



Phosphate Australia Limited

ABN 51 129 158 550

**Interim Financial Report
31 December 2011**

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PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

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

Mr James (Jim) Richards – Non Executive Chairman
Mr Andrew James – Managing Director
Mr Grant Mooney – Non Executive Director

OPERATING RESULTS

The loss from ordinary activities of the Company for the half-year ended 31 December 2011 after income tax was \$666,988 (2010: \$495,461).

REVIEW OF OPERATIONS

Phosphate Australia Limited (POZ) is pleased to present its half yearly Review of Operations for the six month period ended 31 December 2011.

Highland Plains Phosphate Project

The Company's major focus remains the Highland Plains phosphate project. The JORC inferred resource at Highland Plains is 53 million tonnes at 16% P₂O₅. The Western Mine Target Zone ("WMTZ"), a subset of the global resource for the project, is a JORC inferred resource of 14 million tonnes at 20% P₂O₅. The WMTZ is the area selected to support a potential mining operation early in the development due to a combination of relatively thick and shallow mineralisation.

Based on the scoping metallurgical work to date it is possible to beneficiate the rock phosphate to a high grade product of around 35% P₂O₅ with a recovery at around 52% for the coarser material only (greater than 5 microns) or to a grade of around 32% at a recovery of approximately 75% by incorporating the fine and coarse material.

These metallurgical studies are highly encouraging and there are numerous avenues of investigation to improve product quality and phosphate recovery. These options will be investigated during the next phase of metallurgical studies which will involve larger samples of differing input grades from different locations within the deposit.

The indications of ample ground water supplies, supported by the initial ground water investigation, along with the slurry pipeline scoping report, give the opportunity for the Company to develop the lowest cost rock phosphate operation in Australia. This potential is underpinned by the proximity of the project to the coast (approximately 240 km) and the shallowness of the mineralisation leading to potentially very low mining costs.

Capital requirements for a slurry pipeline at around A\$240 million have lead the Company to search for a strategic partner to assist with the development of the project. As part of this process, beneficiated rock phosphate samples have been dispatched overseas and due diligence enquiries undertaken. Samples have been sent to potential project partners for independent quality testing. There can be no assurance that a binding proposal will emerge from this search process.

As a result of this promotional and marketing activity the Company is examining in detail a number of options for taking the project forward in conjunction with potential joint venture partners. In mid-January, a helicopter-supported inspection of the Highland Plains project was undertaken as part of a technical audit of the project by an interested party.

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

REVIEW OF OPERATIONS (continued)

Musgrave PGE Project

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 four 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.

The BHP Billiton Ltd controlled Nebo-Babel deposit remains the most significant discovery in the region to date. The trip provided the opportunity for the Company to spend time with GSWA geologists who have been working in the area and to get a better understanding of the prospectivity of the Company tenements.

During the trip the group visited an occurrence of massive, outcropping platinum group element (PGE) enriched magnetite on the Company's tenements. PGE rich magnetite seams such as this occur as discrete layers within the igneous intrusive complex and can be traced as continuous seams for 10's of kilometres, providing significant tonnage potential. Thicknesses of these seams can vary from a few metres to 15 metres or more. Laboratory testing gave a specific gravity of 4.32 for the one sample tested. The Company is currently negotiating a farm-out arrangement on this project.

Tuckanarra Gold Project

Phosphate Australia 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 project area is a well known historic goldfield dating back to 1900 with numerous smaller workings. During this time production was approximately 30,000 ounces at a grade just over one ounce per tonne. Between 1988 and 1994, Metana Minerals mined four large open pits that targeted known mineralisation previously defined as approximately 95,000 ounces of gold at a grade of 2.8 g/t. The mined material was treated at the nearby Reedys mining centre.

The Metana bulk mining operations were over shallow, oxidised, higher grade material and there are large areas of mineralisation that were not mined despite having very interesting drill intersections. The historic follow up work in the area looks very much underdone with plenty of potential to build on existing prospects and discover new ones.

Tuckanarra is extremely well situated, centrally within the Murchison goldfield with the Great Northern Highway running through the project area. Nearby existing gold plants (not POZ assets) at Burnakura (20 km on existing haul road), Bluebird (on highway), Cue (40 km on Highway) and Mount Magnet (130 km on Highway) open up possibilities for toll treatment of the ore.

There are a number of highly prospective targets for immediate follow up, which include existing areas of known shallow mineralisation, undrilled targets based on geophysics and/or geochemistry, on strike extensions to existing pits and en-echelon structures parallel to existing pits and deeper targets under existing pits.

POZ also acquired an extensive computerised database compiled from historic data by Anglo American. 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 by POZ into new resource estimations.

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

REVIEW OF OPERATIONS (continued)

Tuckanarra Gold Project (continued)

To the end of February 2012, the results for the first drilling program at Tuckanarra have been released. 16 holes for 1,635 metres of reverse circulation drilling were completed. Results included highly encouraging intersections of 28 metres at 6.7 g/t Au from 25 metres and 20 metres at 2.1 g/t from 70 metres.

