followed up. The Company targeted Lucknow in the third round of drilling and has successfully delineated a mineralised structure.
- The conceptual target at the Battery Prospect which is concealed under cover along strike from the numerous workings that surround the old Cable battery was drilled during Phase 3 and the Company is pleased to confirm a new discovery based upon the original concept.
- There are substantial zones laterite mineralisation at Cable, Anchor, Drogue and Bollard. These are generally shallow and at surface in places. These laterites have now been largely drilled and will be included in the resource modelling.
- Initial metallurgical test results for 48 hour cyanide bottle rolls indicate extremely favourable extractions of between 94.7% and 99.3% gold at a 75 micron grind. The five test samples were composited from the Company's previous RC and aircore drilling chips. These samples represent the main resource target rock types. Further metallurgical test work will be required at a later stage using diamond drill core.
- In-house gold resource modelling, incorporating the recent three phases of Company drilling and also the historic drilling, is currently underway. Independent resource consultants have been appointed to assist with the reporting of a gold resource at Tuckanarra. Environmental consultants have been commissioned to commence fauna and flora surveys and on-site studies. The Company intends to apply for a mining lease later in 2012.
- The Highland Plains phosphate project has a JORC compliant Inferred Resource of 56 Mt at 16% P2O5. The project is 100%-owned by POZ and the Company is currently targeting the production and sale of up to 3 million tonnes per annum of beneficiated rock phosphate from Highland Plains, to be transported by slurry pipeline to a barging facility in the Gulf of Carpentaria for export.
- Managing Director, Mr Andrew James, has spent a significant amount of time in Asia during the last year and has conducted a number of meetings with different parties who have shown potential interest in forming a strategic partnership with the Company to develop the Highland Plains phosphate project.
- As a result of this promotional and marketing activity the Company is examining in detail a number of options for taking the project forward in conjunction with potential joint venture partners. As part of this process, beneficiated rock phosphate samples have been dispatched overseas and the Company has responded to technical due-diligence requests. In mid-January, a helicopter-supported inspection of the Highland Plains project was undertaken as part of a technical audit of the project by an interested party.
- Phosphate Australia Limited completed the Company's maiden drilling program on the Iroquois manganese prospect in Western Australia. The Company took advantage of a rig which was mobilising into the region to complete a short program of drilling around the historic hole, TRC4, drilled in the 1990s by base metals explorer, RGC Exploration Limited.
- The Iroquois prospect drilling program also targeted manganese. However, the drill campaign has highlighted the more significant base metals potential of the area with less emphasis on its manganese potential. The best drilling assay result was 23 metres at 2.1% Pb+Zn from 24 metres. This result included 4 metres at 4.9% Pb+Zn. Significant lead and zinc (Pb+Zn) mineralisation was found in four of the seven drill holes. No potentially commercial manganese mineralisation was recorded.

DIRECTORS' REPORT  
30 JUNE 2012

REVIEW OF OPERATIONS (continued)

- The poor ground conditions in the area meant several holes had to be abandoned and it is therefore significant that all of the holes ended in zones of anomalous lead and zinc. The Company believes that the prospect will need to be more thoroughly drilled with a larger rig. From this initial drilling, a large target zone has now been identified of approximately 5 km long by 500 metres wide. This corridor is prospective for large MVT style lead-zinc orebodies.
- Metallurgical results from testing of iron ore samples collected from the Company's 100% owned Nicholson Iron Project in the NT (and which tenements surround the Highland Plains phosphate project location), were encouraging with low levels of phosphorus. No attempt was made to optimise the metallurgical test work at this stage.
- In late June 2012, the Company entered into discussions with Lodestone Equities Limited ("Lodestone") to negotiate a Joint Venture on the Nicholson iron project in the Northern Territory (NT). As announced on 2 July, the Company signed a Letter Of Intent with Lodestone to finalise Joint Venture terms. The Company granted Lodestone a period of exclusivity to negotiate a joint venture agreement covering POZ's 100% controlled Nicholson iron project. In September 2012, in the new financial year, the Company announced to the ASX that Lodestone had allowed the option period to negotiate a final Joint Venture agreement to lapse.
- The Company also placed 11 million ordinary shares at a consideration of 7.4 cents per share with Lodestone for a total raising of \$814,000. These shares were issued within the Company's 15% share issue capacity pursuant to the ASX Listing Rules and in accordance with the 'excluded offer' provisions of The Corporations Act.
- The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel and 0.3% copper) remains the most significant discovery in the region to date. POZ geologists have taken a small number of rock chip samples from an occurrence of massive, outcropping platinum group element (PGE) enriched magnetite on one the Company's tenements. The rock chips assayed up to 3.4g/t PGE.
- The Company has negotiated a A\$3 million, four year farm-in agreement for its Musgrave Project in Western Australia with Anglo American Exploration (Australia) Pty Ltd ("Anglo American"), a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups. This agreement covers three granted tenements within the Musgrave Project area near the WA border with the NT and SA: E69/2862, E69/2863 and E69/2864.
- Under the terms of the Agreement, Anglo American will lead the negotiations with the Ngaanyatjaraku Land Council ("NLC") to finalise an Access Agreement to access the tenements, which are located within Aboriginal Reserve lands.
- Anglo American has completed the interpretation of its SPECTREM airborne electro-magnetic survey which was flown over the project area in March and April 2012. A number of bedrock conductors, potentially related to the presence of sulphides, have been identified and are recommended for on-ground follow-up work. The aim of Anglo American is to follow up these SPECTREM anomalies once ground access has been secured with the NLC.
- Results from reconnaissance exploration undertaken over the Company's Muccan molybdenum-copper project, northeast of Marble Bar (WA) (withdrawn tenement applications E45/3835, E45/3836, E45/38738, E45/3840, E45/3842) were generally disappointing. A number of soil and rock samples were taken over occurrences previously mapped by the GSWA and were not anomalous.
- A previously located copper occurrence was sampled with a single rock chip which returned 6.1% Cu, 144 ppb Au and 21 ppm Ag. Trace element analysis of As, Bi, Hg and Sb indicate the potential for an epithermal system. The original five permit applications have been withdrawn and a smaller application lodged over the copper occurrence. The Company is planning to complete a geochemical soil survey over the prospect in 2012.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than described elsewhere in this report, there was no significant change in the state of affairs of the Group during the year.

