



**PHOSPHATE AUSTRALIA LIMITED**  
**ACN 129 158 550**

**NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS**

**21 October 2009**  
**Commencing at 10.00 am (WST)**

**At**

**Allendale Square**  
**Level 31**  
**77 St George's Terrace**  
**Perth, Western Australia**

**PHOSPHATE AUSTRALIA LIMITED  
NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the Annual General Meeting of Phosphate Australia Limited ("the Company") will be held at Allendale Square, Level 31, 77 St George's Terrace, Perth, Western Australia on Wednesday, 21 October 2009 at 10.00am (WST).

**AGENDA**

**FINANCIAL REPORT**

To table the Annual Financial Report of the Company for the period ended 30 June 2009 and the related Director's Report, Director's Declaration and Audit Report thereon.

**RESOLUTION 1: ADOPTION OF REMUNERATION REPORT**

To consider and if thought fit to pass the following as an **ordinary resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report for the year ended 30 June 2009 be adopted."*

*Note – section 250R(3) of the Corporations Act provides that the vote on this resolution is advisory only and does not bind the Directors of the Company.*

**RESOLUTION 2: RE-ELECTION OF GRANT MOONEY AS A DIRECTOR**

To consider and if thought fit to pass the following as an **ordinary resolution**:

*"That Mr Grant Mooney, having retired in accordance with the Constitution of the Company and being eligible offers himself for re-election, is hereby re-elected as a director."*

**RESOLUTION 3: RATIFICATION OF PREVIOUS SHARE ISSUE**

To consider and if thought fit to pass the following as an **ordinary resolution**:

*"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 14,201,250 fully paid ordinary shares to the persons and on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement**

The Company will disregard any votes cast on this resolution by any person who participated in the issue and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 4: ISSUE OF OPTIONS TO A RELATED PARTY - MR ANDREW JAMES (MANAGING DIRECTOR)**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Rule 10.11 of the Listing Rules of ASX Limited and section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to the Company's Managing Director, Mr Andrew James (or his nominee or nominees) a total of 500,000 Options for no consideration, with an exercise price of 125% of the 5 day Volume Weighted Average Price prior to the day of issue and expiring 3 years from the day of issue and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

**Voting exclusion statement**

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on this Resolution by Andrew James and any associates of Andrew James. However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**RESOLUTION 5: ISSUE OF OPTIONS TO A RELATED PARTY - MS LISA WELLS (EXECUTIVE DIRECTOR-EXPLORATION)**

**To consider and, if thought fit, to pass the following resolution as an ordinary resolution:**

"That, pursuant to and in accordance with Rule 10.11 of the Listing Rules of ASX Limited and section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to the Company's Exploration Director, Ms Lisa Wells (or her nominee or nominees) a total of 500,000 Options for no consideration, with an exercise price of 125% of the 5 day Volume Weighted Average Price prior to the day of issue and expiring 3 years from the day of issue and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

**Voting exclusion statement**

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on this Resolution by Lisa Wells and any associates of Lisa Wells. However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 6: ISSUE OF OPTIONS TO A RELATED PARTY - MR JAMES RICHARDS (CHAIRMAN)**

**To consider and, if thought fit, to pass the following resolution as an ordinary resolution:**

"That, pursuant to and in accordance with Rule 10.11 of the Listing Rules of ASX Limited and section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to the Company's Director, Mr James Richards (or his nominee or nominees) a total of 350,000 Options for no consideration, with an exercise price of 125% of the 5 day Volume Weighted Average Price prior to the day of issue and expiring 3 years from the day of issue and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

**Voting exclusion statement**

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on this Resolution by James Richards and any associates of James Richards. However, the Company will not disregard a vote if:

- (e) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (f) it is cast by the person chairing the meeting as proxy for person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 7: ISSUE OF OPTIONS TO A RELATED PARTY – MR GRANT MOONEY (NON EXECUTIVE-DIRECTOR AND COMPANY SECRETARY)**

**To consider and, if thought fit, to pass the following resolution as an ordinary resolution:**

"That, pursuant to and in accordance with Rule 10.11 of the Listing Rules of ASX Limited and section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to the Company's Director and Company Secretary, Mr Grant Mooney (or his nominee or nominees) a total of 350,000 Options for no consideration, with an exercise price of 125% of the 5 day Volume Weighted Average Price prior to the day of issue and expiring 3 years from the day of issue and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

**Voting exclusion statement**

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on this Resolution by Grant Mooney and any associates of Grant Mooney. However, the Company will not disregard a vote if:

- (g) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (h) it is cast by the person chairing the meeting as proxy for person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**SNAPSHOT DATE**

The Directors have determined that for the purposes of regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the persons eligible to attend and vote at the meeting are those members holding ordinary shares at 10.00 am (WST), 19 October 2009.

