



**PHOSPHATE RESOURCES  
LIMITED**

ACN 009 396 543

**HALF-YEAR FINANCIAL REPORT**

31 December 2009



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## DIRECTORS' REPORT

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Your Directors submit their report for the half-year ended 31 December 2009.

### 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

<b>Clive Brown</b>	Chairman
<b>LAI Ah Hong</b>	Managing Director
<b>Willy TEO See Khiang</b>	Executive Director (resigned 7 January 2010)
<b>CHAN Khye Meng</b>	Non-Executive Director
<b>CHENG Hang OAM</b>	Non-Executive Director
<b>Anthony Brennan</b>	Non-Executive Director (resigned 29 January 2010)
<b>Phuar Kong Seng</b>	Non-Executive Director
<b>Tee Lip Sin</b>	Non-Executive Director

### REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised a profit after tax of \$7.2 million [2008: \$42.7 million].

As at the date of this report, the group employed 189 people, including casuals and apprentices/trainees, (2008: 181) of which the chief entity employed 161 people (2008: 162) of whom most live on Christmas Island. The chief entity has approximately 190 shareholders (2008: 214), of whom 42% are Christmas Island residents (2008: 43%).

### 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 2009. The written Auditors' Independence Declaration is attached to the Financial Report.



## **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

**Clive Brown**  
Chairman

Dated 24 February 2010



## STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	Notes	Consolidated 2009 \$000	2008 \$000
Revenue	2(a)	41,151	112,126
Cost of Sales	2(b)	(27,208)	(40,040)
<b>Gross Profit</b>		13,943	72,086
Other Income	2(c)	2,737	-
Finance Costs	2(d)	(307)	(269)
Other Expenses	2(e)	(7,565)	(9,509)
<b>Profit Before Income Tax</b>		8,808	62,308
Income Tax Expense		(1,654)	(19,587)
<b>Net Profit for the Period</b>		7,154	42,721
<b>Other comprehensive income</b>			
Foreign currency translation		1,090	802
<b>Other comprehensive income for the period, net of tax</b>		1,090	802
<b>Total comprehensive income for the period</b>		8,244	43,523
Profit for the period is attributable to:			
Non-controlling interest		(794)	-
Owners of the parent		7,948	43,523
		7,154	43,523
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(456)	-
Owners of the parent		8,701	43,523
		8,245	43,523



## STATEMENT OF FINANCIAL POSITION

As at	Notes	Consolidated	
		31.12.2009 \$000	30.06.2009 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	28,146	24,126
Trade and other receivables		15,102	15,338
Inventories		10,305	10,553
Other		13,393	10,626
<b>TOTAL CURRENT ASSETS</b>		<b>66,946</b>	<b>60,643</b>
<b>NON-CURRENT ASSETS</b>			
Term deposits		10,501	16,412
Property, plant and equipment		11,169	12,586
Mine properties	4	12,682	13,262
Deferred tax assets		3,725	4,499
<b>TOTAL NON-CURRENT ASSETS</b>		<b>38,077</b>	<b>46,759</b>
<b>TOTAL ASSETS</b>		<b>105,023</b>	<b>107,402</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,331	7,118
Interest-bearing loans and borrowings		1,588	43
Income tax payable		159	5,018
Provisions		3,785	5,512
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,863</b>	<b>17,691</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		7,270	7,356
Provisions		13,491	12,983
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,761</b>	<b>20,339</b>
<b>TOTAL LIABILITIES</b>		<b>31,624</b>	<b>38,030</b>
<b>NET ASSETS</b>		<b>73,399</b>	<b>69,372</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity		4,509	4,509
Retained earnings		64,082	60,351
Reserves		1,323	233
Parent interests		66,914	65,093
Minority interests		3,485	4,279
<b>TOTAL EQUITY</b>		<b>73,399</b>	<b>69,372</b>



## STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2009

CONSOLIDATED	Contributed Equity	Retained Earnings	Foreign Currency Translation Reserve	Share Option Reserve	Minority Interests	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1.7.2008</b>	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
<b>Total income and expense for the period</b>	-	42,721	802	-	-	43,523
<b>Equity transactions:</b>						
Dividends paid	-	(2,910)	-	-	-	(2,910)
<b>Balance at 31.12.2008</b>	4,509	61,963	471	457	-	67,400
<b>Balance at 1.7.2009</b>	4,509	60,351	(224)	457	4,279	69,372
Foreign currency translation	-	-	1,090	-	-	1,090
Total income and expense recognised directly in equity	-	-	1,090	-	-	1,090
Profit attributable to members of parent entity	-	7,154	-	-	(794)	6,360
<b>Total income and expense for the period</b>	-	7,154	1,090	-	(794)	7,450
<b>Equity transactions:</b>						
Dividends paid	-	(3,423)	-	-	-	(3,423)
<b>Balance at 31.12.2009</b>	4,509	64,082	866	457	3,485	73,399



## STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Consolidated	
	2009 \$000	2008 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	42,594	99,004
Payments to suppliers and employees	(33,727)	(42,781)
Interest received	289	566
Interest paid	(9)	(29)
Income tax paid	(7,764)	(7,378)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,383</b>	<b>49,382</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in short term deposits	5,911	(8,635)
Purchase of property, plant and equipment	(1,343)	(2,491)
Payment of deposit for future business acquisition	-	(7,010)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>4,568</b>	<b>(18,136)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,578	-
Repayment of borrowings	-	(616)
Finance lease principal paid	(33)	(184)
Payment of dividends	(3,423)	(2,910)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(1,878)</b>	<b>(3,710)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,073</b>	<b>27,536</b>
Cash and cash equivalents at the beginning of the period	24,126	6,161
Impact of foreign exchange	(53)	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>28,146</b>	<b>33,697</b>

## 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 30 June 2009 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.