DIRECTORS' REPORT  
30 JUNE 2012

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 Group, the results of operations or the state of affairs in future financial years, other than the following:

- On 2 July 2012 the Company placed 11 million ordinary shares for a consideration of 7.4 cents per share for a total raising of \$814,000. These funds were received prior to 30 June 2012. The shares have been placed with Lodestone Equities Limited (Lodestone), an Isle of Man based company controlled by Mr Gordon Toll. The funds will be used for general working capital including the company's gold project in Western Australia and phosphate project in the NT.
- On 11 September 2012, the option issued to Loadstone Equities Limited lapsed. This option covered 70% of the iron rights over the Nicholson Iron project located in the NT.

FUTURE DEVELOPMENTS

Information as to the likely developments in the operations of the Group 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 Group.

ENVIRONMENTAL REGULATION

The Group 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 Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

SHARE OPTIONS

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

Number of Shares Under Options	Exercise Price	Expiry Date
2,100,000	30 cents	23 October 2012
400,000	20 cents	30 June 2013
100,000	19 cents	1 July 2014
450,000	10 cents	21 October 2014
500,000	10 cents	11 November 2014

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 Group paid a premium in respect of a contract insuring the directors of the Group, the Group secretary and all executive officers of the Group 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 Group has not indemnified or agreed to indemnify the auditor of the Group or of any related body corporate against a liability incurred as the auditor.

DIVIDENDS

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

**DIRECTORS' REPORT  
30 JUNE 2012**

**DIRECTORS' MEETINGS**

There were 8 Directors' meetings held during the year ended 30 June 2012. 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	8	8
Andrew James	8	8
Grant Mooney	8	8

There were also two (2) circular resolutions passed by the Board of Directors during the year. (2011: three (3))

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 Group. There are no other sub-committees of the Board.

**REMUNERATION REPORT (AUDITED)**

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

**Remuneration Policy**

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

Subsequent to the end of the financial year, the Directors have instigated a number of austerity measures including the reduction in directors and secretarial fees in order to preserve cash reserves at a time when global uncertainty surrounding capital markets exists. As such the overall level of directors and company secretarial fees has been significantly reduced.

The following were Key Management Personnel of the Group during the year:

- James Richards (*Non-Executive Chairman*)
- Andrew James (*Managing Director*)
- Grant Mooney (*Non-Executive Director and Company Secretary*)

**DIRECTORS' REPORT  
30 JUNE 2012  
REMUNERATION REPORT (AUDITED) (Continued)**

Details of remuneration provided to Key Management Personnel during the year are as follows:

		Short-term employee benefits		Post-employment benefits	Share-based payments		% of Total consisting of Option
		Salary & Fees	Bonus	Super-annuation	Options	Total	
		\$	\$	\$	\$	\$	
James Richards <sup>(i)</sup>	2012	101,000	-	9,090	-	110,090	0%
	2011	86,667	-	7,800	-	94,467	0%
Andrew James	2012	230,000	-	20,700	-	250,700	0%
	2011	249,167	-	22,425	-	271,592	0%
Grant Mooney	2012	40,000	-	3,600	-	43,600	0%
	2011	43,333	-	3,900	-	47,233	0%
Lisa Wells (resigned 8/10/10)	2012	-	-	-	-	-	0%
	2011	164,944	-	6,387	-	171,331	0%
<b>TOTAL</b>	<b>2012</b>	<b>371,000</b>	<b>-</b>	<b>33,390</b>	<b>-</b>	<b>404,390</b>	<b>0%</b>
<b>TOTAL</b>	<b>2011</b>	<b>544,111</b>	<b>-</b>	<b>40,512</b>	<b>-</b>	<b>584,623</b>	<b>0%</b>

(i) Included in Jim Richards remuneration are contractor wages totalling \$21,000. These were unpaid as at 30 June 2012.

During the prior year, there were 13 monthly pay periods due to the realignment of pay dates, so the figures in the above table for 2011 represent 13 months, while the 2012 figures are for 12 months. 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 Key Management Personnel**

During the financial year, the following share based payment arrangements were in existence for Key Management Personnel:

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

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 Group 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 Group's operations are exploration, and they are not generating profit.

**Services Agreements**

During the year, the Managing Director's Service Agreement expired. The Board, in consultation with the Managing Director, agreed to continue under the terms of the existing Service Agreement, with no fixed term set.

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.

During the year an employment agreement was signed with Mr James Richards to provide geology services on the Tuckanarra project, at a rate of \$3,500 per month plus statutory superannuation from 1 January 2012. He is not entitled to any leave payments.

**DIRECTORS' REPORT  
30 JUNE 2012**

**PROCEEDINGS ON BEHALF OF THE GROUP**

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to such proceedings during the year.

**NON AUDIT SERVICES**

The directors are satisfied that the provision of non audit services, during the year, by the auditor Grant Thornton Audit Pty Ltd, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

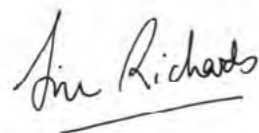
Details of amounts paid or payable to the auditor for non audit services provided during the year by the auditor are outlined in note 7 to the financial statements. During the year there were no non-audit services provided by Grant Thornton Audit Pty Ltd.

