



**PHOSPHATE RESOURCES  
LIMITED**

ACN 009 396 543

**ANNUAL REPORT**

30 JUNE 2009

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## LETTER FROM THE CHAIRMAN

Dear Shareholder

Enclosed is the Phosphate Resources Limited Annual Report for the financial year ending 30 June 2009.

Despite healthy profits the year has been unpredictably turbulent, financially and operationally. While the impacts of the global financial crisis varied in severity across the world, the phosphate industry was immediately affected causing interruptions to sales and market stability. Cautious and sensible responses to the situation from the PRL management and board ensured the benefits of high world prices in the first part of the year were preserved.

One of our major areas of work this year has been seeking to improve the rather chaotic clearing permit process. The Australian Government clearing permit regime has never worked efficiently, with the Company having to seek the same approval on three separate occasions under different processes. Apart from being costly, time consuming and frustrating, the nature of the approvals provided has not facilitated proper mine planning. To add to the malaise, the government approving authorities have sought to impose obligations on the Company that are contrary to our mining lease. Fortunately, the representations we have made to the Australian Government now seem to be understood. In more recent times, we have been heartened by the statements and approach formulated by the Minister for Home Affairs and the Secretary of the Attorney General's Department in a recent visit to Christmas Island. If these directions are followed, we anticipate these matters will be finally resolved in the coming months.

The October 2008 decision of the Hon. Justice Buchanan in the Federal Court to set aside the decision of the previous Minister for the Environment rejecting our application for some 256 hectares of new leases has given us the opportunity to focus environmental debate on the real problems facing the National Park which comprises 63% of Christmas Island outside our mining areas.

We have been encouraged that the present Minister for the Environment visited the Island in April to obtain a firsthand view of the issues. The expert panel commissioned by the Minister has supported our contention that the environmental degradation faced in the National Park is unrelated to our activities on the remainder of the Island.

The resubmission for our application for new leases and the large cash offsets we propose gives the Minister for the Environment the opportunity and the resources to refocus on the real environmental challenges facing the island and the preservation of the environmental values of the National Park. This will create a real prospect, if undertaken urgently, of rescuing the National Park as an asset for the community for the creation of viable alternatives for the Island post mining. We look forward to the Governments response sometime soon.

In closing, we look conservatively and cautiously to the future. As the Managing Director reports our sales are yet to stabilise to a satisfactory level that comprehensively allow for planning of the business in the medium term. That issue, compounded with bureaucratic processes impacting our current lease access means we must remain vigilant of the operation, projects and capital expenditure. In saying this, financially it has been an extremely successful year and a credit to the staff, managers, employees, executive and board. I congratulate all those involved with the company's success and believe that as the global market slowly gains confidence PRL can remain optimistic about its future.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Clive Brown', is centered on a light gray rectangular background.

Clive Brown  
Chairman  
16 September 2009

## **MANAGING DIRECTOR'S REPORT**

It is once again with great pleasure I present the Phosphate Resources Limited Annual Report for the year ended 30 June 2009.

### ***Financial Performance and Production***

The past year has seen both unprecedented financial performance with a consolidated annual audited profit after tax of \$47.5 million. In stark contrast, the company experienced the longest shut down periods in our history resulting in us shipping only 563,000 tonnes of phosphate products.

From late October 2008 the global financial crisis had significant impacts on PRL. It forced many of our normally stable client base to either cancel or place orders on hold for an extended period until market confidence slowly returned. The Board responded by conducting an unscheduled shutdown of the Christmas Island operation in a way that protected the financial interests of the Company, was fair to the workforce and ensured the business remained viable through the downturn in trade. This also ensured that once there was a return to some form of normal trade in phosphate that PRL maintained the required workforce to recommence the operation with minimal interruption.

Whilst the positive impacts of global phosphate prices present at the start of the year contributed to the performance we see reflected in this report, it must be acknowledged that it was the prudent management of the business during the downturn that has allowed PRL to maintain a strong financial position for all of our shareholders.

