PHOSPHATE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ABN 51 129 158 550

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

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CORPORATE DIRECTORY

Directors
Jim Richards
Executive Chairman

Mark Thompson
Non-Executive Director

Grant Mooney
Non-Executive Director
& Company Secretary

ASX Code
POZ

ABN
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DIRECTORS' REPORT
30 JUNE 2013

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 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors' report is 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
B.Sc. Hons (Geology), MAusIMM
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 MARK THOMPSON (Appointed 1 October 2012)
Non-executive – Director

Mark Thompson has more than 20 years industry experience in mineral exploration and mining management. Since starting his career with production experience in both underground and open-pit mines of Western Australia he has worked throughout Australia, Africa and South America. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and holds the position of Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China. In addition to his role with Phosphate Australia, Mr Thompson is Managing Director of ASX listed Talga Resources Ltd.

MR GRANT MOONEY
B.Bus, CA
Non-executive 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 2013

MR ANDREW JAMES (Resigned 1 October 2012)

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.

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	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
	Carbine Resources Limited	18 January 2012 to the present
	Attila Resources Limited	16 February 2010 to 10 October 2012
Mark Thompson	Talga Resources Limited	July 2010 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)*	26,540,000	-	-	5,000,000
Grant Mooney *(ii)*	4,447,499	-	-	500,000
Mark Thompson *(iii)*	3,300,000	-	-	500,000

(i) James Richards holds 26,540,000 shares in his own name. Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>,, to which James Richards is a beneficiary holds 5,000,000 options.

(ii) 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. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares. Grant Mooney holds 500,000 options in his own name.

(iii) Mark Thompson holds 500,000 options in his own name. His wife, Kelly Thompson holds 3,300,000 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 2013 was $3,997,324 (2012: $1,666,356 loss).

DIRECTORS' REPORT
30 JUNE 2013

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2013:

- A maiden Indicated and Inferred JORC resource was announced at Tuckanarra comprising 2,020,000 tonnes at 1.55 g/t Au for 100,700 ounces of gold at 0.25g/t Au cutoff.

Resource	Cutoff (g/t)	Tonnes	Grade (g/t)	Ounces
Indicated	0.25	1,091,000	1.60	56,000
Inferred	0.25	929,000	1.50	44,700
Total	0.25	2,020,000	1.55	100,700

- The 1863 metre Phase 4 aircore drilling program was completed at Tuckanarra in January 2013. This targeted possible extensions to mineralisation at Bottle Dump and Miners dream, and extending mineralisation and adding resource certainty at the Cable Laterite, Bollard Laterite and Lucknow resources.

- Block Modelling and Pit design incorporating Phase 4 drilling is underway at the Anchor, Cable, Bollard, Lucknow and Maybelle North prospects. The Company is currently composing a Mining Proposal for mine development at the Tuckanarra Project

- On 3rd January, POZ and Sydney based Company Jimpec Resources Pty Ltd (Jimpec) signed a Heads of Agreement in which POZ granted Jimpec a period of exclusivity to negotiate a Joint Venture Option Agreement (JVOA) covering POZ's 100% controlled Nicholson Iron Project in the Northern Territory. This Agreement was exercised in the June quarter with the payment of $200,000 to POZ, giving Jimpec an option of 80% of the iron and manganese rights within POZ tenements EL25068, EL28152, EL28153, EL28157, EL(A)26604, EL(A)26645, EL(A)26649, EL(A)26650, EL(A)26648, EL(A)28220, EL(A)27854, EL(A)27855 and EL(A)27856.

- A high-priority electromagnetic (EM) target was identified by Anglo American on POZ tenement E69/2864 in the Musgrave. This target has been named Manchego and is modelled as a bedrock conductor, possibly nickel sulphides, approximately 240 x 300m in extent and starting 110m below the surface. Anglo American has the right to earn 70% by spending $3 million and completing a minimum of 5,000 metres of drilling. POZ is then free carried throughout the JV until completion of a Bankable Feasibility Study (BFS).

- The Highland Plains Phosphate Project has a JORC compliant Inferred Resource of 53 million tonnes at 16% P_2O_5 at a cutoff grade of 10% P_2O_5. Substantial amounts of drilling and scoping study work have been done at Highland Plains with proposed solutions for beneficiation to higher grades and product transport logistics using a slurry pipeline. The project is 100% owned by POZ. The Project's camp has been demobilised from site and sold. The Company has reported all outstanding environmental rehabilitation requirements as closed out to the NT Mines Department.

