



**PHOSPHATE AUSTRALIA LIMITED  
ACN 129 158 550**

**NOTICE OF ANNUAL GENERAL MEETING  
AND  
EXPLANATORY STATEMENT**

For the Annual General Meeting to be held  
on 5 November 2014 at 10:00am (Western Standard Time) at

37 Colin Street, West Perth, Western Australia

This is an important document. Please read it carefully.  
Please speak to your professional advisers if you have any  
questions about this document or how to vote at the Meeting.

## TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

<p style="text-align: center;"><b>Venue</b></p> <p style="text-align: center;">The Annual General Meeting of the Company will be held at: 37 Colin Street West Perth WA 6005</p> <p style="text-align: center;"><b>Date &amp; Time</b></p> <p style="text-align: center;">5 November 2014 Commencing at 10:00 am (WST)</p>
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### **How to Vote**

You may vote by attending the Meeting in person, by proxy or authorised representative.

### **Voting in Person**

To vote in person, attend the Meeting on the date and at the place set out above.

The Meeting will commence at 10:00am (WST).

### **Voting by Proxy**

To vote by proxy, please complete and sign the enclosed proxy form and return by:

- post to Phosphate Australia Limited, PO Box 1235, West Perth, WA 6872
- facsimile to facsimile number (08) 9422 9599
- delivery to Phosphate Australia Limited, 37 Colin Street, West Perth, WA 6005

so that it is received not later than 10:00am (WST) on 3 November 2014.

Notice is hereby given that the Annual General Meeting of the Shareholders of Phosphate Australia Limited will held at 37 Colin Street, Western Australia, on 5 November 2014 at 10:00am (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

## AGENDA

### GENERAL BUSINESS

#### Accounts and Reports

To receive and consider the Financial Report of the Company and the Report of the Directors and Auditor for the financial year ended 30 June 2014.

### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That the Remuneration Report for the financial year ended 30 June 2014 as set out in the 2014 Annual Report of the Company be adopted."*

**Short Explanation:** The Company is required to put a resolution to adopt the remuneration report of the Company at each annual general meeting. This is an advisory resolution only and does not bind the Directors or the Company.

The Company will disregard any votes cast (in any capacity) on this Resolution by or on behalf of either of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report;
- (b) a closely related party of such a member.

However, the voter may cast a vote on the Resolution as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the Chair of the Meeting and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on the resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

### RESOLUTION 2 - RE-ELECTION OF DIRECTOR, MR GRANT MOONEY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, Mr Grant Mooney, who retires by rotation in accordance with Rule 7.3 of the Constitution of the Company, and being eligible offers himself for election, is hereby re-elected as a Director of the Company."*

**Short Explanation:** Mr Grant Mooney is a non-executive Director and is presented for re-election in accordance with the rotation requirements of the Constitution.

### RESOLUTION 3 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** The Company seeks approval to issue an additional 10% of the Company's issued ordinary securities during a 12 month period in accordance with Listing Rule 7.1A.

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote cast on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### RESOLUTION 4 – APPROVAL TO GRANT OPTIONS TO DIRECTOR, MR JIM RICHARDS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Jim Richards or his nominees up to 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** The Company proposes to grant Options to Mr Jim Richards, the Executive Chairman of the Company as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by Jim Richards or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

**Restriction on proxy voting by key management personnel or closely related parties:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the key management personnel for the Company; or
  - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

**RESOLUTION 5 – APPROVAL TO GRANT OPTIONS TO DIRECTOR, MR GRANT MOONEY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"Subject to the passing of Resolution 2, that for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Grant Mooney or his nominees up to 1,000,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** The Company proposes to grant Options to Mr Grant Mooney, a Non-executive Director of the Company as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by Grant Mooney or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

**Restriction on proxy voting by key management personnel or closely related parties:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the key management personnel for the Company; or
  - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

**RESOLUTION 6 – APPROVAL TO GRANT OPTIONS TO DIRECTOR, MR MARK THOMPSON**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Mark Thompson or his nominees up to 1,000,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** The Company proposes to grant Options to Mr Mark Thompson, a Non-executive Director of the Company, as part of his remuneration package. Shareholder approval is required under the Listing Rules and the Corporations Act.