### ***Quality, Safety and Continuous Improvement***

PRL has seen many significant occupational health and safety initiatives come to fruition in the past year such as the development and implementation of our intuitive safety and reporting safety system, PRIMS (Phosphate Resources Integrated Management System). The new system allows PRL at all levels of our business to evaluate safety, quality, human resources and production performance. The data will assist to identify trends and enable us to implement changes as they are required. It will ensure our compliance to the stringent industry legislation and transparently show that we are committed to a program of continuous improvement and a safer work environment.

### ***Environmental initiatives and Research Programs***

Recent scientific reports commissioned by the Australian Government have highlighted the largest threat to the Christmas Island ecosystem as the introduction and impact of invasive species such as Yellow Crazy Ants, Giant Centipedes and the Giant African Snails. This is welcome scientific data for Christmas Island and we wait in anticipation of the Government's response to these serious issues. PRL has continued with our range of environmental programs such as our Yellow Crazy Ant Baiting Trails, Rehabilitation Research and Mulching Trails further demonstrated our strong commitment to the sensitive environment on Christmas Island.

## ***Projects and Subsidiaries***

We have received a positive financial return from our subsidiary CI Maintenance Services through its contract in the provision of facility management services with the Department of Immigration and Citizenship. We have also seen a contract extension for a further year with an option for an additional two years and expansion of the CIMS services being provided that has returned strong sustainable organic growth. We will continue to build on these into the following year as several large key projects commence within the Indian Ocean Territories.

The global financial crisis and policy changes by the government of the Peoples Republic of China have led to a 30% decline in domestic phosphate sale prices and a 50% reduction in demand for product. Although our Kaiyang County Hua Li project remains a viable operation, our expansion plans have been put on hold while the whole project is reassessed. As a prudent measure we have impaired the holding value of our assets to reflect the lower product price available.

Through our representative office in Vietnam, we continue to examine prospects for increasing our access to product sources in the Indo China region. We will report on any developments as they eventuate.

## ***New Lease applications and Clearing Permits***

As reported by the Chairman, PRL have again submitted its application for eight new leases on Christmas Island. The leases present the best opportunity for a stable future for not only our Shareholders, customers and staff but Christmas Island in general as PRL continues to be the primary source of economic stimulus on the Island. The PRL supplementary submission contained significant new information in the form of our Environmental Net Benefits Package and a current economic modelling report that has ensured the present Minister and the whole of the Commonwealth Government have a clear understanding of the importance of the decision they are to make. The call for comments on our supplementary submission received overwhelming support and we thank those of you who took part.

The Chairman has also noted the confusion over the appropriate process to govern environmental supervision of our operations and a delay in finalising a myriad of applications being called for, many of which have little substantive merit, which still continues to impact our operation. We will continue to seek a swift response to these critical issues and report on the outcomes.

## **The year ahead**

PRL will focus on stabilisation of the business and customer base for the upcoming year. Whilst the Phosphate market has increased marginally we have seen a decrease in global product prices and Phosphate orders. Our outlook will remain extremely conservative in both production and financial performance, underpinned by the instability in the world's global economy and decisions directly affecting the PRL group currently with the Australian Government.

PRL will continue to commit sensible and rationalised capital that ensures our operations remain viable, efficient and safe but will closely review any major projects and opportunities for investment as they are presented.

I am committed to the sustainable future of PRL for its employees and shareholders. There are many foreseeable risks in the upcoming year and the volatile nature of the global economy will surely present unforeseen risks as well. I and the PRL board will continue to work with the sound and prudent business principles that have seen PRL and shareholders to our current position.

A handwritten signature in black ink, appearing to be 'LAI AH HONG', written over a light grey rectangular background.

