PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

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CORPORATE DIRECTORY

Directors
Jim Richards
Chairman

Andrew James
Managing Director

Grant Mooney
Non-Executive Director
& Company Secretary

ASX Code
POZ

ABN
51 129 158 550

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DIRECTORS' REPORT
30 JUNE 2011

The Directors present their report together with the financial report on Phosphate Australia Limited ("Phosphate Australia" or "the Company") for the year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

DETAILS OF DIRECTORS

The names and particulars of the directors of the Company holding office during the year and at the date of this report are:

MR JAMES (JIM) RICHARDS (Age 47 years)
B.Sc. Hons (Geology), MAusIMM
Non-executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based company director and geologist with 21 years experience in exploration for a wide variety of commodities.

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

Mr Richards has considerable overseas experience including running his own alluvial diamond dredging operation in Guyana, South America and work on the Omai gold project (that became a major mine) also in Guyana. Other resources work includes operating in Indonesia and two years spent in both Laos and Pakistan.

Previous employers and clients have included Newmont Mining Corporation, BHP Billiton Limited and Woodside Energy Limited. Prior to his corporate career, Mr Richards served as a regular officer in the British Army Parachute Regiment.

MR ANDREW JAMES (Age 42 years)
B. App. Sc. Hons (Geology), MAusIMM, MAICD
Managing Director

Andrew James is a geology graduate of the Queensland Institute of Technology. He has 18 years of experience in the petroleum industry, 12 of them working as an independent consultant for both junior and multi-national oil companies.

Recent experience has included leading the geological teams involved in the operation and management of offshore drilling and logging operations on the north-west shelf of Western Australia. This has included responsibility for safety, administration and compliance with regulations and authorities.

Mr James generated the Company's Nicholson and Georgina Basins Phosphate-Iron-Uranium Projects. Mr James was also responsible for the acquisition of the Highland Plains phosphate deposit. He has specific skills in company administration, project generation, tenement acquisition, drilling management and joint venture negotiations.

Mr James has worked in Mongolia, Louisiana (USA), Queensland, South Australia and Western Australia. He is a Member of the Australian Institute of Company Directors.

MR GRANT MOONEY (Age 44 years)
B.Bus, CA
Director & Company Secretary

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

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

Currently, Mr Mooney serves as a director and company secretary to several ASX listed companies including resources company Barra Resources Limited, Attila Resources Limited, Wild Acre Metals Limited and renewable energy company Carnegie Wave Energy Limited. He is a member of the Institute of Chartered Accountants in Australia.

MS LISA WELLS
(Resigned 8 October 2010)

DIRECTORS' REPORT
30 JUNE 2011

DIRECTORSHIP OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the year are as follows:

Director	Company	Year of directorship
Grant Mooney	Ampella Mining Limited	1 July 2008 to 24 November 2008
	Barra Resources Limited	29 November 2002 to the present
	Carnegie Wave Energy Limited	19 February 2008 to the present
	Wild Acre Metals Limited	1 May 2007 to the present
	Attila Resources Limited	16 February 2010 to the present

DIRECTORS' SHARE AND OPTION HOLDINGS

At the date of this report, the direct and indirect interest of the Directors in the shares and options of the Company were:

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

(i) *James Richards holds 15,000,000 shares and 6,000,000 options in his own name. Herma Glen, spouse of James Richards holds 350,000 options.*

(ii) *Andrew James holds 20,000,000 shares and 9,000,000 options in his own name. Stephen James, father of Andrew James holds 50,000 shares. Bronwyn James, spouse of Andrew James holds 500,000 options.*

(iii) *Grant Mooney holds 12,500 shares and 350,000 options in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares and 500,000 options.*

PRINCIPAL ACTIVITIES

The principal activity of the Company is phosphate, iron and uranium exploration.

OPERATING RESULTS

The loss from ordinary activities after income tax of the Company for the year ended 30 June 2011 was $936,845 (2010: $1,003,918 loss).

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2011:

- The Company has completed the initial investigation of the Highland Plains rock phosphate project with the delivery of the final scoping report on the metallurgical test work from Orway Metallurgical Consultants and has concluded that there is sufficient potential financial merit in the project to continue with up-scaled investigations to assess the engineering costs and risks of the project via a pre-feasibility study.

- Based on the data to hand, the Board has assessed that the project would be potentially profitable at rock phosphate prices considerably less than the currently quoted (August 2011 World bank "Pink Sheet" pricing information for 32% P_2O_5, free along side Casablanca) US$197/t. To develop the project would require around A$400 million of which approximately A$220 million would be for the construction of the slurry pipeline.

DIRECTORS' REPORT
30 JUNE 2011

REVIEW OF OPERATIONS (continued)

- The Company will continue to target a strategic partner to assist in developing the Highland Plains project as its main priority. Despite interest from a number of parties a transaction that would benefit shareholders has not, as yet, been forthcoming. As a result of this, the Board has decided to only incur project expenditure as required by the Northern Territory Department of Resources – Minerals and Energy in order to keep the tenements in good standing.

- The Company's tenement applications to the north of Highland Plains and the Highland Plains tenement itself, Northern Territory EL25068 which hosts the phosphate project, are also highly prospective for oolitic (Clinton-style) iron mineralisation. Using the results of Northern Territory Geological Survey mapping, historical work and existing geophysics, a large prospective area of 1,400 km^2 has been estimated within which these discrete oolitic style iron bodies may occur.