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by Mark Thompson or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

**Restriction on proxy voting by key management personnel or closely related parties:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the key management personnel for the Company; or
  - (ii) a closely related party of such a member; and

**RESOLUTION 6: Voting exclusion (Continued)**

- b) the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if:
- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

**VOTING AND PROXIES**

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The Chair of the Meeting will vote undirected proxies FOR Resolutions 1 to 6, including Resolution 1 (Adoption of Remuneration Report).

In relation to Resolution 1 the proxy form expressly authorises the Chair to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel. Any undirected proxies held by a Director, any member of the key management personnel or any of their closely related parties (who are not the Chair of the Meeting) will not be voted on Resolution 1 (Adoption of Remuneration Report). Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2014. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

4. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 3 November 2014 at 2:00pm (WST).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board



GRANT J. MOONEY  
Director and Company Secretary

Dated: 23 September 2014

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of Resolutions 1 to 6 contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

## **1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

### **1.1 Remuneration Report**

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and executive officer named in the Remuneration Report for the financial year ended 30 June 2014.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

The Directors recommend that Shareholders vote in favour of Resolution 1.

### **1.2 Two strikes process**

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members at each annual general meeting that the remuneration report be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which the directors (other than the managing director) must go up for re-election.

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, a spill resolution is not relevant for this Meeting.

### **1.3 Proxy restrictions**

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the proxy form for this item of business.

If you appoint a member of the key management personnel (other than the Chair) whose remuneration details are included in the Remuneration Report or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 1, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 1.

If you appoint the Chair as your proxy, and you do not direct the Chair on how to vote on this Resolution 1, then by signing and returning the proxy form you are giving express authorisation for the Chair to vote in accordance with his or her intentions. The Chair intends to vote all undirected proxies **FOR Resolution 1** even though the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

## **2. RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR GRANT MOONEY**

Rule 7.3 of the Constitution requires that at each annual general meeting, one-third of directors for the time being (rounded down to the nearest whole number) shall retire from office. This rule does not apply to the managing director. A retiring director is eligible for re-election. Mr Grant Mooney

retires as a Director of the Company in accordance with the requirements of the Constitution and being eligible, offers himself for re-election. Details of the qualifications and experience of Mr Grant Mooney is set out in the Company's 2014 Annual Report.

### **3. RESOLUTION 3 – ADDITIONAL PLACEMENT CAPACITY**

#### **3.1 General**

Listing Rule 7.1 permits entities to issue 15% of its issued capital without shareholder approval in a 12 month period, subject to a number of exceptions.

Listing Rule 7.1A permits eligible entities, which have obtained shareholder approval by special resolution, to issue Equity Securities up to an additional 10% of its issued capital by placements over a 12 month period after the annual general meeting ("**Additional Placement Capacity**").

The Company seeks Shareholder approval under Resolution 3 to be able to issue Equity Securities under the Additional Placement Capacity. The exact number of Equity Securities to be issued is not fixed and will be determined in accordance the formula prescribed in Listing Rule 7.1A.2 (set out below).

#### **3.2 Requirements of Listing Rule 7.1A**

**(a) Eligible entities**

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

**(b) Shareholder approval**

Shareholders must approve the Additional Placement Capacity by special resolution at the annual general meeting. A resolution under Listing Rule 7.1A cannot be put at any other shareholder meeting.

**(c) Equity Securities**

Equity Securities issued under the Additional Placement Capacity must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has one class of Equity Securities quoted on ASX being fully paid ordinary Shares.

**(d) Formula for calculating number of Equity Securities that may be issued under the Additional Placement Capacity**

If Resolution 3 is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

(AxD)-E

A	The number of shares on issue 12 months before the date of issue or agreement: <ul style="list-style-type: none"> <li>• plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;</li> <li>• plus the number of partly paid shares that became fully paid in the 12 months;</li> <li>• plus the number of fully paid shares issued in the 12 months with the approval of shareholders under Listing Rules 7.1 or 7.4;</li> <li>• less the number of fully paid shares cancelled in the 12 months.</li> </ul>
D	10%
E	The number of Equity Securities issued or agreed to be issued under Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

**(e) Interaction between Listing Rules 7.1 and 7.1A**

The Additional Placement Capacity under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1.