**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 8.

Signed on 27 September 2012 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



Grant Thornton Audit Pty Ltd  
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**Auditor's Independence Declaration  
To the Directors of Phosphate Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Phosphate Australia Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Partner – Audit & Assurance

Perth, 27 September 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
Other revenues from ordinary activities	3	172,388	285,183
<b>Total Revenue</b>	3	<b>172,388</b>	<b>285,183</b>
Employee benefits expense		(439,642)	(318,764)
Depreciation expense	4	(189,277)	(247,257)
Rental expenses	4	(187,946)	(181,449)
Corporate Advisory		(301,214)	(147,220)
Share based payments		(35,435)	(16,073)
Administration expenses		(302,552)	(398,049)
Impairment of exploration and evaluation expenditure		(442,458)	(150,749)
<b>Total Expenses</b>		<b>(1,898,524)</b>	<b>(1,459,561)</b>
Loss before income tax expense		(1,726,136)	(1,174,378)
Income tax benefit	5	59,780	237,533
Loss for the year		(1,666,356)	(936,845)
Other Comprehensive Income / (Loss)		-	-
<b>Total Comprehensive Loss for the year</b>		<b>(1,666,356)</b>	<b>(936,845)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share (cents per share)	22	(1.518)	(0.860)
Diluted loss per share (cents per share)	22	(1.518)	(0.860)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,342,150	3,638,701
Trade and other receivables	9	191,472	335,212
Prepayments	10	55,430	37,505
Other Financial Assets	11	172,555	162,609
<b>TOTAL CURRENT ASSETS</b>		<b>2,761,607</b>	<b>4,174,027</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	12	650,724	831,225
Exploration and evaluation expenditure	13	7,100,414	6,211,243
<b>TOTAL NON CURRENT ASSETS</b>		<b>7,751,138</b>	<b>7,042,468</b>
<b>TOTAL ASSETS</b>		<b>10,512,745</b>	<b>11,216,495</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	930,920	118,885
Provisions	15	67,156	44,390
<b>TOTAL LIABILITIES</b>		<b>998,076</b>	<b>163,275</b>
<b>NET ASSETS</b>		<b>9,514,669</b>	<b>11,053,220</b>
<b>EQUITY</b>			
Issued capital	16	13,413,696	13,328,696
Share option reserve	17	388,055	345,250
Accumulated losses	18	(4,287,082)	(2,620,726)
<b>TOTAL EQUITY</b>		<b>9,514,669</b>	<b>11,053,220</b>

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary Shares \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 July 2010</b>	13,328,696	346,957	(1,694,291)	11,981,362
Loss for the year	-	-	(936,845)	(936,845)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	<b>(936,845)</b>	<b>(936,845)</b>
Options expensed for the year	-	8,703	-	8,703
Options expired during the year	-	(10,410)	10,410	-
<b>Balance as at 30 June 2011</b>	<b>13,328,696</b>	<b>345,250</b>	<b>(2,620,726)</b>	<b>11,053,220</b>
<b>Balance as at 1 July 2011</b>	<b>13,328,696</b>	<b>345,250</b>	<b>(2,620,726)</b>	<b>11,053,220</b>
Loss for the year	-	-	(1,666,356)	(1,666,356)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	<b>(1,666,356)</b>	<b>(1,666,356)</b>
Issue of shares	85,000	-	-	85,000
Options expensed for the year	-	42,805	-	42,805
<b>Balance as at 30 June 2012</b>	<b>13,413,696</b>	<b>388,055</b>	<b>(4,287,082)</b>	<b>9,514,669</b>

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,309,267)	(1,091,642)
Research & Development tax concession refund		238,238	338,005
Interest received		216,903	236,311
Interest Paid		(105)	(3)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	8	<b>(854,231)</b>	<b>(517,329)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(9,692)	(33,105)
Payments for exploration, evaluation and development expenditure		(1,331,628)	(1,633,927)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(1,341,320)</b>	<b>(1,667,032)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Prepayment from issue of shares	14	899,000	-
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		<b>899,000</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(1,296,551)</b>	<b>(2,184,361)</b>
Cash and cash equivalents at the beginning of the year		3,638,701	5,823,062
<b>Cash and cash equivalents at the end of the year</b>	8	<b>2,342,150</b>	<b>3,638,701</b>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

**Note 1. CORPORATE INFORMATION**

Phosphate Australia Limited is the Group's ultimate parent company. 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 Group are described in note 19.

**Note 2. SUMMARY OF ACCOUNTING POLICIES**

The Financial Report the Group for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 27 September 2012.

**(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.

**Adoption of new and revised accounting standards**

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Phosphate Australia Limited.

**Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1**

The AASB has issued AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and removes others.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

**Note 2. SUMMARY OF ACCOUNTING POLICIES (continued)**

**(a) Basis of preparation (continued)**

**Adoption of new and revised accounting standards (continued)**

**AASB 9 Financial Instruments (effective from 1 January 2013)**

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

**Consolidation Standards**

A package of consolidation standards encompassing AASB 10 Consolidated Financial Statements, AASB 11 Joint Venture Arrangements, AASB 12 Disclosure of Interests in Other Entities and consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, are effective for annual periods beginning or after 1 January 2013. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

**AASB 13 Fair Value Measurement**

AASB 13 is applicable for annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of this new standards.

**AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)**

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of key management personnel compensation) and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

**(b) Statement of Compliance**

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**(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 Group in respect of services provided by employees up to reporting date.

