PHOSPHATE AUSTRALIA LIMITED
ABN 51 129 158 550

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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CORPORATE DIRECTORY

Directors
Jim Richards
Executive Chairman

Mark Thompson
Non-Executive Director

Grant Mooney
Non-Executive Director
& Company Secretary

ASX Code
POZ

ABN
51 129 158 550

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DIRECTORS' REPORT
30 JUNE 2014

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 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows.

DETAILS OF DIRECTORS

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

MR JAMES (JIM) RICHARDS
B.Sc. Hons (Geology), MAusIMM
Executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based Company director and geologist with 22 years experience in exploration for a wide variety of commodities.

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

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

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

MR MARK THOMPSON
MAusIMM
Non-executive Director

Mark Thompson has more than 21 years industry experience in mineral exploration and mining management. Since starting his career with production experience in both underground and open-pit mines of Western Australia he has worked throughout Australia, Africa and South America. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and holds the position of Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China. In addition to his role with Phosphate Australia, Mr Thompson is Managing Director of ASX listed Talga Resources Ltd.

MR GRANT MOONEY
B.Bus, CA
Non-executive Director & Company Secretary

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, 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 to several ASX listed companies across a variety of industries including technology and resources. He is a director of Carnegie Wave Energy Limited, Barra Resources Limited, Wild Acre Metals Limited, and Talga Resources Limited. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' REPORT
30 JUNE 2014

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	Attila Resources Limited	19 February 2010 to 10 October 2012
	Barra Resources Limited	29 November 2002 to the present
	Carbine Resources Limited	16 January 2012 to 2 September 2014
	Carnegie Wave Energy Limited	19 February 2008 to the present
	Talga Resources Limited	20 February 2014 to the present
	Wild Acre Metals Limited	1 May 2007 to the present
Mark Thompson	Talga Resources Limited	July 2010 to the present

DIRECTORS' SHARE AND OPTION HOLDINGS

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

Director	Ordinary Shares	Ordinary Shares granted during year	Options (Unlisted)	Options granted during year
James Richards *(i)*	26,995,000	-	-	-
Grant Mooney *(ii)*	4,706,666	-	-	-
Mark Thompson *(iii)*	3,300,000	-	-	-

(i) *James Richards holds 26,995,000 shares in his own name. Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, in which James Richards is a beneficiary holds 5,000,000 options.*

(ii) *Grant Mooney holds 16,666 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 320,000 shares. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares. Grant Mooney holds 500,000 options in his own name.*

(iii) *Mark Thompson holds 500,000 options in his own name. His wife, Kelly Thompson holds 3,300,000 shares.*

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The consolidated loss from ordinary activities after income tax of the Company for the year ended 30 June 2014 was $145,713 (2013: $3,997,324 loss).

DIRECTORS' REPORT
30 JUNE 2014

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended June 2014:

- Application for a Mining Lease and a Mining Proposal to allow for mining operations over the Tuckanarra Gold Project was lodged on 17th January 2014. This remains in progress with the Department of Mines and Energy and the Company is progressing these applications.

  The Tuckanarra Gold Project has an Indicated and Inferred JORC (2004) resource comprising 2,020,000 tonnes at 1.55 g/t Au for 100,700 ounces of gold at 0.25g/t Au cutoff. The project is 100% owned by Phosphate Australia.

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

- A Phase 1 RC drilling program over Manchego was completed in September 2013. Nine holes were drilled for 1,142 metres. Full Phase 1 assay results were reported in the Company's ASX Release dated 28 October 2013. These results indicated extensive low grade copper mineralisation with some associated nickel and PGEs.

- Detailed ground EM geophysics survey completed at Manchego.

- Phase 2 drilling program was completed at Manchego in December. 1,012 metres were drilled the results were reported in the Company's ASX Release dated 3 January 2014. Further low grade Cu-Ni-PGE mineralisation was intersected, which remains open in all directions. The Joint Venture partner (Anglo American) withdrew from this project in the third quarter and the Company now has 100% control of the project and is seeking partners.

- Phosphate Australia has a Joint Venture Option Agreement (JVOA) with Sydney based Company Jimpec Resources Pty Ltd (Jimpec) covering the Company's 100% owned Nicholson Iron Project in the Northern Territory. There is ongoing promotion of this project within China with the aim of finding a strategic partner to assist in development.