The Company is currently receiving the results for the second program of 5,062 metre of aircore drilling.

Iroquois Manganese Project

The Iroquois prospect (100% POZ) is part of a larger basin-wide Earahedy Base Metals Project targeting Mississippi Valley Type (MVT) mineralisation on the margins of the late Proterozoic Earahedy Basin of Western Australia. MVT deposits host some of the most significant lead-zinc mines in the world including Pine Creek in Canada.

The Iroquois prospect drilling program also targeted manganese. However, the drill campaign has highlighted the more significant base metals potential of the area with less emphasis on its manganese potential.

The Company completed the short program of aircore drilling at the Iroquois prospect in early October. Drilling conditions were not ideal for an air core rig, and seven holes were drilled for 282 metres. The drilling was centered around an historic hole, TRC4, drilled in 1995 by base metals explorer RGC Exploration Limited. This hole returned an intersection of 10 metres at 3.7% Pb+Zn. The POZ drilling also tested an anomalous feature detected during the Company's previously flown airborne electro-magnetic survey.

The best POZ drilling assay result was 23 metres at 2.1% Pb+Zn from 24 metres. This result included 4 metres at 4.9% Pb+Zn. Significant lead and zinc (Pb+Zn) mineralisation was found in four of the seven drill holes. No potentially commercial manganese mineralisation was recorded.

The poor ground conditions in the area meant several holes had to be abandoned and it is therefore significant that all of the POZ holes ended in some kind of mineralisation. The Company believes that the prospect will need to be more thoroughly drilled with a larger rig. From this initial drilling, a large target zone has now been identified of approximately 5 km long by 500 metres wide. This corridor is prospective for large MVT style lead-zinc orebodies.

Summary

The Board is looking forward to the results of the drilling campaign at the Tuckanarra gold project, and the release of a maiden gold resource. Tuckanarra, with its shallow, oxidised mineralisation, good historic grades and proximity to existing gold plants has the potential to launch POZ as a regional player in the Murchison goldfield.

The Company has made steady progress in its search for a strategic partner at Highland Plains and remains hopeful that it will be able to enter into a commercial arrangement to advance this project for the benefit of shareholders.

DIVIDENDS

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

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from the lead auditor of Phosphate Australia Limited, Grant Thornton Audit Pty Ltd, which is included on page 7.

Signed in accordance with a resolution of the Directors



JAMES RICHARDS
Chairman



ANDREW JAMES
Managing Director

Dated: 9 March 2012

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richards is a Director of POZ. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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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 review of Phosphate Australia Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 9 March 2012

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	NOTE	31 December 2011 \$	31 December 2010 \$
Other revenues from ordinary activities	5	104,225	150,113
Total Revenue		104,225	150,113
Exploration write offs		2,266	31,067
Employee benefits expense		214,543	165,637
Depreciation expense		127,115	124,368
Rental expenses		92,340	83,848
Interest Paid		102	-
Administration expenses		299,412	231,951
Share based payments		35,435	8,703
Total Expenses		771,213	645,574
Loss for the period before income tax expense		666,988	495,461
Income tax expense		-	-
Loss for the period after related income tax expense		666,988	495,461
Other Comprehensive Income:		-	-
Total Comprehensive Loss for the period		666,988	495,461
Basic and diluted loss per share (cents per share)		(0.608)	(0.455)

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	NOTE	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,952,831	3,638,701
Trade and other receivables		86,105	335,212
Prepayments		37,716	37,505
Other current assets		162,609	162,609
Total Current Assets		3,239,261	4,174,027
Non-Current Assets			
Property, plant and equipment		709,238	831,225
Exploration, evaluation and development expenditure	6	6,837,051	6,211,243
Total Non-Current assets		7,546,289	7,042,468
TOTAL ASSETS		10,785,550	11,216,495
LIABILITIES			
Current liabilities			
Trade and other payables		218,980	118,885
Provisions		52,533	44,390
TOTAL LIABILITIES		271,513	163,275
NET ASSETS		10,514,037	11,053,220
EQUITY			
Issued Capital	7	13,413,696	13,328,696
Share Option Reserve	8	388,055	345,250
Accumulated losses		(3,287,714)	(2,620,726)
TOTAL EQUITY		10,514,037	11,053,220

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	NOTE	31 December 2011 \$	31 December 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(478,552)	(556,388)
Income tax refund		238,238	338,005
Interest received		102,706	80,205
Interest paid		(102)	-
		<u>(137,710)</u>	<u>(138,178)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(5,127)	(32,032)
Payments for exploration, evaluation and development expenditure		(543,033)	(1,135,665)
		<u>(548,160)</u>	<u>(1,667,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising		-	-
Share issue expenses		-	-
		<u>-</u>	<u>-</u>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
		<u>-</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD			
		(685,870)	(1,305,875)
Cash and cash equivalents at the beginning of the period		<u>3,638,701</u>	<u>5,823,062</u>
Cash and cash equivalents at the end of the period		<u>2,952,831</u>	<u>4,517,187</u>