**PROXIES**

In accordance with Section 249L of the Corporations Act 2001, members are advised:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

In accordance with Section 250BA of the Corporations Act 2001 the Company specifies the following for the purposes of receipt of proxy appointments:

Phosphate Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

Fax No: (02) 9287 0309

Each shareholder entitled to vote at the Annual General Meeting has the right to appoint a proxy to vote on each particular resolution. The shareholder may specify the way in which the appointed proxy is to vote on a particular resolution or may allow the appointed proxy to vote at its discretion. The instrument appointing the proxy must be received by the Company as provided in its Constitution no later than 48 hours prior to the time of the commencement of the Annual General Meeting. This proxy form may be sent by facsimile transmission to the number identified on the proxy form.

**BODIES CORPORATE**

A body corporate may appoint an individual as its representative to exercise all or any of the powers the body corporate may exercise at meetings of the Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise on the body corporate's behalf all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

**INCORPORATION OF EXPLANATORY MEMORANDUM**

The Explanatory Memorandum to Shareholders attached to this Notice of General Meeting, is hereby incorporated into and forms part of this Notice of Annual General Meeting.

By order of the Board



**GRANT J. MOONEY**  
Director and Company Secretary  
21 September 2009

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**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

**INTRODUCTION**

This Explanatory Memorandum has been prepared for the information of Shareholders of Phosphate Australia Limited ("**the Company**") in connection with the business to be conducted at the Annual General Meeting to be held at Allendale Square, Level 31, 77 St George's Terrace, Perth, Western Australia on 21 October 2009 at 10.00 am (WST).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

Defined terms in this Explanatory Memorandum and accompanying Notice of Annual General Meeting have, unless provided otherwise, the meaning given by the Glossary.

**RESOLUTION 1: ADOPTION OF REMUNERATION REPORT**

The Remuneration Report which details the Company's policy on the remuneration of non-executive directors and executive directors is set out within the Directors' Report of the Company's 2009 Annual Report. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. The vote on the resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is required to be considered for adoption in accordance with section 250R of the Corporations Act.

**RESOLUTION 2: RE-ELECTION OF MR GRANT MOONEY AS A DIRECTOR**

Rule 7.3 of the Company's Constitution require that at an Annual General Meeting one-third of Directors for the time being shall retire from office. This rule does not apply to the managing director. A retiring Director is eligible for re-election.

In accordance with the Company's Constitution, Director Grant Mooney retires as a director of the Company and being eligible, offers himself for re-election as a director of the Company. Details of the experience and qualifications of Mr Mooney are set out in the Company's 2009 Annual Report.

**RESOLUTION 3: RATIFICATION OF PREVIOUS SHARE ISSUE**

This resolution seeks Shareholder ratification of the issue 14,201,250 Shares at an issue price of \$0.27 per Share made on 21 August 2009 in order to raise funds for ongoing resource drilling, metallurgical test work, road and shipping studies and fast tracking pre-feasibility studies at the Highland Plains project.

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the company's ordinary securities on issue at the commencement of that period without shareholder approval.

The exception to this rule contained in Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of Shareholders under Listing Rule 7.1 if subsequently approved by Shareholders, thereby "refreshing" the Company's ability to issue shares within the 15% limit, and restoring the Company's ability to make placements within that limit (if that is thought desirable) without the need for Shareholder approval. While the Shares described in this Resolution 3 were issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4, so that the Company's ability to issue securities will be "refreshed" and it will have flexibility to issue further securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolution:

- A total of 14,201,250 Shares were issued on 21 August 2009 pursuant to a Mandate letter between the Company and Bell Potter Securities Limited (AFS Licence 243480) dated 10 August 2009.
- The Shares were issued at \$0.27 per Share raising gross proceeds of \$3,834,337.
- The Shares the subject of this Resolution were issued and allotted to a select group of financial institutions and sophisticated investors and facilitated by stockbroker Bell Potter Securities Limited.
- None of the allottees are related parties to the Company or their associates.
- The Shares issued are fully paid ordinary shares that rank equally in all respects with existing Shares.
- The funds raised will be used for ongoing resource drilling, metallurgical test work, road and shipping studies and fast tracking pre-feasibility studies at the Highland Plains project.