- In July 2012, the Company placed 11,000,000 shares at a consideration of 7.4 cents each for a total raising of $814,000.

- In June 2013, the Company issued 40,292,083 shares at a consideration of 1 cent each under a Share Purchase Plan for a total raising of $402,921.

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.

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.

DIRECTORS' REPORT
30 JUNE 2013

FUTURE DEVELOPMENTS

The Company intends to continue mineral exploration activities while considering new project acquisitions and joint venture opportunities.

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
100,000	19 cents	1 July 2014
450,000	10 cents	21 October 2014
500,000	10 cents	11 November 2014
6,000,000	8 cents	26 November 2015
300,000	6.5 cents	21 December 2015

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 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' MEETINGS

There were 8 Directors' meetings held during the year ended 30 June 2013. 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
Grant Mooney	8	8
Mark Thompson (Appointed 1 October 2012)	4	4
Andrew James (Resigned 1 October 2012)	4	4

There were also two (2) circular resolutions passed by the Board of Directors during the year. (2012: two (2))

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.

DIRECTORS' REPORT
30 JUNE 2013

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% (increasing to 9.25% on 1 July 2013) 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/Executive Chairman)*
- Grant Mooney *(Non-Executive Director and Company Secretary)*
- *Mark Thompson (Non-Executive Director, appointed 1 October 2012)*
- Andrew James *(Managing Director, resigned 1 October 2012)*

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

		Short-term employee benefits		Post-employment benefits	Share-based payments		
		Salary & Fees $	Bonus $	Super-annuation $	Options $	Total $	% of Total consisting of Options
James Richards (i)	2013	165,500	-	16,785	124,000	306,285	40%
	2012	101,000	-	9,090	-	110,090	0%
Mark Thompson	2013	18,750	-	-	12,400	31,150	40%
(appointed 1/10/12)	2012	N/A	N/A	N/A	N/A	N/A	N/A
Grant Mooney	2013	32,500	-	2,925	12,400	47,825	26%
	2012	40,000	-	3,600	-	43,600	0%
Andrew James	2013	101,102	-	6,900	-	108,002	0%
(resigned 1/10/12)	2012	230,000	-	20,700	-	250,700	0%
TOTAL	**2013**	**317,852**	**-**	**26,610**	**148,800**	**493,262**	**30%**
TOTAL	**2012**	**371,000**	**-**	**33,390**	**-**	**404,390**	**0%**

(i) Included in Jim Richards salary and fees remuneration are contractor amounts totalling $10,500 (2012: $21,000).

DIRECTORS' REPORT
30 JUNE 2013

REMUNERATION REPORT (AUDITED) (Continued)

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

Value of options issued to 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 23 Nov 2012 exercisable@ $0.08	23/11/2012	26/11/2015	$0.025	23/11/2012

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 previous year, Andrew James' 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. This arrangement ceased on 30 September 2012 upon the retirement of Andrew James.

During the year, an employment agreement was signed with Mr James Richards as Executive Chairman. The agreement is for no fixed term, commencing 1 October 2012 at a rate of $180,000 per annum plus statutory superannuation, for a nominal four day working week.

During the previous 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 was not entitled to any leave payments. This arrangement ceased on 30 September 2012.

No director of 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.

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.

During the year there were no non-audit services provided by Grant Thornton Audit Pty Ltd, nor its related entities.

AUDITOR'S 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 30th August 2013 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
Executive Chairman