- Late in the reporting period, a one tonne sample of potential iron mineralisation was collected by a Company geological team from one of the mineralised sites and sent for metallurgical testing. Results will be released in the next quarterly report.

- The Company has acquired 100% of the historic Tuckanarra gold project in the prolific gold producing Murchison district of Western Australia. This acquisition includes almost all of the historic workings and all four of the open pits at Tuckanarra that produced a total of around 95,000 ounces up to 1995. The tenements are all currently in application and it is anticipated the main tenements will be granted by mid October.

- The Company also has acquired an extensive computerised database compiled from historic data. It consists of previous drilling, assay and soil geochemistry data over the Tuckanarra project. This includes data on 2,556 holes totalling 96,626 metres. The value of this data is very considerable as it enables POZ to specifically target the most prospective areas based upon previous drill results thus minimising upfront exploration expenditure and saving time. The Company anticipates that some of these results should be able to be incorporated into new resource estimations.

- POZ is currently planning drill holes and will be submitting an application with the Department of Mines to drill Tuckanarra as soon as the core tenements are granted (around mid October). The Company is anticipating a substantial Phase 1 drilling program will be completed in November - December 2011, leading into increased drilling activity in 2012 with an initial resource estimate targeted for May 2012. Company Chairman Mr Jim Richards has previously worked in the Murchison at the nearby Bluebird mine and is familiar with the area and its styles of mineralisation.

- The Company is actively exploring it's 100% controlled Earaheedy Basin manganese project, including the flagship Iroquois manganese prospect, in the mid-west of Western Australia. An airborne electromagnetic (AEM) survey was completed over the Iroquois prospect by Phosphate Australia in late 2010 to generate manganese targets for drilling. Results from a reconnaissance air-core drilling program over the Iroquois prospect are expected in October.

- The Company has negotiated a farm-in agreement with Process Minerals International Pty Ltd (PMI), a wholly owned subsidiary of the ASX listed Mineral Resources Limited (MIN) covering the three permits comprising the Robinson River Manganese Project (NT ELAs 27854, 27855 and 27856). Adjoining areas have previously been explored by BHP utilising AEM surveys while exploring for Groote Eylandt style manganese deposits. The permits lie on Aboriginal freehold land and Phosphate Australia looks forward to working in conjunction with the NLC and Garawa Land Trust Owners, towards the grant of these permits. An initial on-country meeting with the Land Trust is now scheduled for the dry season of 2012

- During the year Company Directors took part in a Geological Survey of Western Australia (GSWA) organised field trip through the Musgrave area of Western Australia. Phosphate Australia has 100% controlled tenement applications in the area. The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. Thickly bedded, outcropping, magnetite samples taken from Company tenements on the trip returned an average of 2.44 g/t PGS's + Au. The Board believes that the vanadium and platinum group element (PGE) results are interesting and is currently considering ways in which to progress this project.

- The Company continues to evaluate new project opportunities providing they are able to be acquired at low cost through ground pegging. However, the Company's main focus remains on advancing and developing the high quality Highland Plains phosphate project in the Northern Territory and to this end, the process of finding a strategic partner is ongoing.

DIRECTORS' REPORT
30 JUNE 2011

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

There was no matter or circumstance subsequent to the end of the year that has significantly affected the operations of the Company, the results of operations or the state of affairs in future financial years, other than the following:

On 15 August 2011, the Company announced the purchase of the Tuckanarra Gold Project in the Murchison district of Western Australia for $45,000 cash plus 1,000,000 shares in Phosphate Australia at a deemed price of 8.5 cents each.

FUTURE DEVELOPMENTS

Information as to the likely developments in the operations of the Company and the expected results of those operations in subsequent years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company.

ENVIRONMENTAL REGULATION

The Company is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

SHARE OPTIONS

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

Number of Shares Under Options	Exercise Price	Expiry Date
22,850,000	20 cents	31 July 2012
2,100,000	30 cents	23 October 2012
400,000	20 cents	30 June 2013

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

INDEMNIFYING OFFICER OR AUDITOR

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company and related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not indemnified or agreed to indemnify the auditor of the Company or of any related body corporate against a liability incurred as the auditor.

DIVIDENDS

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

DIRECTORS' REPORT
30 JUNE 2011

DIRECTORS' MEETINGS

There were 6 Directors' meetings held during the year ended 30 June 2011. 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	6	6
Andrew James	6	6
Grant Mooney	6	6
Lisa Wells (resigned 8 October 2010)	2	3

There were also two (2) circular resolutions passed by the Board of Directors during the year. (2010: three (3))

As at the date of this report an Audit Committee of the Board of Directors did not exist due to the Directors of the Board having a close involvement in the operations of the Company. There are no other sub-committees of the Board.

REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of each director of the Company. Other than directors, there were no executive officers of the Company 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 Company and the activities which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives. At this point in the Company’s development the Board does not believe it is appropriate to link director and executive officers’ remuneration with company performance.