- The Highland Plains Phosphate Project has a JORC (2004) compliant Inferred Resource of 53 million tonnes at 16% P_2O_5 at a cutoff grade of 10% P_2O_5. Substantial drilling and scoping study work has been done at Highland Plains with proposed solutions for beneficiation to higher grades and product transport logistics using a slurry pipeline. The project is 100% owned by Phosphate Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than described elsewhere in this report, there was no significant change in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

Other than the following, 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:

- On 29th August 2014, the Company announced the conditional sale of the Tuckanarra Gold Project to Monument Mining Limited (MMY) , an established Canadian gold producer listed on the TSX-V exchange. The sale price is $3.9 million, payable as $2 million cash and 10 million MMY shares (which is equivalent to $1.9 million at $C0.19). MMY paid a $55,000 (GST inclusive) non refundable deposit to the Company on 29th August 2014. The acquisition is subject to satisfactory completion by MMYT of due diligence and the transaction is expected to be completed by 24 October 2014. The acquisition is expected to be completed by 24 October 2014.
- On 2nd September 2014, the Company sold 80% of tenement E69/2820 to Alloy Resources Limited (AYR). Alloy Resources exercised an option, pursuant to the Option Agreement between Phosphate Australia Limited and Alloy Resources Limited dated 12 September 2012. AYR will continue to operate the tenements under the terms of an unincorporated joint venture. The Company will retain a 20% interest in the tenements which is free carried up to the completion of a bankable feasibility study.

DIRECTORS' REPORT
30 JUNE 2014

FUTURE DEVELOPMENTS

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

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
450,000	10 cents	14 October 2014
500,000	10 cents	11 November 2014
6,000,000	8 cents	26 November 2015
300,000	6.5 cents	21 December 2015
400,000	2 cents	28 January 2015

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

INDEMNIFYING OFFICER OR AUDITOR

During the year, the 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 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' MEETINGS

There were 3 Directors' meetings held during the year ended 30 June 2014. 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	3	3
Grant Mooney	3	3
Mark Thompson	3	3

There was also one (1) circular resolution passed by the Board of Directors during the year. (2013: two (2))

As at the date of this report an Audit Committee of the Board of Directors did not exist due to the Directors of the Board having a close involvement in the operations of the 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 during the year was 9.25% (increased to 9.5% on 1 July 2014) and do not receive any other retirement benefit.

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

Subsequent to the end of the financial year, the Directors have instigated a number of austerity measures including the reduction in directors and secretarial fees in order to preserve cash reserves at a time when global uncertainty surrounding capital markets exists. As such the overall level of directors and company secretarial fees has been significantly reduced.

The following were Key Management Personnel of the Company during the year:

- James Richards *(Non-Executive Chairman/Executive Chairman)*
- Grant Mooney *(Non-Executive Director and Company Secretary)*
- Mark Thompson *(Non-Executive Director)*

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

		Short-term employee benefits		Post-employment benefits	Share-based payments		
		Salary & Fees $	Bonus $	Super-annuation $	Options $	Total $	% of Total consisting of Options
James Richards [(i)]	2014	154,667	-	21,954	-	176,621	0%
	2013	165,500	-	16,785	124,000	306,285	40%
Mark Thompson	2014	20,417	-	-	-	20,417	0%
	2013	18,750	-	-	12,400	31,150	40%
Grant Mooney	2014	25,416	-	2,351	-	27,767	0%
	2013	32,500	-	2,925	12,400	47,825	26%
Andrew James	2014	-	-	-	-	-	0%
	2013	101,102	-	6,900	-	108,002	0%
TOTAL	**2014**	**200,500**	**-**	**24,305**	**-**	**224,805**	
TOTAL	**2013**	**317,852**	**-**	**26,610**	**148,800**	**493,262**	**30%**

(i) Included in Jim Richards's salary and fees remuneration are contractor amounts totalling $0 (2013: $10,500).

DIRECTORS' REPORT
30 JUNE 2014

REMUNERATION REPORT (AUDITED) (Continued)

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

Value of options issued to Key Management Personnel

During the financial year, the following share based payment arrangements were in existence for Key Management Personnel:

Options Series	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Issued 23 Nov 2012 exercisable@ $0.08	23/11/2012	26/11/2015	$0.025	23/11/2012

The Board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is $400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the 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.

