



Phosphate Australia Limited

ABN 51 129 158 550

**Half-Year Financial Report
31 December 2008**

PHOSPHATE AUSTRALIA LIMITED

HALF YEAR REPORT

Table of Contents

TABLE OF CONTENTS	2
DIRECTORS' REPORT	3
AUDITORS' INDEPENDENCE DECLARATION	5
CONDENSED INTERIM INCOME STATEMENT	6
CONDENSED INTERIM BALANCE SHEET	7
CONDENSED INTERIM CASH FLOW STATEMENT	8
STATEMENT OF CHANGES IN EQUITY	9
1. CORPORATE INFORMATION	10
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
3. FINANCIAL RISK MANAGEMENT	12
4. SEGMENT INFORMATION	12
5. EVENTS AFTER THE BALANCE SHEET DATE	12
6. PROPERTY, PLANT AND EQUIPMENT	12
7. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE	12
8. RELATED PARTY TRANSACTIONS WITH DIRECTOR RELATED ENTITIES	12
DIRECTORS'S DECLARATION	13
INDEPENDENT AUDITOR'S REVIEW REPORT	14

PHOSPHATE AUSTRALIA LIMITED

HALF YEAR REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2008.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr James (Jim) Richards – Non Executive Chairman
Mr Andrew James – Managing Director
Ms Lisa Wells – Executive Director – Technical
Mr Grant Mooney – Non Executive Director (appointed 14 October 2008)

OPERATING RESULTS

The loss from ordinary activities of the Company for the half-year ended 31 December 2008 after income tax was \$178,642.

REVIEW OF OPERATIONS

Phosphate Australia Limited (POZ) is pleased to report its half yearly Review of Operations for the six months to end December 2008.

The half year has been an exceptionally busy one for POZ. ASX listing was achieved on July 1st 2008, there was a tight window to organize logistics and drilling at the Company's lead project, the Highland Plains phosphate project in the Northern Territory.

Initial permitting work for Aboriginal and environmental clearances to allow drilling and other on-ground activities had already commenced prior to listing. These important items were secured early into the period and POZ mobilised crews to Highland Plains.

Drilling commenced in mid September and consisted of aircore, RC and HQ diamond drilling. Total number of metres and holes is shown below:

57 aircore/RC holes were drilled for 1093.6 metres
7 diamond drillholes (HQ) were drilled for 136.2 metres

The POZ drilling program completed during the half year achieved a similar amount of drilling to the historic drill campaign over Highland Plains conducted in 1968 in which 36 aircore holes were drilled for a total of 1,184 metres.

An all weather demountable camp was also purchased and set up at Highland Plains. This is an asset of the Company and has enabled operations to proceed in a more efficient manner.

Some initial assay results from the drilling at Highland Plains, have been received for the half year. POZ is extremely encouraged by results showing wide high grade intersections of phosphate at shallow depths.

POZ has made a very strong start to its Corporate life and the Board is very pleased with the rapid progress to date.

The Company's Highland Plains phosphate project is producing some extremely exciting high grade assay results. This together with the LIDAR mapping survey, diamond drilling program and historical data puts POZ in a good position as the Company works towards a JORC compliant resource at Highland Plains.

The Company is well resourced to pursue work in 2009, with \$6.6 million cash on hand as at the end of the Half Year.

PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT

DIVIDENDS

No dividends have been paid or declared since the start of the financial period and the Directors do not recommend the payment of a dividend in respect of the financial half-year.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 5.

Signed in accordance with a resolution of the Directors



James Richards
Chairman



Andrew James
Managing Director

Dated: 10 March 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Phosphate Australia Limited for the half year ended 31 December 2008, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



PKF
Chartered Accountants



Neil Smith
Partner

Dated in Perth, Western Australia this 10th day of March 2009.