LAI Ah Hong  
Managing Director  
16 September 2009

# CONTACT LIST

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## REGISTERED AND HEAD OFFICE

11 Lyall Street  
South Perth, Western Australia 6151  
PO Box 1194, South Perth WA 6951  
Telephone: +618 9474 6811  
Facsimile: +618 9474 6877  
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## Operations Office

Christmas Island  
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Telephone: +618 9164 8400  
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## Phosphate Resources (Singapore) Pte Ltd

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## CI Maintenance Services Pty Ltd

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PO Box 104, Christmas Island  
Indian Ocean WA 6798  
Telephone: +618 9164 8400  
Facsimile: +618 9164 8404  
Email: [info@cirp.com.au](mailto:info@cirp.com.au)

## XinAo (Guizhou) Mining Consultancy Co. Ltd

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#602 Unit 3 Block 4, Group 5  
Shan Shui Qion Chong, Si Fong River Road  
Guiyang Guizhou Province 55009 PR China  
Telephone: +86851 5151589  
Facsimile: +86851 5151568

## WEB SITE

[www.cirp.com](http://www.cirp.com)

## COMPANY AUDITORS

Ernst & Young  
11 Mounts Bay Road  
Perth, Western Australia 6000

## COMPANY BANKERS

Westpac Banking Corporation  
109 St George's Terrace  
Perth, Western Australia 6000

National Australia Bank  
50 St George's Terrace  
Perth, Western Australia 6000

ABN Amro Bank NV  
6<sup>th</sup> Floor, 63 Chulia Street  
Singapore 049415

The Development Bank of Singapore Ltd  
Blk 1 Rochor Road  
#01-544 Rochor Centre  
Singapore 180001

Standard Chartered Bank (Hong Kong) Ltd  
15F Standard Charter Tower  
388 Kwun Tong Road  
Hong Kong

## BOARD OF DIRECTORS

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### **Mr Clive Brown**

Non-Executive Chairman

Mr Brown is the former Minister for State Development in Western Australia. He was previously a director of Phosphate Resources Ltd from 1992 to 1999. He is also a director of CI Resources Ltd.

### **Mr LAI Ah Hong**

Managing Director

Mr Lai has had extensive experience in private enterprise on Christmas Island as well as with the union movement. Mr Lai is a former president of the Union of Christmas Island Workers and has been involved in the phosphate industry for 27 years. He was also a founding director of Phosphate Resources Limited in 1991.

### **Mr Willy TEO See Kiang** B.Bus Ad Executive Director

Mr Teo was Managing Director of the Company from 2000 until March 2004. He has vast experience and contacts within the shipping and logistics industries. Mr Teo has also worked in the areas of corporate planning, strategic development and marketing in Singapore and South East Asia for over 20 years. On 30 May 2008, Mr. Teo was appointed as a Director of CI Resources Limited.

### **Mr CHAN Khye Meng**

Non-Executive Director

Mr Chan is active in the Christmas Island community as a member of the Poon Saan Club and the Chinese Literary Association. Mr Chan, who has lived on Christmas Island for 29 years, is the managing director of his own company on Christmas Island.

### **Mr CHENG Hang OAM**

Non-Executive Director

Mr Cheng was a long time resident of Christmas Island with involvement in the phosphate industry since 1962. He is a founding member and was president of the Union of Christmas Island Workers from 1979 to 1989 and a director of Phosphate Mining Company from 1985 to 1987. Mr Cheng is a founding member and has been president of the Christmas Islanders and Friends Association in Perth since 1997. He was awarded the Order of Australia Medal on Australia Day 2006 for service to the Christmas Island Community.

### **Mr Anthony Brennan**

Non-executive Director

Mr Brennan has a Bachelor of Laws degree from the University of Queensland, is a member of the Mining Law committee and Oil & Gas committee of the International Bar Association. He is an Adjunct Professor at Murdoch Law School and a member of the adjunct faculty at the University of New South Wales where he teaches Law for Practising Managers on the Australian Graduate School of Management's MBA program. He is Executive Chairman of Magellan Capital Advisors, Chairman of the Breast Cancer Foundation of WA, Chairman of the Love Angel Foundation. He is also a Fellow of the Western Australian Institute of Dispute Management and a Fellow of the Trisakti Arbitration Institute in Indonesia.

