

PHOSPHATE AUSTRALIA LIMITED
SUMMARY OF RISK MANAGEMENT POLICY

INTRODUCTION

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.

The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised and Phosphate Australia places considerable reliance on the skill, experience and judgement of its people to take risk managed decisions within the policy framework, and to communicate openly on all risk related matters.

RISK MANAGEMENT POLICY

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.

Risk Framework

Key elements of the framework for the management of risk by Phosphate Australia are:

- oversight of the Company's financial affairs by the Board;
- the formulation of programmes for exploration and development;
- regular reporting against established targets;
- approval guidelines for exploration and capital expenditure;
- regulatory compliance programmes and reporting in key areas such as safety and environment;
- management of capital and financial risk;
- an annual insurance program;
- oversight of the conduct of contractors.

Risk Evaluation and Control

The management team, under the leadership of the Managing Director, draw together from within their ranks a group who periodically meet to identify and assess specific business risks. The group has experience in all of Phosphate Australia's

activities and is broadly conversant with Phosphate Australia's business plans, objectives and values.

Based on reviews of Phosphate Australia's business, an overall profile of the risks of the Company is established.

In assessing and managing identified risks:

- risks are assessed in terms of potential consequences and likelihood;
- risks are ranked in accordance with their likely impact;
- the acceptability of each identified risk is assessed;
- proposed actions to eliminate, reduce or manage each material risk are considered and agreed;
- responsibilities for the management of each risk are assigned.

The overall results of this assessment are presented to the Board at least annually and updated as necessary.

Periodic review is made at least annually in respect of the effectiveness and suitability of the risk management plan.

INTERNAL COMPLIANCE AND CONTROL

The Board ultimately has responsibility for internal compliance and control. They are responsible for ensuring that internal control systems are in place to monitor and manage risk.

Phosphate Australia has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- annual audit and half year review by the external auditor;
- internal audit program to review the quality and effectiveness of internal processes, procedures and controls;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget and forecast; and
- analysis of financial performance and significant balance sheet items to comparative periods.