The remuneration policy in regards to settling terms and conditions for the executive directors has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the Government, which is currently 9% and do not receive any other retirement benefit.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

DIRECTORS' REPORT
30 JUNE 2011

REMUNERATION REPORT (AUDITED) (continued)

The following were Directors and Senior Management of the Company during the year:

- James Richards *(Non-Executive Chairman)*
- Andrew James *(Managing Director)*
- Lisa Wells *(Executive Director – Technical, resigned 8 October 2010)*
- Grant Mooney *(Non-Executive Director and Company Secretary)*

Details of remuneration provided to Directors and specified executives during the year are as follows:

		Short-term employee benefits		**Post-employment benefits**	**Share-based payments**		
		Salary & Fees $	**Bonus $**	**Super-annuation $**	**Options $**	**Total $**	**% of Total consisting of Option**
Directors							
James Richards	2011	86,667	-	7,800	-	94,467	0%
	2010	80,000	-	7,200	49,385	136,585	36%
Andrew James	2011	249,167	-	22,425	-	271,592	0%
	2010	230,000	-	20,700	70,550	321,250	22%
Lisa Wells	2011	164,944	-	6,387	-	171,331	0%
(Resigned 8.10.10)	2010	200,000	-	18,000	70,550	288,550	24%
Grant Mooney	2011	43,333	-	3,900	-	47,233	0%
	2010	40,000	-	3,600	49,385	92,985	53%
TOTAL	**2011**	**544,111**	**-**	**40,512**	**-**	**584,623**	**0%**
TOTAL	**2010**	**550,000**	**-**	**49,500**	**239,870**	**839,370**	**29%**

During the year, there were 13 monthly pay periods due to the realignment of pay dates, so the figures in the above table for 2011 represent 13 month, while the 2010 figures are for 12 months. There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

Value of options issued to directors

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

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

The Board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is $400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. Remuneration is not linked to specific performance criteria.

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

DIRECTORS' REPORT
30 JUNE 2011

REMUNERATION REPORT (AUDITED) (continued)

Services Agreements

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

No director 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 COMPANY

No person has applied for leave of the court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company 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, and the previous auditor; Deloitte Touche Tohmatsu, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed on 29 September 2011 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:

JAMES RICHARDS
Chairman

ANDREW JAMES
Managing Director

GrantThornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Phosphate Australia Limited for the year ended 30 June 2011, 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
Director - Audit & Assurance

Perth, 29 September 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 June 2011 $	30 June 2010 $
Other revenues from ordinary activities	3	285,183	280,588
Total Revenue	3	285,183	280,588
Employee benefits expense		(327,467)	(759,208)
Depreciation expense	4	(247,257)	(228,367)
Rental expenses	4	(181,449)	(156,036)
Administration expenses		(552,639)	(478,900)
Impairment of exploration and evaluation expenditure		(150,749)	-
Total Expenses		(1,459,561)	(1,622,511)
Loss before income tax expense		(1,174,378)	(1,341,923)
Income tax benefit	5	237,533	338,005
Loss for the year		(936,845)	(1,003,918)
Other Comprehensive Income / (Loss)		-	-
Total Comprehensive Loss for the year		**(936,845)**	(1,003,918)
		Cents	**Cents**
Basic loss per share (cents per share)	22	(0.860)	(0.939)
Diluted loss per share (cents per share)	22	(0.860)	(0.939)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30 June 2011 $	30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents	8	3,638,701	5,823,062
Trade and other receivables	9	335,212	403,378
Prepayments	10	37,505	61,608
Other Financial Assets	11	162,609	155,840
TOTAL CURRENT ASSETS		4,174,027	6,443,888
NON CURRENT ASSETS			
Property, plant and equipment	12	831,225	1,045,377
Exploration and evaluation expenditure	13	6,211,243	4,962,376
TOTAL NON CURRENT ASSETS		7,042,468	6,007,753
TOTAL ASSETS		11,216,495	12,451,641
CURRENT LIABILITIES			
Trade and other payables	14	118,885	397,434
Provisions	15	44,390	72,845
TOTAL LIABILITIES		163,275	470,279
NET ASSETS		**11,053,220**	**11,981,362**
EQUITY			
Issued capital	16	13,328,696	13,328,696
Share option reserve	17	345,250	346,957
Accumulated losses	18	(2,620,726)	(1,694,291)
TOTAL EQUITY		**11,053,220**	**11,981,362**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary Shares $	Share Option Reserve $	Accumulated Loss $	Total $
Balance as at 1 July 2009	9,692,004	26,976	(690,373)	9,028,607
Loss for the year	-	-	(1,003,918)	(1,003,918)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(1,003,918)**	**(1,003,918)**
Transactions with owners in their capacity as owners				
Issue of 14,201,250 shares at an issue price of $0.27 on21 August 2009	3,834,338	-	-	3,834,338
Share issue costs	(197,646)	-	-	(197,646)
Options expensed for the year	-	319,981	-	319,981
Balance as at 30 June 2010	**13,328,696**	**346,957**	**(1,694,291)**	**11,981,362**
Balance as at 1 July 2010	13,328,696	346,957	(1,694,291)	11,981,362
Loss for the year	**-**	**-**	(936,845)	(936,845)
Other comprehensive income	**-**	**-**	-	-
Total comprehensive loss for the year	**-**	**-**	**(936,845)**	**(936,845)**
Options expensed for the year	-	8,703	-	8,703
Options expired during the year	-	(10,410)	10,410	-
Balance as at 30 June 2011	**13,328,696**	**345,250**	**(2,620,726)**	**11,053,220**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 June 2011 $	30 June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,091,642)	(938,720)
Research & Development tax concession refund		338,005	-
Interest received		236,311	280,595
Interest Paid		(3)	(14)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	(517,329)	(658,139)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(33,105)	(224,176)
Payments for exploration, evaluation and development expenditure		(1,633,927)	(1,834,143)
Deposits paid		-	(154,442)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,667,032)	(2,212,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	3,834,338
Share issue expenses		-	(197,646)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		-	3,636,692
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(2,184,361)	765,792
Cash and cash equivalents at the beginning of the year		5,823,062	5,057,270
Cash and cash equivalents at the end of the year	8	**3,638,701**	**5,823,062**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 1. CORPORATE INFORMATION

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

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

The nature of the operations and principal activities of the Company are described in note 19.