GRANT MOONEY
Non-executive Director & Company Secretary

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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 2013, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 30 August 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
Other revenues from ordinary activities	3	272,727	172,388
Other income	3	125,816	-
Total Revenue	3	398,543	172,388
Employee benefits expense		(310,773)	(439,642)
Depreciation expense	4	(73,014)	(189,277)
Rental expenses	4	(169,493)	(187,946)
Corporate advisory		(17,588)	(301,214)
Share based payments		(153,120)	(35,435)
Administration expenses		(283,972)	(302,552)
Loss on disposal of fixed assets		(287,876)	-
Impairment of exploration and evaluation expenditure	13	(3,311,005)	(442,458)
Total Expenses		(4,606,841)	(1,898,524)
Loss before income tax expense		(4,208,298)	(1,726,136)
Income tax benefit	5	210,974	59,780
Loss for the year		(3,997,324)	(1,666,356)
Other Comprehensive Income / (Loss)		-	-
Total Comprehensive Loss for the year		**(3,997,324)**	**(1,666,356)**
		Cents	**Cents**
Basic loss per share (cents per share)	22	(3.266)	(1.518)
Diluted loss per share (cents per share)	22	(3.266)	(1.518)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	2,220,824	2,342,150
Trade and other receivables	9	18,208	191,472
Prepayments	10	36,879	55,430
Other Financial Assets	11	-	172,555
TOTAL CURRENT ASSETS		2,275,911	2,761,607
NON CURRENT ASSETS			
Property, plant and equipment	12	89,585	650,724
Environmental bond		12,397	-
Exploration and evaluation expenditure	13	4,593,836	7,100,414
TOTAL NON CURRENT ASSETS		4,695,818	7,751,138
TOTAL ASSETS		6,971,729	10,512,745
CURRENT LIABILITIES			
Trade and other payables	14	100,997	930,920
Provisions	15	23,357	67,156
TOTAL LIABILITIES		124,354	998,076
NET ASSETS		**6,847,375**	**9,514,669**
EQUITY			
Issued capital	16	14,590,606	13,413,696
Share option reserve	17	195,925	388,055
Accumulated losses	18	(7,939,156)	(4,287,082)
TOTAL EQUITY		**6,847,375**	**9,514,669**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Ordinary Shares $	Share Option Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2011	**13,328,696**	**345,250**	**(2,620,726)**	**11,053,220**
Loss for the year	-	-	(1,666,356)	(1,666,356)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(1,666,356)**	**(1,666,356)**
Issue of shares	85,000	-	-	85,000
Options expensed for the year	-	42,805	-	42,805
Balance as at 30 June 2012	**13,413,696**	**388,055**	**(4,287,082)**	**9,514,669**
Balance as at 1 July 2012	**13,413,696**	**388,055**	**(4,287,082)**	**9,514,669**
Loss for the year	-	-	(3,997,324)	(3,997,324)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(3,997,324)**	**(3,997,324)**
Issue of shares	1,216,921	-	-	1,216,921
Options expensed for the year	-	153,120	-	153,120
Expired options transferred to accumulated losses	-	(345,250)	345,250	-
Share issue costs	(40,011)	-	-	(40,011)
Balance as at 30 June 2013	**14,590,606**	**195,925**	**(7,939,156)**	**6,847,375**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		272,727	-
Payments to suppliers and employees		(764,774)	(1,309,267)
Research & Development tax concession refunds		270,754	238,238
Interest received		97,571	216,903
Interest Paid		-	(105)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	(123,722)	(854,231)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(9,345)	(9,692)
Payment for environment bond		(12,397)	-
Return of guarantee		172,555	-
Proceeds from disposal of non-current assets		241,712	-
Payments for exploration, evaluation and development expenditure		(753,039)	(1,331,628)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(360,514)	(1,341,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Prepayment from issue of shares	16	-	814,000
Proceeds from issue of shares	16	402,921	85,000
Payments for share issue costs	16	(40,011)	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		362,910	899,000
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(121,326)	(1,296,551)
Cash and cash equivalents at the beginning of the year		2,342,150	3,638,701
Cash and cash equivalents at the end of the year	8	**2,220,824**	**2,342,150**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 1.CORPORATE INFORMATION

Phosphate Australia Limited is the Group's ultimate parent company. Phosphate Australia Limited is a for-profit 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 2013 was authorised for issue in accordance with a resolution of the Directors on 30 August 2013.

(a) Basis of preparation

The general purpose 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.

The functional currency is Australian Dollars and rounding is made to the nearest dollar.

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 Group.
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 Group's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 the 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 within 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

Employee benefits provisions are 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 employee benefits expected to be settled within one year are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits expected to be settled beyond one year 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 2013

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 2013

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 2013

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. Transaction 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 2013

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.