**Defined contribution plans**

Contribution to defined contribution superannuation plans are expensed when incurred.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

**(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.

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 Group 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 Group 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 Group 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  
FOR THE YEAR ENDED 30 JUNE 2012

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

**(i) Provisions**

Provisions are recognised when the Group 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 are rewards of ownership have passed to the purchaser.

Rental income

Rental income is recognised in the period in which it is earned.

**(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 Group'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 Group 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 Group 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  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

**(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.

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.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

**(p) Financial Assets (continued)**

Impairment of Financial Assets (continued)

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 non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible non-financial 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 Group 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.

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.

Share 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.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

Note 3. Revenue from Ordinary Activities	30 June 2012	30 June 2011
	\$	\$
<b>Other Revenue</b>		
Interest received from financial institutions	171,093	276,624
Rental income	1,294	8,559
<b>Total Revenue</b>	<b>172,388</b>	<b>285,183</b>

**Note 4. Loss from Ordinary Activities**

Expenses		
Depreciation / amortisation of non-current assets	189,277	247,257
Rental expense on operating leases	187,946	181,449
Annual leave charges	22,765	2,885
Share based payment expenses	35,835	16,073

**Note 5. Income Tax**

(a) Income tax expense	30 June 2012	30 June 2011
	\$	\$
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense as follows:		
<b>Loss from continuing operations</b>	(1,726,137)	(1,174,378)
Income tax expense/(benefit) calculated at 30% (2010: 30%)	(517,841)	(352,313)
Non deductible expenses	-	5,109
Temporary differences not brought to account as a deferred tax asset	(45,355)	(45,356)
Adjustments in respect of previous current income tax	-	(237,533)
Non assessable income	(48,602)	-
Tax losses not brought to account as a deferred tax asset	552,018	392,560
Income tax expense/(benefit) at effective rate of 3.5% (2011: 20.2%)	(59,780)	(237,533)
<b>(b) Deferred Tax liability</b>		
Exploration and Evaluation	2,130,124	1,863,374
Add: Other	8,771	24,748
Unrecognised deferred tax liabilities	2,148,531	1,888,122
<b>(c) Deferred tax assets</b>		
Temporary differences	(24,347)	18,117
Tax losses – revenue	2,117,536	1,870,005
Unrecognised deferred tax assets	2,148,531	1,888,122
<b>Not recognised:</b>		
Unrecognised tax losses	1,055,978	547,626

The net 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:

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

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

**Note 6. Key Management Personnel Compensation**

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

		Short-term employee benefits		Post-employment benefits	Share-based payments		% of Total consisting of Option
		Salary & Fees	Bonus	Super-annuation	Options	Total	
		\$	\$	\$	\$	\$	
James Richards <sup>(i)</sup>	2012	101,000	-	9,090	-	110,090	0%
	2011	86,667	-	7,800	-	94,467	0%
Andrew James	2012	230,000	-	20,700	-	250,700	0%
	2011	249,167	-	22,425	-	271,592	0%
Grant Mooney	2012	40,000	-	3,600	-	43,600	0%
	2011	43,333	-	3,900	-	47,233	0%
Lisa Wells (resigned 8/10/10)	2012	-	-	-	-	-	0%
	2011	164,944	-	6,387	-	171,331	0%
<b>TOTAL</b>	<b>2012</b>	<b>371,000</b>	<b>-</b>	<b>33,390</b>	<b>-</b>	<b>404,390</b>	<b>0%</b>
<b>TOTAL</b>	<b>2011</b>	<b>544,111</b>	<b>-</b>	<b>40,512</b>	<b>-</b>	<b>584,623</b>	<b>0%</b>

(i) Included in Jim Richards remuneration are contractor wages totalling \$21,000. These were unpaid as at 30 June 2012.

During the prior year, there were 13 monthly pay periods due to the realignment of pay dates, so the figures in the above table for 2011 represent 13 months, while the 2012 figures are for 12 months. 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.

**Note 7. Auditor's Remuneration**

	30 June 2012	30 June 2011
	\$	\$
Amounts received, or due and receivable by the current auditors, Grant Thornton Audit Pty Ltd, for audit or review of the financial report	22,325	22,000

The auditor for Phosphate Australia Limited is Grant Thornton Audit Pty Ltd.

**Note 8. Cash and Cash Equivalents**

Cash at bank and on hand	2,342,150	3,638,701
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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.

- Loss from continuing operations after income tax	(1,666,356)	(936,845)
- Exploration costs written off	442,458	150,749
- Depreciation expense	189,277	247,257
- Share based payments	35,435	16,073
- Employee benefits accrued	22,766	(28,454)
- Loss on disposal of assets	918	-
- Decrease in debtors	143,737	70,604
- (Increase)/decrease in prepayments	(17,925)	24,102
- (Increase) in other debtors	(9,946)	(6,769)
- Increase/(decrease) in trade creditors	5,405	(54,046)

**NET CASH FLOWS USED IN OPERATING ACTIVITIES**

	(854,231)	(517,329)
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\$55,000 (2011: \$55,000) of Cash at Bank is held as security for credit cards.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

**Note 8. Cash and Cash Equivalents (continued)**

**Non-cash Investing Activities**

During the year the Group issued shares of \$85,000 (2011:\$0) in part consideration of the Tuckanarra project purchase.

<b>Note 9. Trade and Other Receivables</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Interest receivable	26,806	75,489
Australian Taxation Office receivable	88,993	238,238
Other debtors	75,673	21,485
	<u>191,472</u>	<u>335,212</u>

**Note 10. Prepayments**

Prepayments	<u>55,430</u>	<u>37,505</u>
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**Note 11. Other Financial Assets**

Deposits paid	<u>172,555</u>	<u>162,609</u>
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Deposits paid are held as security over the Group's lease of an office in West Perth and lease of a tenement.