**Financial Statements  
for the half-year ended 31 December 2009**

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.

The half-year financial report should be read in conjunction with the Annual Financial Report of Phosphate Resources Limited as at 30 June 2009. It is also recommended that the half-year financial report be considered together with any public announcements made by Phosphate Resources Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

Apart from the adoption of new or revised standards noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

**Changes in accounting policy**

From 30 June 2009 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

- AASB 2 Revised Vesting Conditions and Cancellations.
- AASB 101 Revised Presentation of Financial Statements.  
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present one statement.
- AASB 132 Revised Puttable Financial Instruments and Obligations Arising on Liquidation.
- AASB 123 Revised Borrowing Costs.

The following amending standards and interpretations have also been adopted from 1 July 2009:

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.
- AASB 2007-6 Amendment to Australian Accounting Standards arising from AASB 123.
- AASB 2007-8 Amendment to Australian Accounting Standards arising from AASB 101.
- AASB 2008-1 Amendment to Australian Accounting Standards Share-based Payments: Vesting Conditions and Cancellations.
- AASB 2008-2 Amendment to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidity.
- AASB 2008-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2008-6 Amendment to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2008-7 Amendment to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- AASB 2009-2 Amendment to Australian Accounting Standards - Improving Disclosures about Financial Instruments
- Interpretation 16 Hedges of a Net Investment in a Foreign Operation.



**PHOSPHATE RESOURCES LIMITED**

***Financial Statements  
for the half-year ended 31 December 2009***

The Group has not elected to early adopt any new standards or amendments. While AASB 8 Operating Segments is mandatory for reporting periods commencing on or after 1 July 2009, the Group had early adopted this standard in prior years.



## NOTES TO THE FINANCIAL STATEMENTS

	<b>Consolidated</b>	
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>2 Revenue and Expenses</b>		
<b>(a) Revenue</b>		
Phosphate sales	37,278	108,772
Oil sales	289	226
Stevedoring	468	573
Finance revenue - interest	288	566
Other	2,828	1,989
	41,151	112,126
<b>(b) Cost of sales</b>		
Cost of production:		
Production costs	15,328	15,207
Royalties	604	1,971
Insurance	1,329	852
	17,261	18,030
Shipping and marketing costs:		
Shipping charges	7,140	18,835
Port charges	686	1,197
Levy	513	660
Commission	138	183
	8,477	20,875
Depreciation:		
Plant and equipment	1,470	1,135
	1,470	1,135
Total cost of sales	27,208	40,040
<b>(c) Other income</b>		
Government grants	20	-
Gains from sale of assets	(2)	-
Foreign exchange gain	2,719	-
	2,737	-



## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2009 \$000	31.12.2008 \$000
<b>2. Revenue and Expenses (continued)</b>		
<b>(d) Finance costs</b>		
Interest expense	7	21
Finance lease interest	-	8
Accretion on asset retirement obligations	300	240
	307	269
<b>(e) Other expenses</b>		
Redundancy expense	183	453
Depreciation	34	45
Administration and other	7,348	9,011
	7,565	9,509
<b>3 Reconciliation of Cash and Cash Equivalents</b>		
	<b>31.12.2009 \$000</b>	<b>30.06.2009 \$000</b>
Cash at bank	28,146	24,126

#### 4 Mine Properties

Effective 1 May 2009 a subsidiary of Phosphate Resources Limited, PRL China Pty Ltd, acquired 59.275% interest in a Phosphate mining project comprising three mines in China. The carrying value of these mine properties is \$12,682,000 as at 31 December 2009.

The mining license relating to these mine properties was due to be renewed in April 2010 by the Chinese government, subject to consolidation of the three mines with a fourth mine owned by an independent third party. During the period ended 31 December 2009 Chinese government has advised the Company that it now requires the Company to conduct a drilling programme in order to confirm and update resource estimates, and that it would renew the license for another year to April 2011 in order for this program and revised resource estimate to be completed.

The Chinese government has advised that once the drilling program is completed, and revised resource estimate is available, and subject to its approval of the consolidation of the four mines, it will issue a final mining license and resource rights for the mines.

The Directors have no reason to doubt the advice of the Chinese Government officials that the mining license and resource rights will be issued.



## NOTES TO THE FINANCIAL STATEMENTS

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### 5 Dividends Paid and Proposed

Franked dividends declared and paid during the half-year on ordinary shares: \$1.00 (2008: \$0.85)

Dividends proposed and not yet recognised as a liability

3,423	2,910
-	-
<hr/>	<hr/>
3,423	2,910
<hr/>	<hr/>

### 6 Commitments and Contingencies

As at balance sheet date the consolidated entity had no expenditure commitments.

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

### 7 Events after the Balance Sheet Date

No matter or circumstance has arisen since 31 December 2009 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

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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 2009 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



**Clive Brown**  
Chairman

Perth, 24 February 2010

To the members of Phosphate Resources Limited

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half year financial report of Phosphate Resources Limited which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, 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 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 2009 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.

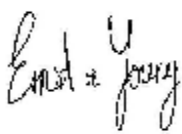
### **Independence**

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 Directors' Report.

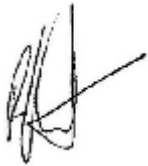
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2009 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 of the Ernst & Young representative, written in black ink.

Ernst & Young

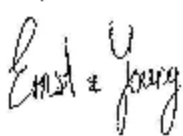
A handwritten signature of R J Curtin, written in black ink.

R J Curtin  
Partner  
Perth

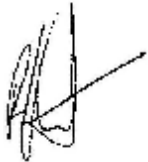
24 February 2010

## 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 2009, 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 handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'R J Curtin'.

R J Curtin  
Partner  
24 February 2010