Impairment of Non-Current Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-current assets including property, plant and equipment, identifiable intangible assets and goodwill. Where an impairment trigger exists, the recoverable amount of the asset is determined. A Fair Value less Costs to Sell estimation has been performed over certain mineral assets in the current period by assessing comparable transactions which are then adjusted using assumptions by management to take into account the particular characteristics of the asset . A material change to these key assumptions could result in material adjustment to the carrying values of non-current assets.

As a result, an impairment has been recognised in respect of mineral assets for the year ended 30 June 2013. Further particulars of this impairment charge are set out in Note 13.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(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.

Note 3. Revenue from Ordinary Activities

	30 June 2013 $	30 June 2012 $
Other Revenue		
Farm-in option fees	272,727	-
Total Revenue	272,727	-
Other income		
Interest received from financial institutions	83,161	171,094
Rental income	10,540	1,294
Gain from sale of fixed assets	32,115	-
Total Other Income	125,816	172,388

Note 4. Loss from Ordinary Activities

Expenses		
Depreciation of non-current assets	73,014	189,277
Rental expense on operating leases	169,493	187,946
Share based payment expenses	153,120	35,835

Note 5. Income Tax

(a) Income tax expense

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense as follows:

Loss from continuing operations before tax	(4,208,298)	(1,726,137)
Income tax benefit calculated at 30% (2012: 30%)	**(1,262,489)**	**(517,841)**
Non deductible expenses		
Temporary differences not brought to account as a deferred tax asset	(34,292)	(45,355)
Non assessable income	(164,141)	(48,602)
Tax losses not brought to account as a deferred tax asset	1,249,948	552,018
Income tax benefit at effective rate of 5.3% (2012: 3.5%)	(210,974)	(59,780)

(b) Deferred Tax liability

Exploration and Evaluation	1,378,151	2,130,124
Add: Other	4,581	8,771
Unrecognised deferred tax liabilities	1,382,732	2,148,531

(c) Deferred tax assets

Temporary differences	(11,207)	(24,347)
Tax losses – revenue	1,393,939	2,117,536
Unrecognised deferred tax assets	1,382,732	2,148,531

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 5. Income Tax (continued)

Not recognised:		
Unrecognised tax losses	2,089,481	1,055,978

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:

(i) 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

(ii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 6. Key Management Personnel Compensation

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

	30 June 2013 $	30 June 2012 $
Short-term employee benefits	317,852	371,000
Post-employment benefits	26,610	33,390
Share-based payments	148,800	-
	493,262	404,390

Note 7. Auditor's Remuneration

Amounts received, or due and receivable by the current auditors, Grant Thornton Audit Pty Ltd, for audit or review of the financial report	22,745	22,325

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

Note 8. Cash and Cash Equivalents

Cash at bank and on hand	2,220,824	2,342,150

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	(3,997,325)	(1,666,356)
- Impairment of exploration and evaluation costs	2,824,827	-
- Exploration costs written off	479,630	442,458
- Depreciation expense	73,014	189,277
- Share based payments	153,120	35,435
- Employee benefits accrued/(paid out)	(43,799)	22,766
- Loss on disposal of assets	287,876	918
- Profit on disposal of fixed assets	(32,115)	-
- Decrease in debtors	173,265	143,737
- (Increase)/decrease in prepayments	18,551	(17,925)
- (Increase) in other debtors	(1,045)	(9,946)
- Increase/(decrease) in trade creditors	(59,721)	5,405
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(123,722)	(854,231)

Cash at Bank includes $55,000 (2012: $55,000) held as security for credit cards.

Non-cash Investing Activities

During the prior year the Group issued 11,000,000 shares for a total of $85,000 in part consideration for the purchase of the Tuckanarra gold project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 9. Trade and Other Receivables

	30 June 2013 $	30 June 2012 $
Current		
Interest receivable	12,395	26,806
Australian Taxation Office receivable	-	88,993
Other debtors	5,813	75,673
	18,208	191,472

Note 10. Prepayments

Prepayments	36,879	55,430

Note 11. Other Financial Assets

Deposits paid	-	172,555

Deposits paid in the prior year were held as security over the Group's lease of an office in West Perth and lease of a mineral licence.