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PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT

CONDENSED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 December 2008
	\$
Sales	-
Other revenues from ordinary activities	309,956
Total Revenue	<u>309,956</u>
Employee benefits expense	180,732
Depreciation expense	66,307
Rental expenses	26,026
Administration expenses	215,533
Total Expenses	<u>488,598</u>
Loss before income tax expense	178,642
Income tax expense	-
Loss after related income tax expense	<u>178,642</u>
Basic loss per share (cents per share)	(0.189)
Diluted loss per share (cents per share)	(0.189)

PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT

CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2008

		31 December 2008	30 June 2008
		\$	\$
ASSETS			
Current Assets			
	Note		
Cash and cash equivalents		6,651,004	9,615,734
Trade and other receivables		239,337	69,227
Prepayments		17,608	14,923
Other current assets		-	1,818
Total Current Assets		6,907,949	9,701,702
Non-Current Assets			
Property, plant and equipment	6	1,104,754	10,116
Exploration, evaluation and development expenditure	7	1,788,547	106,007
Total Non-Current assets		2,893,301	116,123
TOTAL ASSETS		9,801,250	9,817,925
LIABILITIES			
Current liabilities			
Trade and other payables		339,392	179,821
Provisions		22,884	591
TOTAL LIABILITIES		362,276	180,412
NET ASSETS		9,438,974	9,637,413
EQUITY			
Issued Capital		9,661,494	9,692,004
Share Option Reserve		13,857	3,144
Accumulated losses		(236,377)	(57,735)
TOTAL EQUITY		9,438,974	9,637,413

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**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	31 December 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers and employees	(141,350)
Interest received	228,418
Payments from trade debtors	-
	<hr/>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	87,068
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property, plant and equipment	(1,159,326)
Payments for exploration, evaluation and development expenditure	(1,686,949)
Deposits paid	(15,000)
	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,861,275)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES	
Share applications refundable	(129,000)
Share issue expenses	(61,523)
	<hr/>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(190,523)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD	(2,964,730)
Cash and cash equivalents at the beginning of the period	9,615,734
	<hr/>
Cash and cash equivalents at the end of the period	6,651,004
	<hr/>

PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2008

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2008	9,692,004	3,144	(57,735)	9,637,413
Share based payments	-	10,713	-	10,713
Loss for the period	-	-	(178,642)	(178,642)
Share issue expenses	(30,510)	-	-	(30,510)
Balance as at 31 December 2008	9,661,494	13,857	(236,377)	9,438,974

PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT
CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The financial report of Phosphate Australia Limited (the company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 9 March 2009.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Phosphate Australia Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Phosphate Australia Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008. New standards and interpretations mandatory for the annual reporting period beginning 1 July 2008 will not have any effect on the financial position or performance of the company.

(c) Statement of Compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the reporting period ended 31 December 2008. These are outlined in the table below:

PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT
CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(c) Statement of Compliance (cont)

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

PHOSPHATE AUSTRALIA LIMITED
HALF YEAR REPORT
CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(d) Financial Period

The company was incorporated on 10 January 2008. As such, no comparatives for the 6 months ended 31 December 2007 are provided for the income statement, cash flow statement or the changes in equity.

3. FINANCIAL RISK MANAGEMENT

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

4. SEGMENT INFORMATION

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

5. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

6. PROPERTY, PLANT AND EQUIPMENT

During the 6 months ended 31 December 2008, the company acquired assets with a total cost of \$1,160,945. These additions primarily relate to the set up of a base camp on the company's Highland Plains site.

7. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

During the 6 months ended 31 December 2008, the company incurred costs of \$1,682,518 in exploring and evaluating the Highland Plains area of interest.

8. RELATED PARTY TRANSACTIONS WITH DIRECTOR RELATED ENTITIES

During the 6 months ended 31 December 2008, the company incurred costs for drilling services totalling \$347,103 from an entity related to Lisa Wells. At 31 December 2008, an amount of \$45,838 was owing to this entity.

During the 6 months ended 31 December 2008, the company incurred rental costs of \$25,502 from an entity related to Grant Mooney. No amounts remained unpaid at 31 December 2008.

During the 6 months ended 31 December 2008, the company incurred accounting costs of \$9,548 from an entity related to Grant Mooney. At 31 December 2008, an amount of \$4,400 was owing to this entity.

Arrangements with other related parties continue to be in place. For details of these arrangements, refer to the 30 June 2008 annual financial report.

PHOSPHATE AUSTRALIA LIMITED

HALF YEAR REPORT

DIRECTORS'S DECLARATION

In accordance with a resolution of the directors of Phosphate Australia Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



James Richards
Chairman

Perth, 10 March 2009



Andrew James
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PHOSPHATE AUSTRALIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phosphate Australia Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Phosphate Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Phosphate Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Neil Smith
Partner

Dated in Perth, Western Australia this 10th day of March 2009.