## **BOARD OF DIRECTORS (CONTINUED)**

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### **PHUAR Kong Seng**

Non-executive Director

Mr Phuar Kong Seng is an entrepreneur and businessman with many years of experience in running successful businesses. He has worked in the fertiliser and chemical industries since 1979 covering a spectrum of responsibilities ranging from accounts, sales, marketing and management. He is also a Director of CI Resources Ltd. He was appointed as a director of Phosphate Resources Ltd on 25 November 2008.

### **TEE Lip Sin**

Non-executive Director

Mr Tee Lip Sin holds a Diploma in Business from Curtin University and a Diploma in Plantation Management from the University of Malaya. He has been employed in senior management for the past 10 years and is currently an Executive Director of several companies. He is also a Director of CI Resources Ltd. He was appointed as a director of Phosphate Resources Ltd on 25 November 2008.

# **FINANCIAL STATEMENTS**

**For the year ended 30 June 2009**

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# DIRECTORS REPORT

## For the year ended 30 June 2009

Your Directors submit their report for the year ended 30 June 2009.

### DIRECTORS – CURRENT

The names of the Company's Directors in office during the financial year and until the date of this Annual 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
<b>CHAN Khye Meng</b>	Non-Executive Director
<b>CHENG Hang OAM</b>	Non-Executive Director
<b>Tony Brennan</b>	Non-Executive Director
<b>PHUAR Kong Seng</b> (appointed 25 November 2008)	Non-Executive Director
<b>TEE Lip Sin</b> (appointed 25 November 2008)	Non-Executive Director

### COMPANY SECRETARY

**Kevin Edwards** B.Juris, LL.B  
Mr Edwards has been the Company Secretary since 12 December 2006 and is also a practicing barrister & solicitor. He has been retained as an Advisor to The Board of Directors since 2004.

### PRINCIPAL ACTIVITIES

During the year, the principal activities of entities within the consolidated entity were:

- mining, processing and sale of phosphate rock, phosphate dust and chalk; and
- providing earthmoving, fuel pilotage, maintenance and stevedoring services to other Christmas Island organisations.

### REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised a profit after tax of \$47.469 million [2008: \$7.607 million].

The chief entity has approximately 118 shareholders (2008: 239) of whom 41% are Christmas Island residents holding 14.9% of the total shares issued.

For more detailed information please refer to the Managing Director's Report of this Annual Report.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the company or its controlled entities during the financial year other than that referred to in the financial statements or notes thereto.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors note that current strategies suggest that the 2010 financial year will see the Company remain profitable, though at a significantly reduced level compared to the exceptional performance of the current year.

Further information on likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to the Company.

## ENVIRONMENTAL REGULATION & PERFORMANCE

Phosphate Resources Limited holds various licenses regulating its mining and exploration activities on Christmas Island and in China. Licenses issued by the Commonwealth Government of Australia and the Peoples Republic of China include general environmental conditions, air pollution control conditions and water control conditions. These conditions regulate the management of mining waste and restoration, dust, liquid chemical storage, and water monitoring.

There have been no significant known breaches of the consolidated entity's licences.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year the Company has paid premiums in respect of a contract insuring all the Directors of Phosphate Resources Limited against costs incurred in defending proceedings for conduct involving:

- a wilful breach of duty or
- a contravention of Sections 182 or 183 of the *Corporations Act 2001*, as permitted by Section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$21,659.

## DIRECTORS' MEETINGS HELD DURING THE YEAR ENDED 30 JUNE 2009

Director	Directors Meetings Attended	Number Held While in Office
Clive Brown	8	8
Lai Ah Hong	8	8
Willy Teo See Khiang	8	8
Chan Khye Meng	8	8
Cheng Hang	8	8
Tony Brennan	8	8
Phuar Kong Seng (appointed 25 Nov 2008)	4	4
Tee Lip Sin (appointed 25 Nov. 2008)	4	4

## AUDIT COMMITTEE

The members of the Audit Committee are Directors Mr Clive Brown, Mr Cheng Hang and Mr Anthony Brennan and external consultant Mr Leong Hong Chiew. There were 2 audit committee meetings during the year and all members attended each meeting except Mr Clive Brown who was absent from one meeting.