Note 12. Property, Plant & Equipment

Cost	327,816	1,483,360
Accumulated depreciation	(238,231)	(832,636)
	89,585	650,724
Land and Buildings	8,542	313,928
Plant and Equipment	12,454	26,110
Motor Vehicles	46,881	278,321
Fixtures & Fittings	21,708	32,365
	89,585	650,724

	Land and buildings	*Plant and equipment*	*Motor Vehicles*	*Fixtures & Fittings*	*Total*
Cost					
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	665,644	367,020	406,948	43,749	1,483,361
Additions	1,337	8,008	-	-	9,345
Disposals	(658,266)	(167,219)	(329,470)	(9,934)	(1,164,889)
Balance as at 30 June 2013	8,715	207,809	77,478	33,815	327,817
Accumulated Depreciation					
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	-	3,452	-	-	3,451
Transferred categories	449	-	(449)	-	-
Balance as at 30 June 2012	(351,716)	(340,909)	(128,627)	(11,384)	(832,637)
Depreciation	(33,838)	(19,352)	(15,950)	(3,874)	(73,014)
Disposals	385,381	164,907	113,980	3,151	667,419
Balance as at 30 June 2013	(173)	(195,354)	(30,597)	(12,107)	(238,231)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 13. Exploration and Evaluation Expenditure

	30 June 2013 $	30 June 2012 $
Opening balance Exploration and evaluation expenditure	7,100,414	6,211,243
Exploration and evaluation expenses capitalised during year/period	753,038	1,331,629
Less: write offs	(364,789)	-
Less: impairment	(2,894,827)	(442,458)
Closing balance Exploration and evaluation expenditure	4,593,836	7,100,414

During the year, the Directors impaired the carrying value Georgina Phosphate project down to $3.1 million, being the Company's assessment of fair value less costs to sell, based on information obtained by the Directors on the value of Phosphate Projects in Australia.

During the year the Directors wrote off any previously capitalised expenditure due to the tenements no longer being held.

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

	30 June 2013 $	30 June 2012 $
Trade creditors	71,783	58,970
Prepaid share capital	-	814,000
Other creditors	29,214	57,950
	100,997	930,920

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

Note 15. Provisions

Employee entitlements – annual leave accrued	23,357	67,156

Note 16. Issued Capital

	Number	$
Opening balance 1 July 2011	109,876,250	13,328,696
Closing balance 30 June 2012	109,876,250	13,413,696
Movements		
Issue of shares to Lodestone Equities	11,000,000	814,000
Rights Issue	40,292,083	402,921
Less share issue expenses		(40,011)
Closing balance 30 June 2013	161,168,333	14,590,606

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 16. Issued Capital (continued)

(b) Options on Issue

Expiry date	31 Jul 2012	31 Jul 2012	31 Jul 2012	23 Oct 2012	30 Jun 2013	1 July 2014	14 Oct 2014	11 Nov 2014	26 Nov 2015	26 Nov 2015
Exercise price	$0.20 Directors [1]	$0.20 Other[2]	$0.20 Employee & consultant[3]	$0.30 (Directors [4] and Employee under ESOP) [4]	$0.20 (Employee under ESOP)[6]	$0.19 Consultant[7]	$0.10 Employees under ESOP[8]	$0.10 Consult-ant[9]	$0.08 Directors [10]	$0.065 Employees [11]
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
On issue 1/7/12	17,000	5,000	850	2,100	400	100	450	500	-	-
Granted	-	-	-	-	-	-	-	-	6,000	300
Forfeited	-	-	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-	-	-
Expired	(17,000)	(5,000)	(850)	(2,100)	(400)	-	-	-	-	-
Outstanding 30/6/13	-	-	-	-	-	100	450	500	6,000	300

The above-mentioned options have the following key terms:

1. *Directors' options are exercisable at $0.20 each, by the expiry date noted above.*
2. *Other options were initially issued to directors, but were transferred pursuant to a voluntary court order dated 7 October 2008. The terms of the transfer did not require a modification to the option term, expiry date or escrow period. The options vested immediately.*
3. *Employee and Consultant options are exercisable at $0.20 each, by the expiry date noted above. The parties must remain in continuous employment for a period of two years from the date of listing in order to exercise their options.*
4. *Directors' options are exercisable at $0.30 each, by the expiry date noted above. The shares vest immediately.*
5. *Employee options are exercisable at $0.30 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.*
6. *Employee options are exercisable at $0.30 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.*
7. *Consultant options are exercisable at $0.19 by 1 July 2014.*
8. *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.*
9. *Consultant options are exercisable at $0.10 by 11 November 2014.*
10. *Directors' options are exercisable at $0.10 each, by the expiry date noted above. The options vest immediately.*
11. *Employees' options are exercisable at $065 each, by the expiry date noted above. The options vest immediately.*