The Company did not use remuneration consultants during the year or prior year.

96% of the votes cast (excluding those who abstained) at the AGM on the 2013 Remuneration report voted in favour of adopting the Remuneration Report.

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:

2014

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Other movement during year	Balance as at 30 June 2014
James Richards *(i)*	26,540,000	-	-	455,000	26,995,000
Grant Mooney *(ii)*	4,706,666	-	-	-	4,706,666
Mark Thompson *(iii)*	3,300,000	-	-	-	3,300,000

(i) James Richards holds 26,995,000 shares in his own name.
(ii) Grant Mooney holds 16,666 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 320,000 shares. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares.
(iii) K Thompson, spouse of Mark Thompson holds 3,300,000 shares.

2013

Director	Balance at beginning of year	Granted as compensation	Received on exercise of options	Other movement during year	Balance as at 30 June 2013 or date of resignation
James Richards *(i)*	15,000,000	-	-	11,540,000	26,540,000
Andrew James *(ii)* *(Resigned 1.10.12)*	20,050,000	-	-	-	20,050,000
Grant Mooney *(iii)*	262,500	-	-	4,444,166	4,706,666
Mark Thompson *(iv)*	-	-	-	3,300,000	3,300,000

(i) James Richards holds 26,540,000 shares in his own name.
(ii) Until Andrew James' resignation as director on 1 October 2012 he held 20,000,000 shares in his own name. Stephen James, father of Andrew James held 50,000 shares.
(iii) Grant Mooney holds 16,666 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 320,000. Ocean Flyers Pty Ltd <S&G Super Fund>, which Grant Mooney is a beneficiary holds 4,360,000 shares.
(iv) K Thompson, spouse of Mark Thompson holds 3,300,000 shares.

DIRECTORS' REPORT
30 JUNE 2014

REMUNERATION REPORT (AUDITED) (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:

2014

Director	Balance as at beginning of year 1 July 13	Granted as compensation	Balance vested at 30 June 2014	Vested but not exercisable	Vested and exercisable	Options vested during the year 30/6/14
James Richards (i)	5,000,000	-	5,000,000	-	5,000,000	-
Grant Mooney (ii)	500,000	-	500,000	-	500,000	-
Mark Thompson (iii)	500,000	-	500,000	-	500,000	-

(i) James Richards holds 5,000,000 options in his own name.
(ii) Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 500,000 options.
(iii) Mark Thompson holds 500,000 options in his own name.

2013

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

(i) Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, to which James Richards is a beneficiary holds 5,000,000 options.
(ii) Grant Mooney holds 500,000 options in his own name.
(iii) Mark Thompson holds 500,000 options in his own name.

Services Agreements

Executive Chairman James (Jim) Richards has an employment contract commencing on 1 October 2013 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of $180,000 per annum plus statutory superannuation, but this fee was reduced to $160,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Grant Mooney has an Services Agreement commencing on 14 October 2008 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of $45,000 per annum plus statutory superannuation, but this fee was reduced to $25,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Mark Thompson has a letter of appointment for no fixed term commencing on 1 October 2012. The Contract provides for a director's fee of $20,000 per annum plus GST.

Mooney & Partners Pty Ltd, a company associated with Grant Mooney has a services contract with the Company to provide company secretarial and administrative services to the Company for a period of 3 years commencing on 1 September 2009 which expired on 1 September 2012 and continues on a month by month basis with one month's termination notice. The Contract provides for an annual fee of $96,000 per annum plus GST, but this fees was reduced to $48,000 per annum plus GST on 1/8/13 as part of cost reductions in the Company.

No director or 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.

