



**PHOSPHATE RESOURCES
LIMITED**

ACN 009 396 543

HALF-YEAR FINANCIAL REPORT

31 December 2008



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DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2008.

DIRECTORS – CURRENT

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

DIRECTORS – CURRENT

Clive Brown	Chairman
LAI Ah Hong	Managing Director
Willy TEO See Khiang	Executive Director
CHAN Khye Meng	Non-Executive Director
CHENG Hang OAM	Non-Executive Director
Anthony Brennan	Non-Executive Director
Phuar Kong Seng	Non-Executive Director
Tee Lip Sin	Non-Executive Director

There has been a marked deterioration in demand for our phosphate products commencing in October 2008 and continuing post balance date as a consequence of the current global financial instability seriously affecting our Malaysian and Indonesian markets.

As well as this, the limited sales in January 2009 were at prices 35% to 40% below those achieved in October 2008.

The first half of the 2008/9 financial year provided the company with a record result but this is unlikely to be maintained in the second half of the year given the current market climate.

AUDITORS' INDEPENDENCE DECLARATION

Section 307 (c) of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 December 2008. The written Auditors' Independence Declaration is attached to the Financial Report.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised a profit after tax of \$42.7 million [2007: \$2.97 million].

As at the date of this report, the group employed 181 people, including casuals and apprentices/trainees, (2007: 179) of which the chief entity employed 162 people (2007: 160) of whom most live on Christmas Island. The chief entity has approximately (214) shareholders (2007: 255), of whom 43% are Christmas Island residents (2007: 61%).



**Financial Statements
for the half-year ended 31 December 2008**

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under the ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE BOARD OF DIRECTORS:

LAI AH HONG
Managing Director

WILLY TEO
Executive Director

Dated 27 February 2009



Financial Statements
for the half-year ended 31 December 2008

INCOME STATEMENT

For the half-year ended 31 December	Notes	Consolidated	
		2008 \$000	2007 \$000
Revenue	2(a)	112,212	37,653
Cost of Sales	2(b)	(40,126)	(32,710)
Gross Profit		72,086	4,943
Other Income	2(c)	-	3,159
Finance Costs	2(d)	(269)	(267)
Other Expenses	2(e)	(9,509)	(2,991)
Profit Before Income Tax		62,308	4,844
Income Tax Expense		(19,587)	(1,873)
Net Profit Attributable to Members of Phosphate Resources Limited		42,721	2,971



Financial Statements
for the half-year ended 31 December 2008

BALANCE SHEET

As at	Notes	Consolidated	
		31.12.2008 \$000	30.06.2008 \$000
CURRENT ASSETS			
Cash and cash equivalents	3	33,697	6,161
Trade and other receivables		23,980	11,966
Inventories		10,716	7,714
Derivative financial instruments		-	4,906
Other		12,833	-
TOTAL CURRENT ASSETS		81,226	30,747
NON-CURRENT ASSETS			
Term deposits		18,486	9,851
Property, plant and equipment		9,823	7,137
Deferred tax assets		5,026	2,991
TOTAL NON-CURRENT ASSETS		33,335	19,979
TOTAL ASSETS		114,561	50,726
CURRENT LIABILITIES			
Trade and other payables		5,049	4,109
Interest-bearing loans and borrowings		100	900
Income tax payable		17,162	2,499
Derivative financial instruments		4,527	-
Provisions - employee entitlements		5,488	1,997
TOTAL CURRENT LIABILITIES		32,326	9,505
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		24	24
Deferred tax liabilities		885	1,227
Provisions		13,926	13,183
TOTAL NON-CURRENT LIABILITIES		14,835	14,434
TOTAL LIABILITIES		47,161	23,939
NET ASSETS		67,400	26,787
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		4,509	4,509
Retained earnings		61,963	22,152
Reserves		928	126
TOTAL EQUITY		67,400	26,787



Financial Statements
for the half-year ended 31 December 2008

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2008

	Contributed Equity	Retained Earnings	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Total
CONSOLIDATED	\$000	\$000	\$000	\$000	\$000
Balance at 1.7.2007	4,470	16,252	(319)	457	20,860
Foreign currency translation	-	-	36	-	36
Total income and expense recognised directly in equity	-	-	36	-	36
Profit attributable to members of parent entity	-	2,971	-	-	2,971
Total income and expense for the period	-	2,971	36	-	3,007
Equity transactions:					
Issue of share capital	39	-	-	-	39
Dividends paid	-	(680)	-	-	(680)
Balance at 31.12.2007	4,509	18,543	(283)	457	23,226
Balance at 1.7.2008	4,509	22,152	(331)	457	26,787
Foreign currency translation	-	-	802	-	802
Total income and expense recognised directly in equity	-	-	802	-	802
Profit attributable to members of parent entity	-	42,721	-	-	42,721
Total income and expense for the period	-	42,721	802	-	43,523
Equity transactions:					
Dividends paid	-	(2,910)	-	-	(2,910)
Balance at 31.12.2008	4,509	61,963	471	457	67,400