**Note 12. Property, Plant & Equipment**

Cost	1,483,360	1,478,037
Accumulated depreciation	<u>(832,636)</u>	<u>(646,812)</u>
	<u>650,724</u>	<u>831,225</u>
Land and Buildings	313,928	408,373
Plant and Equipment	26,110	79,527
Motor Vehicles	278,321	306,878
Fixtures & Fittings	<u>32,365</u>	<u>36,447</u>
	<u>650,724</u>	<u>831,225</u>

	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Motor Vehicles</b>	<b>Fixtures &amp; Fittings</b>	<b>Total</b>
Cost					
Balance as at 30 June 2010	660,559	337,102	400,769	46,502	1,444,932
Additions	3,878	28,891	336	-	33,105
Transferred categories	3,070	-	-	(3,070)	-
Balance as at 30 June 2011	667,507	365,993	401,105	43,432	1,478,037
Additions	-	5,396	3,980	317	9,693
Disposals	-	(4,369)	-	-	(4,369)
Transferred categories	(1,863)	-	1,863	-	-
Balance as at 30 June 2012	<u>665,644</u>	<u>367,020</u>	<u>406,948</u>	<u>43,749</u>	<u>1,483,361</u>

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

	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Motor Vehicles</b>	<b>Fixtures &amp; Fittings</b>	<b>Total</b>
<i>Accumulated Depreciation</i>					
Balance as at 30 June 2010	(163,377)	(172,150)	(60,827)	(3,201)	(399,555)
Depreciation	(95,198)	(114,316)	(33,400)	(4,343)	(247,257)
Transferred categories	(559)	-	-	559	-
Balance as at 30 June 2011	(259,134)	(286,466)	(94,227)	(6,985)	(646,812)
Depreciation	(93,031)	(57,895)	(33,951)	(4,399)	(189,276)
Disposals	-	3,451	-	-	3,451
Transferred categories	449	-	(449)	-	-
Balance as at 30 June 2012	<u>(351,716)</u>	<u>(340,910)</u>	<u>(128,627)</u>	<u>(11,384)</u>	<u>(832,637)</u>

**Note 13. Exploration and Evaluation Expenditure**

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Opening balance Exploration and evaluation expenditure	6,211,243	4,962,376
Exploration and evaluation expenses capitalised during year/period	1,331,629	1,399,616
Less: impairment	(442,458)	(150,749)
Closing balance Exploration and evaluation expenditure	<u>7,100,414</u>	<u>6,211,243</u>

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 Group'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**

Trade Creditors	58,970	89,273
Prepaid Share Capital	814,000	-
Other Creditors	<u>57,950</u>	<u>29,612</u>
	<u>930,920</u>	<u>118,885</u>

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

**Note 15. Provisions**

Employee entitlements – annual leave accrued	<u>67,156</u>	<u>44,390</u>
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**Note 16. Issued Capital**

	<b>Number</b>	<b>\$</b>
Opening balance 1 July 2010	<u>108,876,250</u>	<u>13,328,696</u>
<b>Closing balance 30 June 2011</b>	<b><u>108,876,250</u></b>	<b><u>13,328,696</u></b>
Movements		
<b>Issue of 1,000,000 shares @ deemed price of \$0.085 in relation to the purchase of the Tuckanarra Gold Project.</b>	<u>1,000,000</u>	<u>85,000</u>
<b>Closing balance 30 June 2012</b>	<u>109,876,250</u>	<u>13,413,696</u>

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

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Note 16 . Issued Capital (continued)

(b) Options on Issue

Expiry date	31 July 2012	31 July 2012	31 July 2012	11 Aug 2010	23 Oct 2012	30 June 2010	1 July 2011	14 Oct 2011	11 Nov 2011
Exercise price	\$0.20 Directors <sup>1</sup>	\$0.20 Other <sup>2</sup>	\$0.20 Employee & consultant <sup>3</sup>	\$0.20 Employee under ESOP <sup>4</sup>	\$0.30 (Directors <sup>5</sup> and Employee under ESOP) <sup>7</sup>	\$0.20 (Employee under ESOP) <sup>8</sup>	\$0.19 Consul- tant <sup>9</sup>	\$0.10 Employees under ESOP <sup>10</sup>	\$0.10 Consul- tant <sup>11</sup>
On issue at the beginning of the year	17,000,000	5,000,000	850,000	150,000	2,100,000	400,000	-	-	-
Granted during the year	-	-	-	-	-	-	100,000	450,000	500,000
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	(150,000)	-	-	-	-	-
Outstanding at balance date	17,000,000	5,000,000	850,000	-	2,100,000	400,000	100,000	450,000	500,000

The above-mentioned options have the following key terms:

- Directors' options are exercisable at 20 cents each, by the expiry date noted above.
- 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.
- 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.
- Employee options are exercisable at 20 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Group's Employee Share and Option Plan and vest immediately. These options expired unexercised during the year.
- There are no rights to dividends or voting on the above options.
- Directors' options are exercisable at 30 cents each, by the expiry date noted above. The shares vest immediately.
- Employee options are exercisable at 30 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Group's Employee Share and Option Plan and vest immediately.
- Employee options are exercisable at 30 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Group'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.
- Consultant options are exercisable at \$0.19 by 1 July 2014.
- Employee options are exercisable at \$0.10 by 14 October 2014. They were issued under the terms and conditions of the Group's Employee Share and Option Plan and vest immediately.
- Consultant options are exercisable at \$0.10 by 11 November 2014.