END OF REMUNERATION REPORT (AUDITED)

DIRECTORS' REPORT
30 JUNE 2014

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed on 10 September 2014 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	**GRANT MOONEY**
Executive Chairman	Non-executive Director & Company Secretary

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Auditor's Independence Declaration
To the Directors of Phosphate Australia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Phosphate Australia Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 10 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	Consolidated 30 June 2013 $
Other revenues from ordinary activities	3	-	272,727
Other income	3	83,994	125,816
Total Revenue		83,994	398,543
Employee benefits expense		(129,118)	(310,773)
Depreciation expense	4	(18,254)	(73,014)
Rental expenses	4	(112,351)	(169,493)
Corporate advisory		(17,020)	(17,588)
Share based payments	4	(2,240)	(153,120)
Administration expenses		(213,072)	(318,645)
Loss on disposal of fixed assets		(7,554)	(287,876)
Exploration expenses		(33,453)	(381,505)
Impairment of exploration and evaluation expenditure	12	-	(2,894,827)
Total Expenses		(533,062)	(4,606,841)
Loss before income tax expense		(449,068)	(4,208,298)
Income tax benefit	5	303,355	210,974
Loss for the year		(145,713)	(3,997,324)
Other Comprehensive Income / (Loss)		-	-
Total Comprehensive Loss for the year		**(145,713)**	**(3,997,324)**
		Cents	**Cents**
Basic loss per share (cents per share)	21	(0.090)	(3.266)
Diluted loss per share (cents per share)	21	(0.090)	(3.266)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 $	Consolidated 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,706,470	2,220,824
Trade and other receivables	9	22,048	18,208
Other	10	34,020	36,879
TOTAL CURRENT ASSETS		1,762,538	2,275,911
NON CURRENT ASSETS			
Property, plant and equipment	11	63,908	89,585
Environmental bond		12,397	12,397
Exploration and evaluation expenditure	12	4,906,373	4,593,836
TOTAL NON CURRENT ASSETS		4,982,678	4,695,818
TOTAL ASSETS		6,745,216	6,971,729
CURRENT LIABILITIES			
Trade and other payables	13	27,215	100,997
Provisions	14	14,099	23,357
TOTAL LIABILITIES		41,314	124,354
NET ASSETS		**6,703,902**	**6,847,375**
EQUITY			
Issued capital	15	14,590,606	14,590,606
Share option reserve	16	198,165	195,925
Accumulated losses	17	(8,084,869)	(7,939,156)
TOTAL EQUITY		**6,703,902**	**6,847,375**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Shares $	Share Option Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2012	**13,413,696**	**388,055**	**(4,287,082)**	**9,514,669**
Loss for the year	-	-	(3,997,324)	(3,997,324)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(3,997,324)**	**(3,997,324)**
Issue of shares	1,216,921	-	-	1,216,921
Options expensed for the year	-	153,120	-	153,120
Expired options transferred to accumulated losses	-	(345,250)	345,250	-
Share issue costs	(40,011)	-	-	(40,011)
Balance as at 30 June 2013	**14,590,606**	**195,925**	**(7,939,156)**	**6,847,375**
Balance as at 1 July 2013 (consolidated)	**14,590,606**	**195,925**	**(7,939,156)**	**6,847,375**
Loss for the year	-	-	(145,713)	(145,713)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(145,713)	(145,713)
Issue of shares	-	-	-	-
Options expensed for the year	-	2,240	-	2,240
Balance as at 30 June 2014	**14,590,606**	**198,165**	**(8,084,869)**	**6,703,902**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	Consolidated 30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	272,727
Payments to suppliers and employees		(563,404)	(764,774)
Research & Development tax concession refunds		303,354	270,754
Interest received		65,698	97,571
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	(194,352)	(123,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(358)	(9,345)
Payment for environment bond		-	(12,397)
Return of guarantee		-	172,555
Proceeds from disposal of non-current assets		227	241,712
Payments for exploration and evaluation expenditure		(319,871)	(753,039)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(320,002)	(360,514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	402,921
Payments for share issue costs		-	(40,011)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		-	362,910
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(514,354)	(121,326)
Cash and cash equivalents at the beginning of the year		2,220,824	2,342,150
Cash and cash equivalents at the end of the year	8	**1,706,470**	**2,220,824**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 1. CORPORATE INFORMATION

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

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

The nature of the operations and principal activities of the Company are described in Note 18.

During the year, the Company de-registered two dormant subsidiaries (see Note 25). As such, the comparative period shows consolidated results and the year-ended 30 June 2014 is for the single entity.

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report the Company for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on ____September 2014.

(a) Basis of preparation

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

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

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

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

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

Adoption of new and revised accounting standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Phosphate Australia Limited.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, part of annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)
Adoption of new and revised accounting standards (Continued)

Consolidation Standards
A package of consolidation standards encompassing AASB 10 Consolidated Financial Statements, AASB 11 Joint Venture Arrangements, AASB 12 Disclosure of Interests in Other Entities and consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, are effective for annual periods beginning or after 1 January 2013. The Company's management has not noted any impact of the change of this standard.