Note 17. Share Option Reserve

	30 June 2013 $	30 June 2012 $
Opening Balance	388,055	345,250
Consultant Options – 1 July 2011	-	7,370
Employee Options – 14 October 2011	-	15,885
Consultant Options – 11 November 2011	-	19,550
Directors' Options – 26 November 2012	148,800	-
Employees' Options – 21 December 2012	4,320	-
Less – expired options	(345,250)	
Closing balance	195,925	388,055

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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	DIRECTORS OPTIONS	EMPLOYEE OPTIONS
Exercise Price	$0.08	$0.065
Share price	$0.047	$0.03
Grant date	23/11/12	21/12/12
Expected volatility (i)	100%	100%
Expiry date	23/11/15	21/12/15
Expected dividends	Nil	Nil
Risk free interest rate	3.5%	3.5%
Value per option	$0.0248	$0.0144
Number of options	6,000,000	300,000
Value of options	$148,800	$4,320

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

Note 18. Accumulated Losses

	30 June 2013 $	30 June 2012 $
Balance at the beginning of the year	(4,287,082)	(2,620,726)
Net loss for the year	(3,997,324)	(1,666,356)
Transfer from share option reserve	345,250	-
Balance at the end of the year	(7,939,156)	(4,287,082)

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:

2013

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2013 or date of resignation
James Richards *(i)*	15,000,000	-	-	11,540,000	26,540,000
Andrew James *(ii)* *(Resigned 1.10.12)*	20,050,000	-	-	-	20,250,000
Grant Mooney *(iii)*	262,500	-	-	4,184,499	4,447,499
Mark Thompson *(iv)*	-	-	-	3,000,000	3,000,000

(i) James Richards holds 26,540,000 shares in his own name.

(ii) Until Andrew James resignation as director on 1 October 2012 he held 20,000,000 shares in his own name. Stephen James, father of Andrew James held 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. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares.

(iv) K Thompson, spouse of Mark Thompson holds 3,000,000 shares.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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)* *(Resigned 1.10.12)*	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) Until Andrew James resignation as director on 1 October 2012 he held 20,000,000 shares in his own name. Stephen James, father of Andrew James held 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:

2013

Directors	Balance as at beginning of year	Granted as compensation	Expired during the year	Balance vested at 30 June 2013	Vested and exercisable	Options vested during the year
James Richards (i)	6,350,000	5,000,000	(6,350,000)	**5,000,000**	5,000,000	5,000,000
Andrew James (Resigned 1.10.12)	9,500,000		(9,500,000)	-	-	-
Grant Mooney (ii)	850,000	500,000	(850,000)	**500,000**	500,000	500,000
Mark Thompson (iii)	-	500,000	-	**500,000**	500,000	500,000

(i) Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>,, to which James Richards is a beneficiary holds 5,000,000 options.

(ii) Grant Mooney holds 500,000 options in his own name.

(iii) Mark Thompson holds 500,000 options in his own name.

2012

Directors	Balance as at beginning of year	Granted as compensation	Balance vested at 30 June 2012	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

(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 $60,000 (2012: $74,250).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

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:

2013	Average Effective Interest Rate %	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets:					
Operating accounts	-	-	-	5,324	5,324
Savings accounts	2.75%	-	252,939	-	252,939
Term deposits	4.14%	1,962,561	-	-	1,962,561
Receivables	-	-	-	18,208	18,208
		1,962,561	**252,939**	**23,532**	**2,239,032**
Financial liabilities:					
Accounts payable	-	-	-	100,997	100,997
		-	**-**	**100,997**	**100,997**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 21. **Financial Instruments (continued)**

2012	Average Effective Interest Rate %	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets:					
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
		1,280,017	**391,831**	**979,329**	**2,651,177**
Financial liabilities:					
Accounts payable	-	-	-	875,920	875,920
		-	**-**	**875,820**	**875,920**