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2010	13,328,696	346,957	(1,694,291)	11,981,362
Loss for the period	-	-	(495,461)	(495,461)
Other comprehensive income	-	-	-	-
Total comprehensive loss for half year	-	-	(495,461)	(495,461)
Shares based payments	-	8,703	-	8,703
Balance as at 31 December 2010	13,328,696	355,660	(2,189,752)	11,494,604

	Ordinary Shares	Share Option Reserve	Accumulated Loss	Total
	\$	\$	\$	\$
Balance at 1 July 2011	13,328,696	345,250	(2,620,726)	11,053,220
Loss for the period	-	-	(666,988)	(666,988)
Other comprehensive income	-	-	-	-
Total comprehensive loss for half year	-	-	(666,988)	(666,988)
Shares based payments	85,000	42,805	-	127,805
Balance as at 31 December 2011	13,413,696	388,055	(3,287,714)	10,514,037

The accompanying notes form part of the financial statements.

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

The financial report of Phosphate Australia Limited (the company) for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 9 March 2012.

Phosphate Australia Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX Code: POZ).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Phosphate Australia Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

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

(c) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

**PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

3. FINANCIAL RISK MANAGEMENT

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual financial report as at and for the year ended 30 June 2011.

4. SEGMENT INFORMATION

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.

5. REVENUE FROM ORDINARY ACTIVITIES

	31 December 2011 \$	31 December 2010 \$
Other income		
Interest received from financial institutions	102,931	150,113
Other income	1,294	-
Total revenues	104,225	150,113

6. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	31 December 2011 \$	30 June 2011 \$
Opening balance Exploration, evaluation and development	6,211,243	4,962,376
Exploration, evaluation and development capitalised during period	628,034	1,399,616
Less written off	(2,226)	(150,749)
Closing balance Exploration, evaluation and development	6,837,051	6,211,243

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

7. ISSUED CAPITAL

	31 December 2011 \$	30 June 2011 \$
Issued and paid up capital	13,413,696	13,328,696
	No of shares	\$
Opening Balance	108,876,250	13,328,696
Add movements:		
Issue of 1,000,000 shares at \$0.085 each for purchase of Tuckanarra tenements	1,000,000	85,000
Closing balance	109,876,250	13,413,696

8. SHARE OPTION RESERVE

	31 December 2011 \$	30 June 2011 \$
Opening Balance	345,250	346,957
Employee option issue – 30 June 2010	-	8,703
Consultant option issue – 1 July 2011	7,370	-
Employee option issue – 21 October 2011	15,885	-
Consultant option issue – 11 November 2011	19,550	-
Expired options	-	(10,410)
Closing balance	388,055	345,250

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	CONSULTANT OPTIONS 1 Jul 11	EMPLOYEE OPTIONS 21 Oct 11	CONSULTANT OPTIONS 11 Nov 11
Exercise Price	\$0.19	\$0.10	\$0.10
Share price	\$0.055	\$0.0640	\$0.0688
Grant date	1-Jul-11	14-Oct-11	11-Nov-11
Expected volatility (i)	100%	100%	100%
Expiry date	1-Jul-14	21-Oct-14	11-Nov-14
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.75%	4.5%	4.75%
Value per option	\$0.0737	\$0.0353	\$0.0391
Number of options	100,000	450,000	500,000
Value of options	\$7,370	\$15,885	\$19,550

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

PHOSPHATE AUSTRALIA LIMITED

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

9. COMMITMENTS AND CONTINGENCIES

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).

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 commitments if it is to retain all of its present interests in mining and exploration properties is \$486,560.

10. RELATED PARTY TRANSACTIONS WITH DIRECTOR RELATED ENTITIES

During the half year, companies associated with Grant Mooney were paid for company secretarial and bookkeeping/accounting services provided to the Company totalling \$38,250 (2010: \$51,411). An amount of \$6,000 (2010: \$6,000) was owing to these companies as at 31 December 2011.

Arrangements with other related parties continue to be in place. For details of these arrangements, refer to the 30 June 2011 annual financial report.

11. EVENTS AFTER THE BALANCE SHEET DATE

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

PHOSPHATE AUSTRALIA LIMITED
INTERIM FINANCIAL REPORT

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes of the entity are in accordance with the *Corporations Act 2001*, including:
- i. give a true and fair view of the Company's financial position as at the 31 December 2011 and of its performance for the half-year ended; and
 - ii. comply with Australian Accounting Standards (AASB 134 *Interim Financial Reporting*);
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



JAMES RICHARDS
Chairman



ANDREW JAMES
Managing Director

Perth, 9 March 2012

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Independent Auditor's Review Report To the Members of Phosphate Australia Limited

We have reviewed the accompanying half-year financial report of Phosphate Australia Limited ("Company"), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Phosphate Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 9 March 2012