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**RESOLUTIONS 4 TO 7 - ISSUE OF OPTIONS TO RELATED PARTIES**

Resolutions 4 to 7 seek shareholder approval for the Company to allot and issue a total of 1,700,000 Options over ordinary Shares in the Company to directors Andrew James, Lisa Wells, James Richards and Grant Mooney (“**the Recipient Director(s)**”) or their nominees in the proportions set out in the table below.

The Options shall have an exercise price calculated as a 125% of the Volume Weighted Average Price (“VWAP”) of the Company’s share price over the 5 days preceding the date of issue.

The Expiry Date shall be determined as 3 years following the date of issue of the Options. The options shall be issued within 1 month of the date of this meeting.

The allocation of Options to directors is set out below:

<b>Resolution</b>	<b>Name</b>	<b>No. Options</b>
4	Andrew James, or his nominee	500,000
5	Lisa Wells, or her nominee	500,000
6	James Richards, or his nominee	350,000
7	Grant Mooney, or his nominee	350,000

The terms of the Options are set out on page 10 of this Explanatory Memorandum.

Shareholder approval for the grant of the Options the subject of Resolutions 4 to 7 is sought for the purposes of Chapter 2E of the Corporations Act which governs the giving of financial benefits to a "related party", e.g. a director of a company.

**Purpose and Basis of the Issue**

The *purpose* of the proposed grant of Options is to provide the Recipient Director with added incentive to achieve goals set by the Board and to add shareholder value. The Options are issued as part of the Director’s remuneration package. Where the Director resigns from his or her position within the Company prior to the expiry date, the Options the subject of Resolutions 4 to 7 will automatically lapse unless the Board of Directors determine within 30 days that they may be retained by the Recipient Director.

The *basis* for the issue of a total of 1,700,000 Options the Recipient Directors is to provide significant upside within the remuneration package to attract directors of the calibre of Andrew James, Lisa Wells, Jim Richards and Grant Mooney to the Company. The Directors believe that the quantity of Options together with the terms of the Options in each case constitute an appropriate number to adequately incentivise that Director.

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The details of the remuneration arrangements of each of the directors are set out below:

	Salary \$	Consulting fees \$	Super- annuation \$	Total \$
<b>Directors</b>				
James Richards	80,000	-	7,200	87,200
Andrew James	230,000	-	20,700	250,700
Lisa Wells	200,000	-	16,500	216,500
Grant Mooney <sup>1</sup>	45,000	72,000	4,050	121,050
<b>TOTAL</b>	<b>555,000</b>	<b>72,000</b>	<b>48,450</b>	<b>675,450</b>

<sup>1</sup> In addition to receipt of fees as referred to above, a Company associated with Grant Mooney provides book keeping services and provides office space to the Company at normal commercial rates.

**Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) of the Company, unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, the Recipient Directors are considered to be related parties of the Company as Directors. Resolutions 4 to 7 provide for the grant of Options to a related party which are financial benefits requiring shareholder approval.

In accordance with the requirements of Chapter 2E of the Corporations Act, the following information is provided:

- (i) The Options will be issued to the Recipient Director or his respective nominee.
- (ii) The proposed financial benefit is the grant to the Recipient Director or his respective nominee, of Options on the terms and conditions as in this Explanatory Memorandum, at no consideration, to subscribe for ordinary fully paid Shares in the Company. An estimate of the total value of the financial benefits has been calculated and is detailed in the below table. These values have been calculated using a Black and Scholes Option Pricing Model with the following assumptions:
  - interest rate of 3.00%, being the Reserve Bank of Australia cash rate;
  - dividend yield of nil, as the Company has not forecast any future dividend payments;
  - current underlying Share price of \$0.23, based on the closing price on 11 September 2009; and
  - The Company has used a volatility rate of 100% in the calculation of the value of the options using the Black and Scholes Option Pricing Model. The volatility rate has been determined using the average volatility of comparable ASX companies over the last 4 years.
  - The exercise price is determined based upon a 125% premium to the Volume Weighted Average Share Price (VWAP) over the 5 days preceding the date of issue of the options ("Assumed Exercise Price"). As the determining share price is unknown at the date of this Notice of Meeting, a range of exercise prices have been calculated based upon assumed share prices at the time of issue.