AASB 13 Fair Value Measurement
AASB 13 is applicable for annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Company's management has not noted any impact of the change of this standard.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)
AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of key management personnel compensation) and remove duplication within the Corporations Act 2011. This has resulted in some disclosures relating to Directors now being included in the audited remuneration report.

Accounting Standards Not Yet Applied

AASB 9 Financial Instruments (effective date for annual reporting periods beginning from 1 January 2018)
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. The Company has not yet assessed the full impact of AASB 9 as this standard does not apply until the year ended 30 June 2019.

AASB 2013-3 Amendments to Australian Accounting Standards Recoverable Amount Disclosures for Non-Financial Assets (effective date for annual reporting periods beginning from 1 January 2014)
AASB 2013-3 amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are first adopted for the year ended 30 June 2015 they are unlikely to have any significant impact on the entity.

(b) Statement of Compliance
The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

Provisions made in respect of employee benefits expected to be settled beyond one year are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Defined contribution plans
Contribution to defined contribution superannuation plans are expensed when incurred.

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Goods and services tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(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.

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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(m) Development Costs

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(n) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the cost of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling/production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset, unless the present obligations arises from the production of inventory in the year, in which case the amount is included in the cost of production for the year. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(o) Financial instruments

<u>Debt and equity instruments</u>

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

<u>Transaction costs on the issue of equity instruments</u>

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

(p) Financial Assets

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

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

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Loans and receivables</u>

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

<u>Impairment of Financial Assets</u>

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(p) Financial Assets (Continued)

Impairment of Financial Assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

(q) Impairment of non-financial assets

At each reporting date, the 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.

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. Further particulars of impairment losses are set out in Note 12.

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.

Company 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 Company.

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 16). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(s) Critical Accounting Estimates and Judgements (continued)

Exploration expenditure

Exploration expenditure is capitalised where the Company holds a current tenement. The Directors consider the carrying value of the main project areas and assess these against the estimated recoverable amount for each area. Indications of recoverable amount can be similar sale prices or calculation of the underlying resources multiplied by the resource sale rate.

Note 3. Revenue from Ordinary Activities

	30 June 2014 $	Consolidated 30 June 2013 $
Other Revenue		
Farm-in option fees	-	272,727
Total Revenue	-	272,727
Other income		
Interest received from financial institutions	66,300	83,161
Rental income	17,649	10,540
Gain from sale of fixed assets	45	32,115
Total Other Income	83,994	125,816

Note 4. Loss from Ordinary Activities

Expenses		
Depreciation of non-current assets	18,254	73,014
Rental expense on operating leases	112,351	169,493
Share based payment expenses	2,240	153,120

Note 5. Income Tax

(a) Income tax expense

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

Loss from continuing operations before tax	(449,068)	(4,208,298)
Income tax benefit calculated at 30% (2013: 30%)	**(134,720)**	**(1,262,489)**
Non deductible expenses	683	-
Temporary differences not brought to account as a deferred tax asset	(32,333)	(34,292)
Non assessable income	(303,355)	(164,141)
Tax losses not brought to account as a deferred tax asset	166,370	1,249,948
Income tax benefit at effective rate of 65.8% (2013: 5.3%)	(303,355)	(210,974)

(b) Deferred Tax liability

Exploration and Evaluation	1,466,853	1,378,151
Add: Other	4,696	4,581
Unrecognised deferred tax liabilities	1,471,549	1,382,732

	30 June 2014 $	Consolidated 30 June 2013 $
(c) Deferred tax assets		
Temporary differences	(8,575)	(11,207)
Tax losses – revenue	1,480,124	1,393,939
Unrecognised deferred tax assets	1,471,549	1,382,732
Not recognised:		
Unrecognised tax losses	2,100,075	2,089,481

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5. Income Tax (Continued)

The net deferred tax asset arising from the tax losses has not been recognised as an asset in the Statement of Financial Position because recovery is not probable.