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report of Phosphate Australia Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 29 September 2011.

(a) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for certain financial instruments which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of the Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of the Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (Continued)
New Accounting Standards for Application in Future Periods (continued)

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

• AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

• AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):
- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

• AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

New Accounting Standards for Application in Future Periods (continued)

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the Company.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Company.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Company.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

New Accounting Standards for Application in Future Periods (continued)

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

  The amendments are not expected to impact the Company.

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Company.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.
[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Company.

(b) Statement of Compliance

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

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

<u>Defined contribution plans</u>

Contribution to defined contribution superannuation plans are expensed when incurred.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

<u>Current tax</u>

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).

<u>Deferred tax</u>

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(f) Income tax (continued)

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited to profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(h) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the term of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.

The following estimated useful lives are used in the calculation of depreciation:

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

(i) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(j) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Sale of Goods

Sales revenue is recognised when significant risks 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 Company's estimate of shares that will eventually vest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(l) Exploration and evaluation

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

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

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

- the period for which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

When a decision is made to proceed with development in respect of a particular area of interest, the accumulated costs for the relevant area of interest are tested for impairment and the balance is then transferred to development assets.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(o) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

Transaction costs on the issue of equity instruments

Transactions costs arising on the issue of equity instruments are recognised directly in equity as reduction of the proceeds of the equity instruments to which the costs relate. Transactions costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(p) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms requires legal transfer of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specific categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Trade receivables, loan and other receivables are recorded at amortised cost less impairment.

Impairment of Financial Assets

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

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

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 Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(q) Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on the grant date historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the grant date fair value of the options. To estimate the fair value an option pricing model has been used. There are many variable assumptions used as inputs into the model (which have been detailed in note 17). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

Note 3. Revenue from Ordinary Activities

	30 June 2011 $	30 June 2010 $
Other Revenue		
Interest received from financial institutions	276,624	280,588
Rental income	8,559	-
Total Revenue	285,183	280,588

Note 4. Loss from Ordinary Activities

Expenses		
Depreciation / amortisation of non-current assets	247,257	228,367
Rental expense on operating leases	181,449	156,036
Annual leave charges	2,885	35,855
Share based payment expenses	16,073	319,981

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 5. Income Tax

(a) Income tax expense

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

Loss from continuing operations	(1,174,378)	(1,341,923)
Income tax expense/(benefit) calculated at 30% (2010: 30%)	(352,313)	(402,577)
Non deductible expenses	5,109	94,926
Temporary differences not brought to account as a deferred tax asset	(45,356)	(11,156)
Adjustments in respect of previous current income tax	(237,533)	(338,005)
Tax losses not brought to account as a deferred tax asset	392,560	318,807
Income tax expense/(benefit) at effective rate of 20.2% (2010: 25.2%)	(237,533)	(338,005)

(b) Deferred Tax liability

Exploration and Evaluation	1,863,374	1,488,713
Add: Other	24,748	9,689
Unrecognised deferred tax liabilities	1,888,122	1,498,402

(c) Deferred tax assets

Temporary differences	18,117	-
Tax losses – revenue	1,870,005	1,498,402
Unrecognised deferred tax assets	1,888,122	1,498,402
Not recognised:		
Unrecognised tax losses	547,626	(318,807)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 6. Key Management Personnel Compensation

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

		Short-term employee benefits		Post-employment benefits	Share-based payments		
		Salary & Fees $	Bonus $	Super-annuation $	Options (i) $	Total $	% of Total consisting of Option
Directors							
James Richards	2011	86,667	-	7,800	-	94,467	0%
	2010	80,000	-	7,200	49,385	136,585	36%
Andrew James	2011	249,167	-	22,425	-	274,592	0%
	2010	230,000	-	20,700	70,550	321,250	22%
Grant Mooney	2011	43,333	-	3,900	-	47,233	0%
	2010	40,000	-	3,600	49,385	92,985	53%
Lisa Wells	2011	164,944	-	6,387	-	171,331	0%
(Resigned 8.10.10)	2010	200,000	-	18,000	70,550	288,550	24%
TOTAL	**2011**	**544,111**	**-**	**40,512**	**-**	**584,623**	**0%**
TOTAL	**2010**	**550,000**	**-**	**49,500**	**239,870**	**839,370**	**29%**

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

(ii) During 2011, there were 13 monthly pay period due to the realignment of the pay date. As a result the 2011 figures represent 13 months, while the 2010 figures represent 12 months.