The estimated value of the Options using the Black and Scholes Option Pricing Model is detailed below.

Assumed Exercise Price	Value per Option \$
\$0.30	0.133
\$0.35	0.126
\$0.40	0.120

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The value of the respective option packages are detailed below:

Director	Total Value per Director's Parcel (\$)		
	Assumed Exercise price \$0.30	Assumed Exercise Price \$0.35	Assumed Exercise Price \$0.40
Andrew James	66,500	63,000	60,000
Lisa Wells	66,500	63,000	60,000
James Richards	46,550	44,100	42,000
Grant Mooney	46,550	44,100	42,000

- (iii) The Options are granted for no issue price.
- (iv) The Options shall survive the death of a recipient.
- (v) If at any time before the exercise of an Option, a holder ceases to be a director of the Company other than by their death, all Options held by the Director will automatically lapse unless the independent Directors of the Company (excluding the option holder) otherwise determines within 30 days of the holder ceasing to be a Director.
- (vi) Apart from the option holdings of which shareholder approval is sought, Directors holdings of Shares and Options are as follows:

Director	Ordinary Shares	Options (Unlisted)
James Richards (a)	15,000,000	6,000,000
Andrew James (b)	20,050,000	9,000,000
Lisa Wells (c)	2,250,000	2,000,000
Grant Mooney (d)	262,500	500,000

- (a) *James Richards holds 15,000,000 Shares in his own name. He holds 6,000,000 Options with an exercise price of 20 cents and an expiry date of 31 July 2012,*
  - (b) *Andrew James holds 20,000,000 Shares in his own name. Stephen James, father of Andrew James holds 50,000 Shares. Andrew James holds 9,000,000 Options with an exercise price of 20 cents and an expiry date of 31 July 2012,*
  - (c) *Lisa Wells holds 2,000,000 Shares in her own name. Margaret Wells, mother of Lisa Wells holds 250,000 Shares. Lisa Wells holds 2,000,000 Options with an exercise price of 20 cents and an expiry date of 31 July 2012.*
  - (d) *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 and 500,000 options. The Options have an exercise price of 20 cents and an expiry date of 31 July 2012.*
- (vii) The Company presently has 108,876,250 fully paid ordinary shares on issue.
  - (viii) The market price of the Company's Shares during the period of the Options will normally determine whether or not holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's ordinary Shares may be trading at a price that is higher than the exercise price of the Options.
  - (ix) If all of the Options (that is a total of 1,700,000 Options) granted are exercised, the Company's Share capital will be diluted by approximately 1.5% based on the number of Shares on issue at the date of the Notice of Meeting.
  - (x) Over the last 12 months prior to the date of this Notice of Meeting, the Company's Shares have traded from a high of \$0.495 on 9 January 2009 to a low of \$0.22 on 8 September 2009. The latest available trading price of the Shares prior to the date of this Explanatory Memorandum was \$0.23 on 11 September 2009.
  - (xi) The primary purpose of the grant of the Options is not to raise capital but to give incentive to the recipient directors.
  - (xii) The Directors are not aware of any other information that would be reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass Resolutions 4 to 7 as listed above.



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***Directors' recommendation***

Each of Directors Lisa Wells, James Richards and Grant Mooney believe that the issue of these options to Mr James is in the best interests of the Company. None of Directors Lisa Wells, James Richards and Grant Mooney has an interest in the outcome of Resolution 4.

Andrew James is the Recipient Director and has a personal interest in the outcome of Resolution 4. As a result, Andrew James does not make any recommendation in relation to Resolution 4.