The Company has 161,168,333 Shares on issue as at the date of this Notice. If all of the Resolutions in this Notice are passed, the Company will be permitted to issue (as at the date of this Notice):

- 24,175,250 Equity Securities under Listing Rule 7.1; and
- 16,116,833 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will be permitted to issue under Listing Rule 7.1A will be calculated at the date of issue or agreement to issue the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out above).

The effect of Resolution 3 will be to allow the Company to issue securities under Listing Rule 7.1A without using the Company's placement capacity under Listing Rule 7.1.

### 3.3 Information for Shareholders as required by Listing Rule 7.3A

#### (a) Minimum price

The issue price of the new Equity Securities will be no lower than 75% of the volume weighted average price (VWAP) for securities in the relevant quoted class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Business Days of the date above, the date on which the Equity Securities are issued.

#### (b) Risk of economic and voting dilution

If Resolution 3 is passed and the Company issues securities under the Additional Placement Facility, existing Shareholders' voting power in the Company will be diluted.

There is the risk that:

- the market price for the Company's existing Equity Securities may be significantly lower on the date of issue of the new Equity Securities than on the date of the Meeting; and
- the new Equity Securities may be issued at a price that is at a discount to the market price of the Company's existing Equity Securities on the issue date or the new Equity Securities may be issued as part of the consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the new Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example a pro rata entitlement issue) or future placements under Listing Rule 7.1 that are approved by Shareholders in the future;
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

This table has been prepared on the following assumptions:

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0095 50% decrease in Issue Price	\$0.019 Issue Price	\$0.038 100% increase in Issue Price
Current 161,168,333 Shares	<b>10% Voting Dilution</b>	16,116,333 Shares	16,116,333 Shares	16,116,333 Shares
	<b>Funds raised</b>	\$153,105	\$306,210	\$612,420
50% increase in Variable A 241,752,500 Shares	<b>10% Voting Dilution</b>	24,175,250 Shares	24,175,250 Shares	24,175,250 Shares
	<b>Funds raised</b>	\$229,664	\$459,330	\$918,660
100% increase in Variable A 322,336,666 Shares	<b>10% Voting Dilution</b>	32,233,666 Shares	32,233,666 Shares	32,233,666 Shares
	<b>Funds raised</b>	\$306,220	\$612,440	\$1,224,879

- (i) The Company issues the maximum number of Equity Securities available under the Additional Placement Capacity.
- (ii) No Options (including any Options issued under the Additional Placement Capacity) are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the Additional Placement Capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.019 (1.9 cents), being the latest closing price of the Shares on ASX on 23 September 2013.

The Company's ability to issue securities under Listing Rule 7.1A is in addition to its ability to issue securities under listing rule 7.1.

**(c) Placement Period**

Shareholder approval of the Additional Placement Capacity under Listing Rule 7.1A is valid from 5 November 2014 (the date of this Meeting) and expires on the earlier of:

- 5 November 2015, which is 12 months after this Meeting; or
- the date that Shareholders approve a transaction under Listing Rule 11.1.2 (significant change to nature or scale of activities) or 11.2 (disposal of the main undertaking, or such longer period as allowed by ASX (the "**Placement Period**")).

The Company will only issue and allot new securities during the Placement Period. The approval will cease to be valid in the event that Shareholders' approve a transaction under Listing Rules 11.1.2 or 11.2.

**(d) Purposes for which the new Equity Securities may be issued**

The Company may seek to issue new Equity Securities for the following purposes:

- cash consideration to raise funds for the acquisition of new assets or investments (including the expenses associated such acquisition), continued exploration and expenditure on the Company's current assets and for general working capital; or
- non-cash consideration for acquisition of new assets and investments or for the payment of goods and services provided to the Company. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

**(e) Allocation policy**

The Company's allocation policy for the issue of new Equity Securities under the Additional Placement Capacity will depend on the market conditions existing at the time of the proposed issue. The allottees will be determined at the relevant time having regard to factors such as:

- the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- the effect of the issue of new securities on the control of the Company;
- the financial situation and solvency of the Company;
- advice from corporate, financial and broking advisers (as relevant).