The taxation benefit of tax losses not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised; conditions for deductibility imposed by the law are complied with; and

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

Note 6. Key Management Personnel Compensation

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

	30 June 2014 $	Consolidated 30 June 2013 $
Short-term employee benefits	200,500	317,852
Post-employment benefits	24,305	26,610
Share-based payments	-	148,800
	224,805	493,262

Note 7. Auditor’s Remuneration

Amounts received, or due and receivable by the current auditors, Grant Thornton Audit Pty Ltd, for audit or review of the financial report	22,551	22,745

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

Note 8. Cash and Cash Equivalents

Cash at bank and on hand	1,706,470	2,220,824
CASH FLOW INFORMATION		
Reconciliation of the loss from continuing operations after income tax to the net cash flows from operating activities.		
- Loss from continuing operations after income tax	(145,713)	(3,997,324)
- Impairment of exploration and evaluation costs	5,108	2,824,827
- Exploration costs written off	2,271	479,630
- Depreciation expense	18,254	73,014
- Share based payments	2,240	153,120
- Employee benefits accrued/(paid out)	(9,258)	(43,799)
- Loss on disposal of assets	7,554	287,876
- Profit on disposal of fixed assets	(45)	(32,115)
- (Increase)/Decrease in debtors	(3,840)	173,264
- Decrease in prepayments	2,859	18,551
- (Increase) in other debtors	-	(1,045)
- Increase/(decrease) in trade creditors	(73,782)	(59,721)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(194,352)	(123,722)

Cash at Bank includes $30,000 (2013: $55,000) held as security for credit cards.

Note 9. Trade and Other Receivables

	30 June 2014 $	Consolidated 30 June 2013 $
Current		
Interest receivable	12,997	12,395
Other debtors	9,251	5,813
	22,048	18,208

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 10. Other

Prepayments	34,020	36,879

Note 11. Property, Plant & Equipment

Cost	288,302	327,816
Accumulated depreciation	(224,394)	(238,231)
	63,908	89,585
Land and Buildings	973	8,542
Plant and Equipment	4,565	12,454
Motor Vehicles	40,396	46,881
Fixtures & Fittings	17,974	21,708
	63,908	89,585

	Land and buildings	Plant and equipment	Motor Vehicles	Fixtures & Fittings	Total
Cost					
Balance as at 30 June 2012	665,644	367,020	406,948	43,749	1,483,361
Additions	1,337	8,008	-	-	9,345
Disposals	(658,266)	(167,219)	(329,470)	(9,934)	(1,164,889)
Balance as at 30 June 2013	8,715	207,809	77,478	33,815	327,817
Additions	-	358	-	-	358
Disposals	(7,378)	(31,902)	-	(593)	(39,873)
Balance as at 30 June 2014	1,337	176,265	77,478	33,222	288,302
Accumulated Depreciation					
Balance as at 30 June 2012	(351,716)	(340,909)	(128,627)	(11,384)	(832,636)
Depreciation	(33,838)	(19,352)	(15,950)	(3,874)	(73,014)
Disposals	385,381	164,907	113,980	3,151	667,419
Balance as at 30 June 2013	(173)	(195,354)	(30,597)	(12,107)	(238,231)
Depreciation	(191)	(8,248)	(6,485)	(3,330)	(18,254)
Disposals	-	31,902	-	189	32,091
Balance as at 30 June 2014	(364)	(171,700)	(37,082)	(15,248)	(224,394)

Note 12. Exploration and Evaluation Expenditure

	Consolidated 30 June 2014 $	30 June 2013 $
Opening balance Exploration and evaluation expenditure	4,593,836	7,100,414
Exploration and evaluation expenses capitalised during year	318,431	753,038
Less: write offs	(5,894)	(364,789)
Less: impairment	-	(2,894,827)
Closing balance Exploration and evaluation expenditure	4,906,373	4,593,836

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

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

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to outcomes of native title issues (Refer Note 23).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 13. Trade and Other Payables

	30 June 2014 $	Consolidated 30 June 2013 $
Trade creditors	6,201	71,783
Other creditors	21,014	29,214
	27,215	100,997

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

Note 14. Provisions

Employee entitlements – annual leave accrued	14,099	23,357

Note 15. Issued Capital

(a) Issued Shares	Number	$
Opening balance 1 July 2012	109,876,250	13,413,696
Issue of shares to Lodestone Equities	11,000,000	814,000
Rights Issue	40,292,083	402,921
Less Share issue costs		(40,011)
Closing balance 30 June 2013	161,168,333	14,590,606
Opening balance 1 July 2013	161,168,333	14,590,606
Closing balance 30 June 2014	161,168,333	14,590,606