Note 7. Auditor's Remuneration

	30 June 2011 $	30 June 2010 $
Amounts received, or due and receivable by the former auditors, PKF Chartered Accountants, for audit or review of the financial report		
• Taxation services	-	17,810
• Audit	-	26,763
	-	44,573
Amounts received, or due and receivable by the previous auditors, Deloitte Touche Tohmatsu, for audit or review of the financial report	(180)	19,000
Amounts received, or due and receivable by the current auditors, Grant Thornton, for audit or review of the financial report		
	22,000	63,573

The auditor for Phosphate Australia Limited is Grant Thornton.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 8. Cash and Cash Equivalents

	30 June 2011 $	30 June 2010 $
Cash at bank and on hand	3,638,701	5,823,062

CASH FLOW INFORMATION

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

	30 June 2011 $	30 June 2010 $
- Loss from continuing operations after income tax	(936,845)	(1,003,918)
- Exploration costs written off	150,749	-
- Depreciation expense	247,257	228,249
- Share based payments	16,073	319,981
- Employee benefits accrued	(28,454)	35,855
- (Increase)/decrease in debtors	70,604	(271,975)
- (Increase)/decrease in prepayments	24,102	(60,337)
- (Increase)/decrease in other debtors	(6,769)	-
- Increase/(decrease) in trade creditors	(54,046)	94,006
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(517,329)	(658,139)

$55,000 (2010: $55,000) of Cash at Bank is held as security for credit cards.

Note 9. Trade and Other Receivables

	30 June 2011 $	30 June 2010 $
Current		
Interest receivable	75,489	32,296
Australian Taxation Office receivable	238,238	317,026
Other debtors	21,485	54,056
	335,212	403,378

Note 10. Prepayments

	30 June 2011 $	30 June 2010 $
Prepayments	37,505	61,608

Note 11. Other Financial Assets

	30 June 2011 $	30 June 2010 $
Deposits paid	162,609	155,840

Deposits paid are held as security over the company's leave of an office in West Perth and lease of a tenement.

Note 12. Property, Plant & Equipment

	30 June 2011 $	30 June 2010 $
Cost	1,478,037	1,444,932
Accumulated depreciation	(646,812)	(399,555)
	831,225	1,045,377
Land and Buildings	408,373	497,183
Plant and Equipment	79,527	164,952
Motor Vehicles	306,878	339,941
Fixtures & Fittings	36,447	43,301
	831,225	1,045,377

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 12. Property, Plant & Equipment (continued)

	Land and buildings	*Plant and equipment*	*Motor Vehicles*	*Fixtures & Fittings*	*Total*
Cost					
Balance as at 1 July 2009	574,919	269,755	391,792	4,670	1,241,136
Additions	86,462	67,347	8,977	41,832	204,618
Disposals	(822)	-	-	-	(822)
Balance as at 30 June 2010	660,559	337,102	400,769	46,502	1,444,932
Additions	3,878	28,891	336	-	33,105
Transferred categories	3,070	-	-	(3,070)	-
Balance as at 30 June 2011	667,507	365,993	401,105	43,432	1,478,037
Accumulated Depreciation					
Balance as at 1 July 2009	(73,263)	(69,979)	(27,666)	(398)	(171,306)
Depreciation	(90,232)	(102,171)	(33,161)	(2,803)	(228,367)
Eliminated on disposal	118	-	-	-	118
Balance as at 30 June 2010	(163,377)	(172,150)	(60,827)	(3,201)	(399,555)
Depreciation	(95,198)	(114,316)	(33,400)	(4,343)	(247,257)
Transferred categories	(559)	-	-	559	-
Balance as at 30 June 2011	(259,134)	(286,466)	(94,227)	(6,985)	(646,812)

Note 13. Exploration and Evaluation Expenditure

	30 June 2011 $	30 June 2010 $
Opening balance Exploration and evaluation expenditure	4,962,376	3,128,232
Exploration and evaluation expenses capitalised during year/period	1,399,616	1,834,144
Less: impairment	(150,749)	-
Closing balance Exploration and evaluation expenditure	6,211,243	4,962,376

The recovery of the costs of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploration or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to outcomes of native title issues (Refer Note 24).

Note 14. Trade and Other Payables

	30 June 2011 $	30 June 2010 $
Trade Creditors	89,273	294,826
Payroll accruals	-	84,020
Other Creditors	29,612	18,588
	118,885	397,434

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

Note 15. Provisions

Employee entitlements – annual leave accrued	44,390	72,485

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 16. Issued Capital	**Number**	**$**
Opening balance 1 July 2009	**94,675,000**	**9,692,004**
Share placement – 21 August 2009	14,201,250	3,834,337
Less: Share issue costs	-	(197,645)
Closing Balance 30 June 2010	**108,876,250**	**13,328,696**
Movements	-	-
Closing balance 30 June 2011	**108,876,250**	**13,328,696**

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

(b) Options on Issue

Expiry date	**31 July 2012**	**31 July 2012**	**31 July 2012**	**11 August 2010**	**23 October 2012**	**30 June 2010**
Exercise price	**$0.20 (Directors)[1]**	**$0.20 (Other)[2]**	**$0.20 (Employee & consultant)[3]**	**$0.20 (Employee under ESOP)[4]**	**$0.30 (Directors[6] and Employee under ESOP)[7]**	**$0.20 (Employee under ESOP)[8]**
On issue at the beginning of the year	17,000,000	5,000,000	850,000	150,000	2,100,000	400,000
Granted during the year	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	(150,000)	-	-
Outstanding at balance date	17,000,000	5,000,000	850,000	-	2,100,000	400,000

The above-mentioned options have the following key terms:

1. *Directors' options are exercisable at 20 cents 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 shares vested immediately.*
3. *Employee and Consultant options are exercisable at 20 cents each, by the expiry date noted above. The parties must remain in continuous employment for a period of two years from the date of listing in order to exercise their options.*
4. *Employee options are exercisable at 20 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Company's Employee Share and Option Plan and vest immediately. These options expired unexercised during the year.*
5. *There are no rights to dividends or voting on the above options.*
6. *Directors' options are exercisable at 30 cents each, by the expiry date noted above. The shares vest immediately*
7. *Employee options are exercisable at 30 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Company's Employee Share and Option Plan and vest immediately.*
8. *Employee options are exercisable at 30 cents each, by the expiry date noted above. They were issued under the terms and conditions of the Company's Employee Share and Option Plan. Of the 400,000 shares, 150,000 shares vest immediately, and the remaining 250,000 shares have a 6 month vesting period beginning 30 June 2010.*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 17. Share Option Reserve

	30 June 2011 $	30 June 2010 $
Opening Balance	346,957	26,976
Directors' option issue – 26 March 2008	-	-
Employee and consultants option issue – 7 May 2008	-	18,105
Employee option issue – 30 June 2008	-	7,829
Directors' option issue – 21 October 2009	-	239,870
Employee option issue – 18 December 2009	-	48,880
Employee option issue – 30 June 2010	8,703	5,297
Expired employee options	(10,410)	-
Closing balance	345,250	346,957

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

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

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

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

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

(iii) These options have now expired unexercised and have been written back to accumulated losses.

Note 18. Accumulated Losses

	30 June 2011 $	30 June 2010 $
Balance at the beginning of the year	(1,694,291)	(690,373)
Net loss for the year	(936,845)	(1,003,918)
Option expense reversed for expired options	10,410	-
Balance at the end of the year	(2,620,726)	(1,694,291)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 19. Statement of Operations by Segment

The Company 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 Company operates solely in the natural resources exploration industry in Australia, and has determined that this is the only operating segment. The Company 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 Company held, directly, indirectly or beneficially, by each specified director is as follows:

2011

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Movement during year	Balance as at 30 June 2011
James Richards *(i)*	15,000,000	-	-	-	15,000,000
Andrew James *(ii)*	20,050,000	-	-	-	20,050,000
Grant Mooney *(iii)*	262,500	-	-	-	262,500
Lisa Wells (Resigned 8.10.10)	2,000,000	-	-	2,000,000 (resignation as director)	-

(i) James Richards holds 15,000,000 shares in his own name.

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

(iii) Grant Mooney holds 12,500 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares.

2010

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

(i) James Richards holds 15,000,000 shares in his own name.

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

(iii) Lisa Wells holds 2,000,000 shares in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 shares.

(iv) Grant Mooney holds 12,500 shares in his own name. Samantha Mooney, wife of Grant Mooney holds 10,000 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 240,000 shares.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 20. Related Party Transactions (continued)

Executive unlisted share options issued by Phosphate Australia Limited

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

2011

Directors	Balance as at beginning of year	Granted as compensation	Balance vested at 30 June 2011	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards (i)	6,350,000	-	6,350,000	-	6,350,000	-
Andrew James (ii)	9,500,000	-	9,500,000	-	9,500,000	-
Grant Mooney (iii)	850,000	-	850,000	-	850,000	-
Lisa Wells (Resigned 8.10.10)	2,500,000	-	2,500,000	-	2,500,000	-

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

2010

Directors	Balance as at beginning of year	Granted as compensation	Balance vested at 30 June 2010	Vested but not exercisable	Vested and exercisable	Options vested during the year
James Richards (i)	6,000,000	350,000	6,350,000	-	6,350,000	350,000
Andrew James (ii)	9,000,000	500,000	9,500,000	-	9,500,000	500,000
Lisa Wells (iii) (Resigned 8.10.10)	2,000,000	500,000	2,500,000	-	2,500,000	500,000
Grant Mooney (iv)	500,000	350,000	850,000	-	850,000	350,000

(i) 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) Lisa Wells holds 2,000,000 options in her own name. Margaret Wells, Lisa's mother holds 500,000 options.
(iv) 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 company secretarial and bookkeeping/accounting services provided to the Company totalling $95,625 (2010: $89,039). During the year Grant Mooney was paid $0 (2010: $15,416) for rental of office premises.

Note 21. Financial Instruments

(a) Overview

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

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. All financial assets and liabilities are held at amortised cost.

Capital Risk Management

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

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

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

Given the nature and size of the business and uncertainty as to the timing of cash inflows and outflows the Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Company's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board agrees and reviews policies for managing the Company's financial risks as summarised below.

b) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective average interest rates in classes of financial assets and liabilities is as follows:

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

Note 21. Financial Instruments (Continued)

2010	Average Effective Interest Rate	Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing	Total
	%	$	$	$	$
Financial assets:					
Cheque account	-	-	-	48,832	48,832
Savings accounts	4.50%	-	3,519,230	-	3,519,230
Term deposits	5.94%	2,255,000	-	-	2,255,000
Receivables	-	-	-	403,378	403,378
		2,255,000	**3,519,230**	**452,210**	**6,226,440**
Financial liabilities:					
Accounts payable	-	-	-	397,434	397,434
		-	-	**397,434**	**397,434**

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%
	$	$	$	$
2011				
Cash and cash equivalents	21,745	(21,745)	21,745	(21,745)
2010				
Cash and cash equivalents	29,224	(29,224)	29,224	(29,224)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Company. The carrying amount of the Company's financial assets represents the maximum credit risk exposure, as represented below:

	2011	2010
	$	$
Cash and cash equivalents	3,638,701	5,823,062
Trade and other receivables	335,211	403,378
	3,973,912	**6,226,440**

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due.