As at the date of this Notice the allottees are not known but may include existing substantial Shareholders and/or new Shareholders. No allottee under the Additional Placement Capacity will be a related party or associate of a related party. Existing Shareholders may or may not be entitled to subscribe for any Equity Securities issued under the Additional Placement Capacity and it is possible that their shareholding will be diluted.

If the Additional Placement Capacity is used to acquire new assets or investments then it is likely that the allottees will be the vendors of the new assets.

The Company will comply with the disclosure obligations under Listing Rule 7.1A(4) and 3.10.5A on the issue of any new securities.

**(f) Details of Equity Securities issued under earlier placement capacity approval**

On 20 November 2013, the Company received Shareholder approval for the Additional Placement capacity at its 2013 annual general meeting. Pursuant to Listing Rule 7.3A.6 the following information is provided to Shareholders:

- The total number of Equity Securities issued in the 12 months before this Meeting (that is, since 20 November 2013) is 400,000 Options. The total number of Equity Securities on issue at 20 November 2013 was 161,168,333 Shares and 7,350,000 Options. The total number of Equity Securities issued in the 12 months since 20 November 2013 is 0.25% of the total number of Equity Securities on issue at 20 November 2013.
- The details for each separate issue of Equity Securities issued during the 12 months preceding the date of the Meeting are:

On 28 January 2014 the Company issued 400,000 unlisted Options for nil consideration to Michael Denny, an employee pursuant to an employee share option plan. The Options have an exercise price of 2.0 cents and an expiry date of 28 January 2016. The Company has valued the Options at 23 September 2014 at 0.68 cents per Option using the Black and Scholes option pricing model.

**(g) Voting exclusion**

At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in a proposed issue of Equity Securities under the proposed Additional Placement Capacity. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

**4. RESOLUTIONS 4, 5 and 6 – APPROVAL TO GRANT OPTIONS TO THE DIRECTORS**

Resolutions 4, 5 and 6 seek Shareholder approval so that the Company may grant Options to each of the Directors – Jim Richards, Grant Mooney and Mark Thompson.

#### 4.1 Listing Rule 10.11

Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party. Jim Richards, Grant Mooney and Mark Thompson are Directors and as such are related parties of the Company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1 (and the issue of the Shares will not be included in the 15% placement capacity calculation).

Listing Rule 10.13 provides that the notice of meeting to approve the issue of securities under Listing Rule 10.11 must include the following information:

- (a) The Options will be granted to Jim Richards (Resolution 4), Grant Mooney (Resolution 5) and Mark Thompson (Resolution 6) or their nominees.
- (b) The maximum number of securities the Company will grant is:
  - 3,000,000 Options to Jim Richards (or his nominees);
  - 1,000,000 Options to Grant Mooney (or his nominees); and
  - 1,000,000 Options to Mark Thompson (or his nominees).
- (c) The Options will be granted no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) Jim Richards, Grant Mooney and Mark Thompson as Directors are related parties.
- (e) The Options are granted for nil consideration. The exercise price of the Options is 145% of the volume weighted average price over the 8 days before the date of issue of the Options. The Options expire 3 years after the date of issue and have no vesting criteria. The full terms of the Options are set out in Annexure 1.
- (f) No funds will be raised by the grant of the Options.

#### 4.2 Chapter 2E of the Corporations Act - Related Party transaction

The proposed grant of Options to the Directors is a financial benefit to a related party requiring Shareholder approval under the Corporations Act in the absence of a specified exception applying. The following information is provided to Shareholders in relation to Resolutions 4, 5 and 6 for the purposes of the Corporations Act.

**(a) The related party to whom the proposed Resolutions would permit the financial benefit to be given**

The related parties are Jim Richards (Resolution 4), Grant Mooney (Resolution 5) and Mark Thompson (Resolution 6) or their nominees.

**(b) The nature of the financial benefit**

The proposed financial benefit to be given is the grant of up to:

- 3,000,000 Options to Jim Richards (or his nominees);
- 1,000,000 Options to Grant Mooney (or his nominees); and
- 1,000,000 Options to Mark Thompson (or his nominees).