Each of Directors Andrew James, James Richards and Grant Mooney believe that the issue of these options to Ms Wells is in the best interests of the Company. None of Directors Andrew James, James Richards and Grant Mooney has an interest in the outcome of Resolution 5.

Lisa Wells is the Recipient Director and has a personal interest in the outcome of Resolution 5. As a result, Lisa Wells does not make any recommendation in relation to Resolution 5.

Each of Directors Andrew James, Lisa Wells and Grant Mooney believe that the issue of these options to Mr Richards is in the best interests of the Company. None of Directors Andrew James, Lisa Wells, and Grant Mooney has an interest in the outcome of Resolution 6.

James Richards is the Recipient Director and has a personal interest in the outcome of Resolution 6. As a result, James Richards does not make any recommendation in relation to Resolution 6.

Each of Directors Andrew James, Lisa Wells and James Richards believe that the issue of these options to Mr Mooney is in the best interests of the Company. None of Directors Andrew James, Lisa Wells and James Richards has an interest in the outcome of Resolution 7.

Grant Mooney is the Recipient Director and has a personal interest in the outcome of Resolution 7. As a result, Grant Mooney does not make any recommendation in relation to Resolution 7.

In each case the number of Options to be granted to each Recipient Director and the terms of the Options was negotiated by the Directors independent of the Recipient Director and was considered to be appropriate to adequately incentivise the Recipient Director.

***Listing Rule 10.11***

Listing Rule 10.11 requires shareholder approval for the issue of Options to a related party of the Company. As Andrew James, Lisa Wells, James Richards and Grant Mooney are related parties of the Company as noted above, shareholder approval is sought pursuant to Listing Rule 10.11.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the maximum number of Options to be granted under Resolutions 4 to 7 to each Recipient Director set out in the table above;
- (b) the Options will be issued no later than one month after the date of this Annual General Meeting or such later date as approved by ASX;
- (c) the Options will be granted as incentive Options and hence are granted for no consideration;
- (d) the allottees are Andrew James or his designated nominee, Lisa Wells or her designated nominee, James Richards or his designated nominee and Mr Grant Mooney or his designated nominee;
- (e) the Options will be issued on the terms and conditions as set out below; and
- (f) no funds will be raised from the grant of the Options.

If approval is given for the issue of the Shares under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

*(Note: Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's Shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1, Options are treated as if they were the Shares into which they will, upon exercise, convert.)*

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**Terms and Conditions of Options to be issued to Mr Andrew James or his nominee, Ms Lisa Wells or her nominee Mr James Richards or his nominee and Mr Grant Mooney or his nominee**

The terms and conditions of the options are as follows;

1. Each Option will entitle the holder to one Share in the capital of the Company.
2. The Options may be exercised at any time prior to the date which is 3 years from the date of issue. ("**Expiry Date**").
3. The exercise price of the Options is 125% of the Volume Weighted Average Price ("VWAP") of the Company's share price over the 5 days preceding the date of issue.
4. The Options will not be quoted and may only be transferred with the prior approval of the Board.
5. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Subject to any terms to the contrary, the Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
6. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company must apply to ASX within 7 business days after the date of issue of all Shares pursuant to the exercise of Options to be admitted to quotation.
7. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised except in the event of a bonus issue. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
8. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company (Bonus Issue), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
9. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
10. If at any time before the exercise of an Option, a holder ceases to be a director of the Company other than by their death, all Options held by the Director will automatically lapse unless the independent Directors of the Company (excluding the option holder) otherwise determines within 30 days of the holder ceasing to be a Director.

**GLOSSARY**

**Annual General Meeting** means the meeting of Shareholders called by the Notice of Meeting of which this Explanatory Memorandum forms part.

**ASX** means ASX Limited (ACN 008 624 691).

**ASX Listing Rules** means the Listings Rules of the ASX.

**Board** means the board of Directors of the Company.

**Constitution** means the Constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth)

**Directors** means directors of the Company.

**Explanatory Memorandum** means this explanatory memorandum.

**Notice of Meeting** means the Notice of Meeting of which this Explanatory Memorandum forms part.

**Option** means an option to subscribe for a Share.

**Phosphate Australia or the Company** means Phosphate Australia Limited (ACN 129 158 550).

**Resolution** means a resolution to be considered by the Shareholders at the Annual General Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** or member means a registered member of the Company.