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

Note 21. Financial Instruments (Continued)

(e) Commodity price risk

The Company is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Company's control. As the Company is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(f) Fair value

The net fair value of financial assets and financial liabilities approximate their carrying value. Net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

Note 22. Earnings per Share

	2011 cents	2010 cents
Basic (loss) per share (cents per share)	(0.860)	(0.939)
Diluted (loss) per share (cents per share)	(0.860)	(0.939)

Basic Earnings per Share	**2011 $**	**2010 $**
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(936,845)	(1,003,918)

	2011 No.	**2010 No.**
Weighted average number of ordinary shares	108,876,250	106,891,966

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 the following:

On 15 August 2011, the Company announced the purchase of the Tuckanarra Gold Project in the Murchison district of Western Australia for $45,000 cash plus 1,000,000 shares in Phosphate Australia at a deemed price of 8.5 cents each.

Note 24. Contingent Liabilities

In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Company is not yet known. The Company is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in the Northern Territory in which the Company holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the Native Title Act 1993 (Commonwealth).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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.

		2011 $	2010 $
1.	**Operating Lease Commitment as follows:**		
	Office Rental		
	- Due within 1 year	197,052	184,755
	- Due 1 to 5 years	49,263	230,945
	Other Commitments		
	- Due within 1 year	-	37,500
	- Due 1 to 2 years	-	-

The company has an option to revew the office rental lease for a period of 12 months commencing 1 October 2012. If this option is renewed the company would have additional rental commitment of $197,052 due in 1 to 5 years.

2. **Exploration Expenditure Commitments:**

The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected for the next 12 months if it is to retain all of its present interests in mining and exploration properties is $752,000 (2010: $716,190).

DIRECTORS' DECLARATION

1. In the opinion of the directors of Phosphate Australia Limited (the 'Company'):
    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 Company's financial position as at 30 June 2011 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 Company 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 2011.

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

JAMES RICHARDS
Chairman

ANDREW JAMES
Managing Director

Dated this day 29 September 2011

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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 statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and 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 company.

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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be 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, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's financial position as at 30 June 2011 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 7 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Director - Audit & Assurance

Perth, 29 September 2011

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 6 September 2011.

Spread of Holdings			Ordinary Shares
1	-	1,000	52
1,001	-	5,000	194
5,001	-	10,000	211
10,001	-	100,000	559
100,001	-	and over	126

Number of Holders 1,142

Number of shareholders holding less than a marketable parcel:

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Andrew James	20,050,000
James Richards	15,000,000
United Minerals Corporation NL	5,000,000

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

STATEMENT OF QUOTED SECURITIES / TOTAL SHARES ON ISSUE

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

COMPANY 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 6 September 2011)

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
Andrew Stephen James	20,000,000	18.20
James McArthur Richards	15,000,000	13.65
United Minerals Corporation NL	5,000,000	4.55
Ms Anne Marie Hutchings	3,650,000	3.32
Dale Leonard Andrews <Dog Star Super Fund A/c>	2,740,000	2.49
Cleland Projects Pty Ltd <Investment A/c>	1,750,000	1.59
Lisa Kathleen Wells	1,700,000	1.55
JP Morgan Nominees Australia <Cash income A/c>	1,421,615	1.29
Fonomes Pty Ltd	1,280,800	1.17
Gold & Mineral Resources Pty Ltd	1,000,000	0.91
Mr Paul & Mrs Pauline Sciancalepore	1,000,000	0.91
Mr Antonio Aloisi & Miss Jane Rosemary Searles <Yu Khen Super Fund A/c>	988,250	0.90
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/c>	758,248	0.69
Medilite Engineering Pty Ltd <Medilite Super Fund A/c>	750,000	0.68
JWP Pty Ltd <JWP Super Fund A/c>	750,000	0.68
LXL Pty Ltd	750,000	0.68
Mr Andrew Ian Brown	702,000	0.64
Okcin Holdings Pty Ltd <Okcin Investment A/c>	645,495	0.59
Mr Ian Kerr	641,252	0.58
Arharidis Brothers Pty Ltd	600,000	0.55
Total	**61,127,660**	**55.62**

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS
OPTIONS

Option Holder Name	Directors Options 31 March 2008	Other Options 31 March 2008	Employee/ Consultant Options 7 May 2008	Directors Options 21 Oct 2009	ESOP Options 21 Oct 2009	ESOP Options 30 Jun 2010
James Richards	6,000,000	-	-	350,000	-	-
Andrew James	9,000,000	-	-	500,000	-	-
United Minerals Corporation NL	-	5,000,000	-	-	-	-
Lisa Wells	2,000,000	-	-	500,000	-	-
Grant Mooney	-	-	500,000	350,000	-	-
Doug Kirby	-	-	350,000	-	200,000	-
Sarah Tomas	-	-	-	-	200,000	150,000
Michael Denny	-	-	-	-	-	250,000
	17,000,000	**5,000,000**	**850,000**	**1,700,000**	**400,000**	**400,000**

CORPORATE GOVERNANCE

(a) The Board of Directors

The primary responsibility for the Board is to represent and advance Shareholder's interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

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

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

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

A summary of the Company's key policies follow.