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%**
	$	**$**	**$**	**$**
2013				
Cash and cash equivalents	8,128	(8,128)	8,128	(8,128)
2012				
Cash and cash equivalents	7,145	(7,145)	7,145	(7,145)

(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:

	2013 $	2012 $
Cash and cash equivalents	2,220,824	2,342,150
Trade and other receivables	18,208	191,472
	2,239,032	**2,533,622**

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 21. Financial Instruments (Continued)

(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

	2013 cents	2012 cents
Basic (loss) per share (cents per share)	(3.266)	(1.518)
Diluted (loss) per share (cents per share)	(3.266)	(1.518)

Basic Earnings per Share	2013 $	2012 $
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(3,997,324)	(1,666,356)

	2013 No.	2012 No.
Weighted average number of ordinary shares	122,391,563	109,753,299

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.

Note 23. Significant Events Subsequent to Year End

There were no significant events subsequent to year end other than as disclosed in this report.

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.

	2013 $	2012 $
Operating Lease Commitment as follows:		
During the year the Group signed a rental agreement commencing 1 August 2012 for a period of 36 months.		
Office Rental		
- Due within 1 year	103,690	49,263
- Due 1 to 5 years	111,331	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 25. Commitments for Expenditure (continued)

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 $770,940 (2011: $1,104,360).

Note 26. Controlled Entities

	Country of incorporation	Percentage Owned % 2013	2012
Subsidiaries of Phosphate Australia Limited:			
Carpentaria Phosphate (Holdings) Pty Ltd	Australia	100%	100%
Carpentaria Phosphate Pty Ltd	Australia	100%	100%

Both subsidiary companies were incorporated during the previous financial year.

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 2013 $	2012 $
Statement of Financial Position		
ASSETS		
Current Assets	2,275,911	2,731,608
Non-Current Assets	4,704,825	7,759,001
TOTAL ASSETS	6,980,736	10,520,608
LIABILITIES		
Current Liabilities	124,354	998,920
TOTAL LIABILITIES	124,354	998,920
NET ASSETS	6,856,381	9,522,532
EQUITY		
Issued Capital	14,590,606	13,413,696
Share Option Reserve	215,725	388,055
Accumulated losses	(7,949,949)	(4,279,118)
TOTAL EQUITY	6,856,381	9,522,532
Statement of Comprehensive Income		
Total loss	(3,996,281)	(1,658,393)
Total comprehensive loss	(3,996,281)	(1,658,393)

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2013 in relation to the debt of the subsidiaries.

Commitments/Contingent Liabilities

All commitments disclosed in this financial report are commitments/contingent liabilities of the parent entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 27. Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss of $3,997,324 and had cash outflows from operations of $123,722 during the year ended 30 June 2013.

The Group has reviewed its cash requirements for a period 12 months from the date of signing this report and has determined that sufficient cash resources are available to continue paying its debts as and when they fall due and to meet the minimum expenditure requirements disclosed in note 25.

Note 28. Capital Management

The capital of the Group is managed in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements.

Capital is managed by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels, and share issues.

There has been no change in the strategy adopted by management to control the capital of the Group since the prior year.

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 2013 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 2013.

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

Jim Richards

JAMES RICHARDS
Chairman

Grant Mooney

GRANT MOONEY
Non-executive Director & Company Secretary

Dated this 30th day of August 2013

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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 2013, the consolidated statement of profit and loss and other 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 The Directors' responsibility also includes such internal control as the Directors determine 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.

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 2013 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 5 to 6 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 30 August 2013

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 27 August 2013.