Financial Statements
for the half-year ended 31 December 2008

CASH FLOW STATEMENT

For the half-year ended 31 December	Consolidated	
	2008 \$000	2007 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	99,004	39,813
Payments to suppliers and employees	(42,781)	(35,628)
Interest received	566	409
Interest paid	(29)	(42)
Income tax paid	(7,378)	(1,076)
Receipt of government grants	-	3,150
NET CASH FLOWS FROM OPERATING ACTIVITIES	49,382	6,626
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short term deposits	(8,635)	(586)
Purchase of property, plant and equipment	(2,491)	(887)
Proceeds on sale of property, plant and equipment	-	96
Payment of deposit for future business acquisition	(7,010)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(18,136)	(1,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	968
Repayment of borrowings	(616)	-
Finance lease principal paid	(184)	(295)
Payment of dividends	(2,910)	(680)
Proceeds from issue of shares	-	39
NET CASH FLOWS FROM FINANCING ACTIVITIES	(3,710)	32
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,536	5,281
Cash and cash equivalents at the beginning of the period	6,161	7,546
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33,697	12,827

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NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of Phosphate Resources Limited as at 30 June 2008.

Changes in accounting policy

Since 1 July 2008, the Group has adopted the Standards and Interpretations, mandatory for financial reporting periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

Except for the early adoption of AASB 8 "Operating Segments", as disclosed in the 2008 annual report, the Group has not elected to early adopt any new standards or amendments.



NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2008	31.12.2007
	\$000	\$000
2 Revenue and Expenses		
(a) Revenue		
Phosphate sales	108,858	36,135
Oil sales	226	170
Stevedoring	573	550
Finance revenue - interest	566	328
Other	1,989	470
	<u>112,212</u>	<u>37,653</u>
(b) Cost of sales		
Cost of production:		
Production costs	15,207	16,287
Royalties	1,971	894
Insurance	852	671
	<u>18,030</u>	<u>17,852</u>
Shipping and marketing costs:		
Shipping charges	18,835	11,395
Port charges	1,197	1,077
Levy	660	729
Commission	269	238
	<u>20,961</u>	<u>13,439</u>
Depreciation:		
Plant and equipment	1,135	1,419
	<u>1,135</u>	<u>1,419</u>
Total cost of sales	<u>40,126</u>	<u>32,710</u>
(c) Other income		
Government grants	-	3,150
Gains from sale of assets	-	9
	<u>-</u>	<u>3,159</u>



NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2008 \$000	31.12.2007 \$000
2. Revenue and Expenses (continued)		
(d) Finance costs		
Interest expense	21	18
Finance lease interest	8	24
Accretion on asset retirement obligations	240	225
	<u>269</u>	<u>267</u>
(e) Other expenses		
Redundancy expense	453	589
Depreciation	45	51
Administration and other	9,011	2,351
	<u>9,509</u>	<u>2,991</u>
3 Reconciliation of Cash and Cash Equivalents		
Cash at bank	<u>33,697</u>	<u>12,827</u>
4 Dividends Paid and Proposed		
Franked dividends declared and paid during the half-year on ordinary shares: 85 cents (2007: 20 cents)	2,910	680
Dividends proposed and not yet recognised as a liability	-	-
	<u>2,910</u>	<u>680</u>



NOTES TO THE FINANCIAL STATEMENTS

5 Commitments and Contingencies

As at balance sheet date the consolidated entity had commitments totalling approximately \$1.56 million to purchase plant and equipment and \$3.0 million to acquire a phosphate mining business in China. Payment is due during the next six months.

Since the last annual reporting date, there has been no material change to any contingent liabilities or contingent assets.

6 Events after the Balance Sheet Date

The company has paid a total of \$7,775,000 in deposits for the acquisition of 55% of the Makou and Jie Mei Yen mine in Guizhou Province in China and 100% of the adjoining Xin Peng mine.

The final payment of approximately \$3,000,000 at current exchange rates, will not be made until the relevant Chinese government authorities issue a consolidated mining licence and approvals to the nominee of the foreign investment company controlled by PRL. At this point, these operations will be consolidated into PRL as the Kaiyang Quang Long Mining Co Ltd.

The Kaiyang County Branch of the National Land Resource Bureau have issued written confirmation to our nominee that the relevant licences will be formally issued to Kaiyang Quang Long Mining Co Ltd in March 2009.

No other matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect, the operations of Phosphate Resources Limited and its controlled entities, or the state of affairs of Phosphate Resources Limited and its controlled entities in subsequent periods.



DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Phosphate Resources Limited I state that:

In the opinion of the directors:

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a. Giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. 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

LAI AH HONG
Managing Director

WILLY TEO
Executive Director

Perth, 27 February 2009

Report on the condensed half-year financial report

Scope

We have reviewed the accompanying half-year financial report of Phosphate Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 the 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 Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2008 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 Resources Limited and the entities it controlled during the half-year, 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.

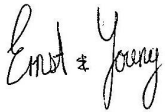
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half-year financial report.

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 Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

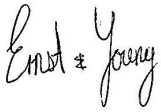
Ernst & Young

A handwritten signature in cursive script, likely belonging to R J Curtin.

R J Curtin
Partner
Perth
27 February 2009

Auditor's Independence Declaration to the Directors of Phosphate Resources Limited

In relation to our review of the financial report of Phosphate Resources Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of R J Curtin, written in a cursive script.

R J Curtin
Partner
Perth
27 February 2009