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

(b) Options on Issue

Expiry date	1 July 2014	14 Oct 2014	11 Nov 2014	26 Nov 2015	26 Nov 2015	28 Jan 2016
Exercise Price	**$0.19 Consultant[1] (000's)**	**$0.10 Employees under ESOP[2] (000's)**	**$0.10 Consultant[3] (000's)**	**$0.08 Directors[4] (000's)**	**$0.065 Employees[5] (000's)**	**$0.02 Employees[6] (000's)**
On issue 1/7/13	100	450	500	6,000	300	-
Granted	-	-	-	-	-	400
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding 30/6/14	100	450	500	6,000	300	400

The above-mentioned options have the following key terms:

1. *Consultant options are exercisable at $0.19 by 1 July 2014 and vest immediately.*
2. *Employee options are exercisable at $0.10 by 14 October 2014. They were issued under the terms and conditions of the Company's Employee Share and Option Plan and vest immediately.*
3. *Consultant options are exercisable at $0.10 by 11 November 2014 and vest immediately.*
4. *Directors' options are exercisable at $0.10 each, by the expiry date noted above. The options vest immediately.*
5. *Employees' options are exercisable at $0.065 each, by the expiry date noted above. The options vest immediately.*
6. *Employees' options are exercisable at $0.02 each, by the expiry date noted above. The options vest immediately.*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 16. Share Option Reserve

	30 June 2014 $	Consolidated 30 June 2013 $
Opening Balance	195,925	388,055
Directors' Options – 26 November 2012	-	148,800
Employees' Options – 21 December 2012	-	4,320
Employees' Options – 28 January 2014	2,240	-
Less – expired options	-	(345,250)
Closing balance	198,165	195,925

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	DIRECTORS' OPTIONS	EMPLOYEE OPTIONS	EMPLOYEE OPTIONS
Exercise Price	$0.08	$0.065	$0.02
Share price	$0.047	$0.03	$0.013
Grant date	23/11/12	21/12/12	28/1/14
Expected volatility (i)	100%	100%	100%
Expiry date	23/11/15	21/12/15	28/1/16
Expected dividends	Nil	Nil	Nil
Risk free interest rate	3.5%	3.5%	2.5%
Value per option	$0.0248	$0.0144	$0.0056
Number of options	6,000,000	300,000	400,000
Value of options	$148,800	$4,320	$2,240

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

Note 17. Accumulated Losses

	30 June 2014 $	Consolidated 30 June 2013 $
Balance at the beginning of the year	(7,939,156)	(4,287,082)
Net loss for the year	(145,713)	(3,997,324)
Transfer from share option reserve (expired options)	-	345,250
Balance at the end of the year	(8,084,869)	(7,939,156)

Note 18. 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 19. Related Party Transactions

a) **Key management personnel compensation**

Details of key management personnel compensation are disclosed in Note 6 to the financial statements.

b) **Transactions with director related entities**

During the year, Mooney & Partners Pty Ltd, a company associated with Grant Mooney was paid for Company secretarial services provided to the Company totalling $48,000 (2013: $60,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 20. Financial Instruments

(a) Overview

The Company's principal 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 15, 16 and 17 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:

2014	Average Effective Interest Rate %	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets:					
Operating accounts	0.01%	-	5,237	-	5,237
Savings accounts	2.4%	-	70,008	-	70,008
Term deposits	3.53%	1,631,225	-	-	1,631,225
Receivables	-	-	-	22,048	22,048
		1,631,225	**75,245**	**22,048**	**1,728,518**
Financial liabilities:					
Accounts payable	-	-	-	27,215	27,215
		-	**-**	**27,215**	**27,215**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 20. Financial Instruments (Continued)

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

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	
2014	**+10%** **$**	**-10%** **$**	**+10%** **$**	**-10%** **$**
Cash and cash equivalents	1,300	(1,300)	1,300	(1,300)
2013				
Cash and cash equivalents	8,128	(8,128)	8,128	(8,128)

(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:

	2014 $	Consolidated 2013 $
Cash and cash equivalents	1,706,470	2,220,824
Trade and other receivables	22,048	18,208
	1,728,518	**2,239,032**

(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, by insuring sufficient liquid funds are available on short term maturities.