Spread of Holdings			Ordinary Shares
1	-	1,000	26,960
1,001	-	5,000	408,608
5,001	-	10,000	1,574,704
10,001	-	100,000	20,459,006
100,001	-	and over	138,699,055

Number of Holders: 1,033

Number of shareholders holding less than a marketable parcel: 462

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
James Richards	26,540,000
Kelsi Chemicals Pty Ltd <Ruane S/F A/C>	15,634,110
Lodestone Equities Limited	11,000,000
Andrew James	5,842,000

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 161,168,333 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 27 AUGUST 2013)

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
James M^cArthur Richards	26,540,000	16.47%
Kelsi Chemicals Pty Ltd <Ruane S/F A/c>	15,634,110	9.70%
Lodestone Equities Limited	11,000,000	6.83%
Andrew Stephen James	5,842,000	3.62%
United Minerals Corporation NL	5,000,000	3.10%
Ocean Flyers Pty Ltd <S&G Super Fund A/c>	4,360,000	2.71%
Ms Anne Marie Hutchings	3,650,000	2.26%
Ms Kelly Jane Thompson	3,300,000	2.05%
Mr Ianaki Semerdziev	2,937,333	1.82%
Mr Christopher John Fone	2,863,604	1.78%
Dale Leonard Andrews <Dog Star Super Fund A/c>	2,492,000	1.55%
Gold & Mineral Resources Pty Ltd	2,333,333	1.45%
Mr Trent Valentine	2,108,518	1.31%
JP Morgan Nominees Australia <Cash income A/c>	1,939,206	1.20%
Cleland Projects Pty Ltd <CT A/c>	1,750,000	1.09%
Mr Ian Kerr	1,709,669	1.06%
Lisa Kathleen Wells	1,550,000	0.96%
Mr Andrew Ian Brown	1,206,000	0.75%
Tyson Resources Pty Ltd	1,100,000	0.68%
HSBC Custody Nominees (Australia) Limited	1,006,666	0.62%
Total	**98,322,439**	**61.01%**

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS OPTIONS

Option Holder Name	Consultant Options 1 Jul 2011	Consultant Options 11 Nov 2011	Directors Options 26 Nov 2012
James Richards	-	-	5,000,000
Mark Thompson	-	-	500,000
Grant Mooney	-	-	500,000
G.C. Partners	100,000	500,000	-
	100,000	**500,000**	**6,000,000**

CORPORATE GOVERNANCE

(a) The Board of Directors

The primary responsibility for the Board is to represent and advance Shareholder's interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the 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 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	The Group has not complied with the recommendations as set out under this Principle as follows: The Group has a policy for the evaluation of the Board and Senior Executives Evaluation Policy. A policy on matters reserved for the Board is outlined in this Report and is available on the Group's website.	Not applicable
2	Structure the Board to Add Value	The Group does not comply with the following recommendation: • **A majority of the Board should be independent directors.** The Company complies with this principle. Only one director, , Jim Richards is a substantial shareholder. Directors Grant Mooney and Mark Thompson are considered to be a independent directors as they are not a substantial shareholders, do not perform an executive role within the organisation, are not a material supplier or customer (including over past 3 years) and have no material contract with the Group. • **The Board should establish a Nomination Committee.** Given the Group's size, it is not considered necessary to have a separate Nomination Committee. In addition to the above, the following information is provided: The skills, experience and expertise of each of the Group's directors are set out in the Group's Annual Report. If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Group will pay the reasonable expenses associated with obtaining such advice.	Not applicable. 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.
3	Promote Ethical and Responsible Decision Making	The Group complies with this Principle.	Not applicable.

4	Safeguard Integrity in Financial Reporting	The Group does not comply with the following recommendation: • **The Board should establish an Audit Committee.** The Group does not presently have an Audit Committee. 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.	The Directors are of the view that given the size of the Group and the relatively small number of directors, 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.
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	The Group complies with this Principle. 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. 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 The Group also has a separate policy in relation to Risk Management which is available on the Group's website.	Not Applicable
8	Remunerate Fairly and Responsibly	The Group does not comply with the following recommendation: • **The Board should establish a Remuneration Committee.** The Group does not presently have a Remuneration Committee. There is presently no scheme for retirement benefits, other than superannuation for non-executive directors.	The Directors are of the view that given the size of the Group, the relatively small number of directors, it is not practical to have a Remuneration Committee. The Board undertakes this role with the assistance of any external advice which may be required from time to time. The 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.

9	Diversity Policy	• The Board should establish a policy concerning diversity and disclose the policy or a summary of that policy. • 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. The Board has established a Diversity Policy.	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. The Company complies with this recommendation. The Company's policy on diversity is to employ the right person for the right job regardless of their gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. The Company currently employs (including on a consulting basis) 6 staff; 2 females and 4 males.