Note 17. Share Option Reserve

	30 June 2012 \$	30 June 2011 \$
Opening Balance	345,250	346,957
Employee option issue – 30 June 2010	-	8,703
Expired employee options	-	(10,410)
Consultant Options – 1 July 2011	7,370	-
Employee Options – 14 October 2011	15,885	-
Consultant Options – 11 November 2011	19,550	-
Closing balance	388,055	345,250

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.

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Note 17. Share Option Reserve (continued)

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

INPUT	CONSULTANT OPTIONS	EMPLOYEE OPTIONS	CONSULTANT OPTIONS
Exercise Price	\$0.19	\$0.10	\$0.10
Share price	\$0.13	\$0.064	\$0.0688
Grant date	1/7/11	14/10/11	11/11/11
Expected volatility (i)	100%	100%	100%
Expiry date	1/7/14	14/10/11	11/11/14
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.75%	4.5%	4.75%
Value per option	\$0.0737	\$0.0353	\$0.0391
Number of options	100,000	450,000	500,000
Value of options	\$7,370	\$15,885	\$19,550

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

Note 18. Accumulated Losses

	30 June 2012 \$	30 June 2011 \$
Balance at the beginning of the year	(2,620,726)	(1,694,291)
Net loss for the year	(1,666,356)	(936,845)
Option expense reversed for expired options	-	10,410
Balance at the end of the year	(4,287,082)	(2,620,726)

Note 19. Statement of Operations by Segment

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates solely in the natural resources exploration industry in Australia, and has determined that this is the only operating segment. The Group is predominantly involved in phosphate exploration and also explores for gold, manganese, iron and uranium.

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 Group held, directly, indirectly or beneficially, by each specified director is as follows:

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

2012

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2012
James Richards (i)	15,000,000	-	-	-	15,000,000
Andrew James (ii)	20,050,000	-	-	-	20,050,000
Grant Mooney (iii)	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) 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.

2011

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2011
James Richards (i)	15,000,000	-	-	-	15,000,000
Andrew James (ii)	20,050,000	-	-	-	20,050,000
Grant Mooney (iii)	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) Grant Mooney holds 12,500 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares.

Executive unlisted share options issued by Phosphate Australia Limited

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

2012

Directors	Balance as at beginning of year	Granted as compensation	Balance vested at 30 June 2011	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards (i)	6,350,000	-	6,350,000	-	6,350,000	-
Andrew James (ii)	9,500,000	-	9,500,000	-	9,500,000	-
Grant Mooney (iii)	850,000	-	850,000	-	850,000	-

(i) James Richards holds 6,000,000 options in his own name. His spouse holds 350,000 options.

(ii) Andrew James holds 9,000,000 options in his own name. His spouse holds 500,000 options.

(iii) 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

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

2011

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)	6,350,000	-	6,350,000	-	6,350,000	-
Andrew James (ii)	9,500,000	-	9,500,000	-	9,500,000	-
Grant Mooney (iii)	850,000	-	850,000	-	850,000	-
Lisa Wells (Resigned 8.10.10)	2,500,000	-	2,500,000	-	2,500,000	-

(iv) James Richards holds 6,000,000 options in his own name. His spouse holds 350,000 options.

(v) Andrew James holds 9,000,000 options in his own name. His spouse holds 500,000 options.

(vi) 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

(iv) Lisa Wells holds 2,000,000 options in her own name. Margaret Wells, Lisa's mother holds 500,000 options.

(c) Transactions with director related entities

During the year, companies associated with Grant Mooney were paid for Group secretarial and bookkeeping/accounting services provided to the Group totalling \$74,250 (2011: \$95,625).

Note 21. Financial Instruments

(a) Overview

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

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

The Group 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 Group's focus has been to raise sufficient funds through equity to fund exploration activities.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16, 17 and 18 respectively. The Group 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 Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group'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 Group's financial risks as summarised below.



NOTES TO AND FORMING PART OF THE  
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Note 21. Financial Instruments (continued)

b) Interest rate risk

The Group'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:

2012	Average Effective Interest Rate	Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
<b>Financial assets:</b>					
Operating accounts	-	-	-	842,857	842,857
Savings accounts	0.00%	-	391,831	-	391,831
Term deposits	5.58%	1,280,017	-	-	1,280,017
Receivables	-	-	-	136,472	136,472
		<b>1,280,017</b>	<b>391,831</b>	<b>979,329</b>	<b>2,651,177</b>
<b>Financial liabilities:</b>					
Accounts payable	-	-	-	875,920	875,920
		-	-	<b>875,820</b>	<b>875,920</b>

2011	Average Effective Interest Rate	Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing	Total
	%	\$	\$	\$	\$
<b>Financial assets:</b>					
Cheque account	-	-	-	68,174	68,174
Savings accounts	0.00%	-	15,527	-	15,527
Term deposits	6.12%	3,555,000	-	-	3,555,000
Receivables	-	-	-	335,211	335,211
		<b>3,555,000</b>	<b>15,527</b>	<b>403,385</b>	<b>3,973,912</b>
<b>Financial liabilities:</b>					
Accounts payable	-	-	-	118,885	118,885
		-	-	<b>118,885</b>	<b>118,885</b>

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%
	\$	\$	\$	\$
<b>2012</b>				
Cash and cash equivalents	7,145	(7,145)	7,145	(7,145)
<b>2011</b>				
Cash and cash equivalents	21,745	(21,745)	21,745	(21,745)

NOTES TO AND FORMING PART OF THE  
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Note 21. Financial Instruments (Continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Group 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 Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2012	2011
	\$	\$
Cash and cash equivalents	2,342,150	3,638,701
Trade and other receivables	191,472	335,212
	<b>2,533,622</b>	<b>3,973,913</b>

(d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group will always have sufficient liquidity to meet its liabilities when due, by insuring sufficient liquid funds are available on short term maturities.