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

e) Commodity price risk

The 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 20. Financial Instruments (Continued)

(f) Fair value

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

Note 21. Earnings per Share

	Consolidated 2014 cents	2013 cents
Basic (loss) per share (cents per share)	(0.090)	(3.266)
Diluted (loss) per share (cents per share)	(0.090)	(3.266)

Basic Earnings per Share	Consolidated 2014 $	2013 $
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(145,713)	(3,997,324)

	2014 No.	2013 No.
Weighted average number of ordinary shares	161,168,333	122,391,563

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 22. Significant Events Subsequent to Year End

Other than the following, 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:

- On 29th August 2014, the Company announced the conditional sale of the Tuckanarra Gold Project to Monument Mining Limited (MMY) , an established Canadian gold producer listed on the TSX-V exchange. The sale price is $3.9 million, payable as $2 million cash and 10 million MMY shares (which is equivalent to $1.9 million at $C0.19). MMY paid a $55,000 (GST inclusice) non refundable deposit to the Company on 29th August 2014. The acquisition is subject satisfactory completion by MMYT of due diligence and the transaction is expected to be completed by 24 October 2014. The acquisition is expected to be completed by 24 October 2014.

- On 2nd September 2014, the Company sold 80% of tenement E69/2820 to Alloy Resources Limited (AYR). Alloy Resources exercised an option, pursuant to the Option Agreement between Phosphate Australia Limited and Alloy Resources Limited dated 12 September 2012. AYR will continue to operate the tenements under the terms of an unincorporated joint venture. The Company will retain a 20% interest in the tenements which is free carried up to the completion of a bankable feasibility study.

Note 23. 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 2014

Note 24. 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.

Operating Lease Commitment as follows:

During the year the Company signed a rental agreement commencing 1 August 2012 for a period of 36 months.

Office Rental	2014 $	Consolidated 2013 $
- Due within 1 year	123,318	103,690
- Due 1 to 5 years	9,136	111,331

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 $584,940 (2013: $770,940).

Note 25. Controlled Entities

		Percentage Owned %	
Subsidiaries of Phosphate Australia Limited:	Country of incorporation	2014	2013
Carpentaria Phosphate (Holdings) Pty Ltd	Australia	0%	100%
Carpentaria Phosphate Pty Ltd	Australia	0%	100%

Both subsidiary companies were incorporated during the previous financial year and deregistered during the current year.

Note 26. Parent Entity

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	Parent Entity	
	2014 $	2013 $
Statement of Financial Position		
ASSETS		
Current Assets	1,762,538	2,275,911
Non-Current Assets	4,982,678	4,704,825
TOTAL ASSETS	6,745,216	6,980,736
LIABILITIES		
Current Liabilities	41,314	124,354
TOTAL LIABILITIES	41,314	124,354
NET ASSETS	6,703,902	6,856,382
EQUITY		
Issued Capital	14,590,606	14,590,606
Share Option Reserve	198,165	215,725
Accumulated losses	(8,084,869)	(7,949,949)
TOTAL EQUITY	6,703,902	6,856,382
Statement of Comprehensive Income		
Total loss	(145,713)	(3,996,281)
Total comprehensive loss	(145,713)	(3,996,281)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 26. Parent Entity (continued)

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2014 in relation to the debt of the subsidiaries.

Commitments/Contingent Liabilities

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

Note 27. Going Concern

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

The Company incurred a net loss of $145,713 and had cash outflows from operations of $194,352 during the year ended 30 June 2014.

The Company has reviewed its cash requirements for a period 12 months from the date of signing this report and has determined that sufficient cash resources are available to continue paying its debts as and when they fall due and to meet the minimum expenditure requirements disclosed in Note 24.

Note 28. Capital Management

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

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

There are no externally imposed capital requirements.

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

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

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 2014 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 2014.

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

JAMES RICHARDS	**GRANT MOONEY**
Chairman	Non-executive Director & Company Secretary

Dated this 10th day of September 2014

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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 2014, the statement of profit or loss and other 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 in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of Phosphate Australia Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's financial position as at 30 June 2014 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 2014. 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 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 10 September 2014