The terms of the Options are set out in Annexure 1.

**(c) Directors recommendation and basis of financial benefit**

The Board currently consists of Jim Richards (Executive Chairman), Grant Mooney (Non-executive Director) and Mark Thompson (Non-executive Director).

By Resolutions 4, 5 and 6 the Company is proposing to grant Options to each of the Directors. In each case, the number of Options to be granted and the terms of the Options was negotiated by the Directors independent of the particular Director to be granted the Options.

The purpose of the Options is to provide each Director with added incentive to achieve the goals set by the Board and to add Shareholder value. The Options are issued as part of

each Director's remuneration package. Where the Director resigns from his position with the Company before the expiry date, the Options will automatically lapse unless the Board determines within 30 days that they may be retained.

The independent Directors in each case consider that the quantity of Options together with the terms of the Options in each case constitute an appropriate number to adequately incentivise the Directors in light of that Director's skill and experience and their current remuneration as detailed below.

The Company acknowledges that the issue of the Options to Grant Mooney and Mark Thompson as non-executive Directors may be contrary to guidelines for non-executive remuneration in recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the importance of maintaining the Company's cash reserves.

The independent Directors in each case recommend that Shareholders vote in favour of the Resolutions.

Mr Jim Richards abstains from making a recommendation to Shareholders on Resolution 4 as he has a material personal interest in the outcome as the recipient of the Options.

Mr Grant Mooney abstains from making a recommendation to Shareholders on Resolution 5 as he has a material personal interest in the outcome as the recipient of the Options.

Mr Mark Thompson abstains from making a recommendation to Shareholders on Resolution 6 as he has a material personal interest in the outcome as the recipient of the Options.

**(d) Dilution**

The passing of Resolutions 4, 5 and 6 would have the effect of granting the Directors (or their nominees) a total of 5,000,000 Options.

If any of the Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all of 5,000,000 Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 3.0% (based on the total current number of Shares on issue, which is 161,168,333 Shares).

The actual dilution will depend on the extent of further equity raised by the Company and whether any of the Options are exercised.

**(e) Remuneration of the Directors**

The total remuneration arrangements for each of the Directors are set out below.

	<b>Salary</b>	<b>Company Secretarial fees</b>	<b>Superannuation</b>	<b>Total</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Jim Richards	160,000	-	14,800	174,800
Grant Mooney <sup>1</sup>	25,000	48,000	2,312	75,312
Mark Thompson	20,000	-	1,850	21,850

**(f) Existing relevant interests**

At the date of this Notice, the Directors and their associates have the following relevant interest in securities of the Company.

	<b>Shares</b>	<b>Options<sup>1</sup></b>
Jim Richards	26,995,000	5,000,000
Grant Mooney	4,706,666	500,000
Mark Thompson	3,300,000	500,000

1. *The Options have an exercise price of 8 cents and expiry date of 26 November 2015. The market price of the Company's Shares will normally determine whether or not holders exercise the Options. As at the date of this Notice, the last closing price of the Shares on ASX on 23 September 2014 was 1.9 cents and, on that basis, it is unlikely that the Options held by the Directors or their associates will be exercised.*

**(g) Trading history**

The following table gives details of the highest, lowest and the latest closing market price of the Company's Shares trading on the ASX over the last 12 months.

	<b>Date</b>	<b>Closing price</b>
Highest price	20 September 2013	4.3 cents
Lowest price	6 June 2014	0.8 cents
Latest price	23 September 2014	1.9 cents

**(h) Valuation of the Options**

The Options will not be quoted on ASX.

The Company has valued the Options to be granted to the Directors or their nominees using the Black and Scholes Option Pricing model.

The following assumptions have been made regarding the inputs required for the option pricing model:

- Underlying share price of 1.9 cents based on the closing market price on 23 September 2014
- Dividend yield of nil as the Company has not forecast any future dividend payments
- Risk free rate of 2.5% being the Reserve Bank of Australia cash rate at the valuation date of 23 September 2014
- Volatility rate of 100% based on the average share trading volatility of comparable ASX companies over the last 4 years
- Expiry date of 5 November 2017 being 3 years from an assumed date of issue on the date of the meeting, being 5 November 2014.
- The exercise price is not known as at the date of this Notice. It will be determined by a formula, which is 145% of the volume weighted average price over the 8 days before the date of issue of the Options. To value the Options, a range of exercise prices have been used below based upon an assumed share price at the time of issue.