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

(e) Commodity price risk

The Group is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group 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

	2012	2011
	cents	cents
Basic (loss) per share (cents per share)	(1.518)	(0.860)
Diluted (loss) per share (cents per share)	(1.518)	(0.860)
<b>Basic Earnings per Share</b>		
	2012	2011
	\$	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(1,666,356)	(936,845)
	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares	109,753,299	108,876,250

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 other than the following:

- On 2 July 2012 Phosphate Australia Limited (POZ) placed 11 million ordinary shares for a consideration of 7.4 cents per share for a total raising of \$814,000. This was received prior to 30 June 2012. The shares have been placed with Lodestone Equities Limited (Lodestone), an Isle of Man based company controlled by Mr Gordon Toll. The funds will be used for general working capital including the company's gold project in Western Australia and phosphate project in the NT.
- On 11 September 2012, the option issued to Loadstone Equities Limited lapsed. This option covered 70% of the iron rights over the Nicholson Iron project located in the NT.

**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 Group is not yet known. The Group 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 Group 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.

	2012 \$	2011 \$
1. <b>Operating Lease Commitment as follows:</b>		
<u>Office Rental</u>		
- Due within 1 year	49,263	197,052
- Due 1 to 5 years	-	49,263

The Group has elected not to exercise an option to review the office rental lease for a period of 12 months commencing 1 October 2012.

**2. Exploration Expenditure Commitments:**

The Group 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 \$1,104,360 (2011: \$752,000).

**Note 26. Controlled Entities**

	Country of incorporation	Percentage Owned %	
		2012	2011
Subsidiaries of Phosphate Australia Limited:			
Carpentaria Phosphate (Holdings) Pty Ltd <sup>1</sup>	Australia	100%	-
Carpentaria Phosphate Pty Ltd <sup>1</sup>	Australia	100%	-

Both subsidiary companies were incorporated during the financial year.

NOTES TO AND FORMING PART OF THE  
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**Note 27. Parent Entity**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	Parent Entity	
	2012 \$	2011 \$
<b>Statement of Financial Position</b>		
ASSETS		
Current Assets	2,731,608	4,174,027
Non-Current Assets	7,759,001	7,042,468
TOTAL ASSETS	<u>10,520,608</u>	<u>11,216,495</u>
LIABILITIES		
Current Liabilities	998,920	163,275
TOTAL LIABILITIES	<u>998,920</u>	<u>163,275</u>
NET ASSETS	<u>9,522,532</u>	<u>11,053,220</u>
EQUITY		
Issued Capital	13,413,696	13,328,696
Share Option Reserve	388,055	345,250
Accumulated losses	(4,279,118)	(2,620,726)
TOTAL EQUITY	<u>9,522,532</u>	<u>11,053,220</u>
<b>Statement of Comprehensive Income</b>		
Total loss	(1,658,393)	(936,845)
Total comprehensive loss	<u>(1,658,393)</u>	<u>(936,845)</u>
<b>Guarantees</b>		

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2012 in relation to the debt of the subsidiaries.

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Phosphate Australia Limited (the 'Group'):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is signed in accordance with a resolution of the Board of Directors.



**JAMES RICHARDS**  
Chairman



**ANDREW JAMES**  
Managing Director

Dated this day 27 September 2012

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### Independent Auditor's Report To the Members of Phosphate Australia Limited

#### Report on the financial report

We have audited the accompanying financial report of Phosphate Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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. Those standards require us to 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.

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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 Company's preparation of the financial report that gives a true and fair view 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 Company'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.

#### **Independence**

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

#### **Auditor's opinion**

In our opinion:

- a the financial report of Phosphate Australia Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### **Report on the remuneration report**

We have audited the remuneration report included in pages 6 to 7 of the directors' report for the year ended 30 June 2012. 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 on the remuneration report**

In our opinion, the remuneration report of Phosphate Australia Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Partner - Audit & Assurance

Perth, 27 September 2012

**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 21 September 2012.

Spread of Holdings		Ordinary Shares
1	- 1,000	35,877
1,001	- 5,000	540,960
5,001	- 10,000	1,725,410
10,001	- 100,000	20,377,140
100,001	- and over	98,196,863

Number of Holders 1,069

Number of shareholders holding less than a marketable parcel: 258

**SUBSTANTIAL SHAREHOLDERS**

Shareholder Name	Number of Shares
Andrew James	20,050,000
James Richards	15,000,000
Lodestone Equities Limited	11,000,000
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 120,876,250 fully paid shares.

**GROUP SECRETARY**

The name of the Company Secretary is Grant Jonathan Mooney.

**REGISTERED OFFICE**

The registered office is at Suite 4, 6 Richardson Street, West Perth, Western Australia 6005.

**TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES  
(as at 21 SEPTEMBER 2012)**

**ORDINARY FULLY PAID SHARES**

Shareholder Name	Number of Shares	Percentage of Capital
Andrew Stephen James	20,000,000	16.55
James M <sup>c</sup> Arthur Richards	15,000,000	12.41
Lodestone Equities Limited	11,000,000	9.10
United Minerals Corporation NL	5,000,000	4.14
Ms Anne Marie Hutchings	3,650,000	3.02
Dale Leonard Andrews <Dog Star Super Fund A/c>	2,690,000	2.23
Cleland Projects Pty Ltd <Investment A/c>	1,750,000	1.45
JP Morgan Nominees Australia <Cash income A/c>	1,568,615	1.30
Lisa Kathleen Wells	1,550,000	1.28
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/c>	1,282,753	1.06
Mr Ian Kerr	1,267,252	1.05
Mr Christopher John Fone	1,061,224	0.88
Mr Andrew Ian Brown	1,017,000	0.84
Gold & Mineral Resources Pty Ltd	1,000,000	0.83
Mr Paul & Mrs Pauline Sciancalepore	1,000,000	0.83
Mr Antonio Aloisi & Miss Jane Rosemary Searles <Yu Khen Super Fund A/c>	988,250	0.82
Dacin Nominees Pty Ltd	800,000	0.66
JWP Pty Ltd <JWP Super Fund A/c>	750,000	0.62
WCS Properties Pty Ltd	750,000	0.62
LXL Pty Ltd	750,000	0.62
Mr Ianaki Semerdziew	698,000	0.58
Mr Yale Lu	650,000	0.54
Okcin Holdings Pty Ltd <Okcin Investment A/c>	645,495	0.53
<b>Total</b>	<b>74,868,589</b>	<b>61.96</b>