(b) Board and Senior Executive Evaluation

The Board considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board will undertake an annual evaluation of its effectiveness as a whole. The Chairman will review the individual performance of each Board member annually.

The Chairman's performance is evaluated by the Board annually with facilitation by an external party.

All senior executives of Phosphate Australia are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position. In the case of the Managing Director, these targets are established between the Managing Director and the Board.

(c) Code of Conduct

The Board, management and all employees of Phosphate Australia are committed to implementing Phosphate Australia's core principles and values as stated in this Code of Conduct when dealing with each other and with customers, suppliers, government authorities, creditors and the wider community.

Phosphate Australia is dedicated to delivering outstanding performance for investors and employees. Phosphate Australia aspires to be a leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility Phosphate Australia will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

(d) Continuous Disclosure

In accordance with the ASX Listing Rules, Phosphate Australia will immediately notify the ASX of information concerning Phosphate Australia that a reasonable person would expect to have a material effect on the price or value of Phosphate Australia's securities.

The only exception to this requirement is where the ASX Listing Rules do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, Phosphate Australia will post all information disclosed to ASX on its website.

CORPORATE GOVERNANCE (Continued)

(e) Selection of External Auditor

The Board identifies and recommends an appropriate external auditor for appointment, in conjunction with senior management and/or Phosphate Australia in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Phosphate Australia's accounts for a year of more than five consecutive years. Further, once rotated off Phosphate Australia's accounts, no partner of the external auditor may assume any responsibility in relation to Phosphate Australia's accounts for a year of five consecutive years.

The Company has appointed, with their consent, 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 Company has established an employee share option plan ("ESOP") in order to provide an incentive for senior executives and other employees to participate in the future growth of the Company. The ESOP is administered in accordance with the ESOP rules which can be viewed, in full, on the Company's website.

(g) Non-executive Directors Remuneration

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time. Additional fees may be paid for participation on Board Committees however, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders. At present the maximum aggregate remuneration of Non-Executive Directors is $400,000 per annum.

(h) Selection and Appointment of New Directors

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within Phosphate Australia's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

(i) Risk Management

Risk recognition and management are viewed by Phosphate Australia as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's mineral exploration and development.

There are a range of specific risks that have the potential to have an adverse impact on Phosphate Australia's business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Management reports to the Board annually in relation to the key business risks, the control system in place to manage such risks and how effective the risk management system is operating.

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 Company 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 Company 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 Company’s securities. These procedures and protocols include the clear establishment of “blackout periods” where trading in the Company’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 Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Board also encourages full participation of shareholders at the Company’s annual general meeting.

In addition, the Company maintains a website at www.phosphateaustralia.com.au which is regularly updated.

(l) Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(m) Matters for Approval by the Board of Directors

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

(n) Explanations for Departure From Best Practice Recommendations

During the reporting year from the Company has complied with each of the Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
1	Lay Solid Foundations for Management and Oversight	The Company has not complied with the recommendations as set out under this Principle as follows: The Company 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 Company's website.	Not applicable
2	Structure the Board to Add Value	The Company does not comply with the following recommendation: • **A majority of the Board should be independent directors.** This is as a result of two of the Company's directors, Jim Richards and Andrew James being substantial shareholders while Andrew James also performs an executive function within the Company. Director Grant Mooney is considered to be an independent director as he is not a substantial shareholder, does not perform an executive role within the organisation, is not a material supplier or customer (including over past 3 years) and has no material contract with the Company. • **The Board should establish a Nomination Committee.** Given the Company's size, it is not considered necessary to have a separate Nomination Committee. In addition to the above, the following information is provided: The skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report. If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice.	The Company deals with the lack of independent directors by ensuring that conflicts of interest are adequately disclosed in accordance with the Company's Code of Conduct. Where adequate skills do not exist within the pool of independent directors, external advice is sought. The Company also maintains a strict policy of disclosure of external interests which may conflict with the core business of the Company. An opportunity to disclose any such matter is provided at each board meeting. The Board, in consultation with external advisers where required, undertakes this role. A separate policy for Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

3	Promote Ethical and Responsible Decision Making	The Company complies with this Principle.	Not applicable.
4	Safeguard Integrity in Financial Reporting	The Company does not comply with the following recommendation: • **The Board should establish an Audit Committee.** The Company does not presently have an Audit Committee. The Company has a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Company's website.	The Directors are of the view that given the size of the Company, the relatively small number of directors and the fact that there is only one independent director, it is not practical to have an Audit Committee. The Board undertakes this role. Independent Director Grant Mooney is a Chartered Accountant with suitable financial experience to provide advice in the areas normally required of an Audit Committee.
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	The Company complies with this Principle. The Board of Directors has received a report from Management in relation to the effectiveness of the Company's management of the Company's material business risks. 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 Company also has a separate policy in relation to Risk Management which is available on the Company's website.	Not Applicable

8	Remunerate Fairly and Responsibly	The Company does not comply with the following recommendation: • **The Board should establish a Remuneration Committee.** The Company 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 Company, the relatively small number of directors and the fact that there is only one independent director, it is not practical to have a Remuneration Committee. The Board undertakes this role with the assistance of any external advice which may be required from time to time. The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.