Based on the above assumptions the Options to be granted to the Directors under Resolutions 4, 5 and 6 have been valued as follows:

<b>Assumed exercise price</b>	<b>Value per Option</b>
2.6 cents	1.1 cents
3.5 cents	0.96 cents
5.0 cents	0.82 cents

The value of the Options to be granted to each Director are detailed below.

	Total value of Options (\$)		
	Assumed exercise price 2.6 cents	Assumed exercise price 3.5 cents	Assumed exercise price 5.0 cents
Jim Richards	\$33,000	\$28,800	\$24,600
Grant Mooney	\$11,000	\$9,600	\$8,200
Mark Thompson	\$11,000	\$9,600	\$8,200

**(i) Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in granting the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass Resolutions 4, 5 or 6.

**4.3 Proxy restrictions**

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on Resolutions 4, 5 and 6 by marking either "For", "Against" or "Abstain" on the proxy form for these items of business.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report or a closely related party of that member as your proxy, and you do not direct that person on how to vote on Resolution 4, 5 or 6, the proxy cannot exercise your vote and your vote will not be counted in relation to those Resolutions.

If you appoint the Chair as your proxy, and you do not direct the Chair on how to vote on this Resolutions 4, 5 or 6, then by signing and returning the proxy form you are giving express authorisation for the Chair to vote in accordance with his or her intentions. The Chair intends to vote all undirected proxies **FOR Resolutions 4, 5 or 6** even though the resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel.

## **GLOSSARY**

In the Notice and this Explanatory Statement the following expressions have the following meanings:

<b>Additional Placement Capacity</b>	the capacity to issue additional Equity Securities by way of placement approved by Shareholders under Listing Rule 7.1A.
<b>ASX</b>	ASX Limited (ACN 008 624 691).
<b>Board</b>	the Board of Directors of the Company.
<b>Chair</b>	the person appointed to chair the Meeting convened by this Notice.
<b>Company</b>	Phosphate Australia Limited (ACN 129 158 550).
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	the Corporations Act 2001 (Cth).
<b>Directors</b>	Directors of the Company from time to time.
<b>Equity Securities</b>	has the same meaning as in the Listing Rules.
<b>Explanatory Statement</b>	this Explanatory Statement.
<b>Listing Rules or ASX Listing Rules</b>	the listing rules of the ASX.
<b>Meeting</b>	the meeting convened by this Notice.
<b>Notice</b>	notice of meeting that accompanies this Explanatory Statement.
<b>Option</b>	an option to subscribe for a Share.
<b>Placement Period</b>	the period during which Shareholder approval under Listing Rule 7.1A is valid.
<b>Resolution</b>	a resolution referred to in the Notice.
<b>Share</b>	a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	a registered holder of Shares in the Company.
<b>WST</b>	Western Standard Time, Perth, Western Australia.
<b>\$</b>	Australian dollars unless otherwise stated.



**ANNEXURE 1**

**RESOLUTIONS 4-6  
TERMS OF OPTIONS TO BE GRANTED TO DIRECTORS**

Each Option entitles the holder to subscribe for Shares on the following terms and conditions:

1. Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
2. The Options will expire at 5:00 pm (WST) 3 years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon exercise of each Option will be 145% of the Volume Weighted Average Price (**VWAP**) of the Company's fully paid ordinary shares on the ASX over the 8 trading days preceding the day on which the Options are issued (**Exercise Price**).
4. An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  1. a written notice of exercise of Options specifying the number of Options being exercised; and
  2. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised (**Exercise Notice**).
5. If a Director resigns from his position with the Company before the expiry date, the Options will automatically lapse unless the Board determines within 30 days that they may be retained.
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
9. The Company will not apply for quotation of the Options on ASX.
10. If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
11. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
12. An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
13. An Option shall not be transferable except with the consent of the Board.