**HOLDERS OF SECURITIES IN AN UNQUOTED CLASS  
OPTIONS**

Option Holder Name	Directors	ESOP	ESOP	Consultant	ESOP	Consultant
	Options	Options	Options	Options	Options	Options
	21 Oct 2009	21 Oct 2009	30 Jun 2010	1 Jul 2011	14 Oct 11	
James Richards	350,000	-	-	-	-	-
Andrew James	500,000	-	-	-	-	-
Lisa Wells	500,000	-	-	-	-	-
Grant Mooney	350,000	-	-	-	-	-
Doug Kirby	-	200,000	-	-	-	-
Sarah Tomas	-	200,000	150,000	-	150,000	-
Michael Denny	-	-	250,000	-	200,000	-
Tamara Ziere	-	-	-	-	100,000	-
G.C. Partners	-	-	-	100,000	-	500,000
	<b>1,700,000</b>	<b>400,000</b>	<b>400,000</b>	<b>100,000</b>	<b>450,000</b>	<b>500,000</b>

## 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 Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

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

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

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

A summary of the Group'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 Group has appointed, with their consent, Grant Thornton 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 Group 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 Group. The ESOP is administered in accordance with the ESOP rules which can be viewed, in full, on the Group'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.

### (i) Risk Management

Risk recognition and management are viewed by Phosphate Australia as integral to the Group's objectives of creating and maintaining shareholder value, and the successful execution of the Group'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 Group has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Group'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.

CORPORATE GOVERNANCE (Continued)

(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 Group Policy.

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

On 17 December 2010, the Group adopted a new Securities Trading Policy which sets out procedures and protocols to be complied with if a director, officer or employee wishes to trade in the Group's securities. These procedures and protocols include the clear establishment of "blackout periods" where trading in the Group's securities by a director, officer or employee is prohibited as well as approvals required for trading in securities during non-blackout periods.

(k) Shareholder Communication Policy

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

In addition, the Group maintains a website at [www.phosphateaustralia.com.au](http://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 Group'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) Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. As such, the Board has adopted a policy to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

(o) Explanations for Departure From Best Practice Recommendations

During the reporting year from the Group 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.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Group 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 Group has not complied with the recommendations as set out under this Principle as follows:</p> <p>The Group 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 Group's website.</p>	Not applicable
2	Structure the Board to Add Value	<p>The Group does not comply with the following recommendation:</p> <ul style="list-style-type: none"> <li><b>A majority of the Board should be independent directors.</b></li> </ul> <p>This is as a result of two of the Group's directors, Jim Richards and Andrew James being substantial shareholders while Andrew James also performs an executive function within the Group.</p> <p>Director Grant Mooney is considered to be an independent director as he is not a substantial shareholder, does not perform an executive role within the organisation, is not a material supplier or customer (including over past 3 years) and has no material contract with the Group.</p> <ul style="list-style-type: none"> <li><b>The Board should establish a Nomination Committee.</b></li> </ul> <p>Given the Group's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>In addition to the above, the following information is provided:</p> <p>The skills, experience and expertise of each of the Group's directors are set out in the Group's Annual Report.</p> <p>If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Group will pay the reasonable expenses associated with obtaining such advice.</p>	<p>The Group deals with the lack of independent directors by ensuring that conflicts of interest are adequately disclosed in accordance with the Group's Code of Conduct. Where adequate skills do not exist within the pool of independent directors, external advice is sought.</p> <p>The Group also maintains a strict policy of disclosure of external interests which may conflict with the core business of the Group. 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 Group's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.</p>

3	Promote Ethical and Responsible Decision Making	The Group complies with this Principle.	Not applicable.
4	Safeguard Integrity in Financial Reporting	<p>The Group does not comply with the following recommendation:</p> <ul style="list-style-type: none"> <li><b>The Board should establish an Audit Committee.</b></li> </ul> <p>The Group does not presently have an Audit Committee.</p> <p>The Group has a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Group's website.</p>	<p>The Directors are of the view that given the size of the Group, 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 Group complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Group complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	<p>The Group complies with this Principle.</p> <p>The Board of Directors has received a report from Management in relation to the effectiveness of the Group's management of the Group'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 Group also has a separate policy in relation to Risk Management which is available on the Group's website.</p>	Not Applicable

8	Remunerate Fairly and Responsibly	<p>The Group does not comply with the following recommendation:</p> <ul style="list-style-type: none"> <li><b>The Board should establish a Remuneration Committee.</b></li> </ul> <p>The Group 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 Group, 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.</p> <p>The Group 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>
9	Diversity Policy	<ul style="list-style-type: none"> <li>The Board should establish a policy concerning diversity and disclose the policy or a summary of that policy.</li> <li>The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</li> </ul> <p>The Board has established a Diversity Policy.</p>	<p>The Board is accountable for ensuring this policy is effectively implemented. This is assessed annually. Each employee has a responsibility to ensure that these objectives are achieved.</p>



# NOTES



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