## 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.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

No amounts have been paid during the year or are payable to the auditor for non-audit services.

The auditor's independence declaration is included on page 56 of the financial report.

## REMUNERATION REPORT (audited)

The remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives (or all executives if less than 5) in the Parent and the Group receiving the highest remuneration.

For the purposes of this report the term executive encompasses the Managing Director, senior executives, general managers and Company Secretary of the Parent and the Group.

### **Remuneration Philosophy**

The Board of Directors is responsible for reviewing and making recommendations on compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis. The overall objective is the retention of a high quality board and executive team to maximise value of the shareholders' investment. Such officers are given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits, such as motor vehicles and expense payments. It is intended that the manner of payment chosen will be the most beneficial for the recipient without creating additional cost to Phosphate Resources Limited.

A discretionary bonus scheme for the executive team based on the consolidated profit after tax was implemented for the current year.

### **Non-Executive Director Remuneration**

Fees and payments to non-executive directors reflect the demands made on, and the responsibilities of, the directors.

### **Executive Remuneration**

The remuneration of executives is generally reviewed annually with the review taking into consideration the contribution of the individual commensurate with the performance of the group and comparable employment market conditions. The executive salary can be packaged and includes a cash component and other remuneration including salary sacrificed superannuation and non-cash benefits such as motor vehicles. The combination of these comprises the executive's total remuneration. No component of the executive salary is at risk.

### **Employment Contracts**

Remuneration and other terms of employment for the executive directors and the executives are formalised in services agreements. These agreements have a fixed term of three years.

### **Details of Key Management Personnel**

The following persons acted as directors or senior management during or since the end of the financial year:

#### *Directors*

Clive Brown	Non-Executive Chairman
Lai Ah Hong	Managing Director
Willy Teo See Khiang	Executive Director
Chan Khye Meng	Non-Executive Director
Cheng Hang	Non-Executive Director
Anthony Brennan	Non-Executive Director
Phuar Kong Sen	Non-Executive Director
Tee Lip Sin	Non-Executive Director

#### *Executives*

Kevin Edwards	Company Secretary / Advisor to the Board of Directors
Alfred Chong	Resident Manager / Director (subsidiary)
Allan Robartson	Financial Controller

## REMUNERATION REPORT (audited) (continued)

There were no changes to key management personnel between the reporting date and the date this financial report was authorised for issue.

### Remuneration of Key Management Personnel

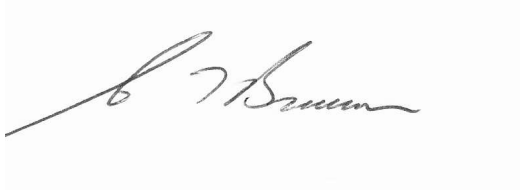
Year ended 30 June 2009

	Short Term			Post Employment Super- annuation Contribution	Total	Perform- ance Related
	Salary & Fees	Bonus	Non-cash Benefits			
	\$	\$	\$	\$	\$	
<b>Directors</b>						
Clive Brown	122,000	-	-	13,420	135,420	-
Lai Ah Hong	317,848	82,760	58,646	39,447	498,701	16.6%
Willy Teo See Khiang	307,100	59,350	22,718	11,931	401,099	14.8%
Chan Khye Meng	66,372	-	12,708	7,301	86,381	-
Cheng Hang	73,000	-	8,113	8,030	89,143	-
Anthony Brennan	73,000	-	-	8,030	81,030	-
Phuar Kong Sen	22,930	-	-	-	22,930	-
Tee Lip Sin	14,930	-	-	-	14,930	-
<b>Executives</b>						
Mr. Kevin Edwards	229,309	51,440	-	-	280,749	18.3%
Mr. Alfred Chong	222,512	56,530	16,169	24,476	319,687	17.7%
Mr. Allan Robartson	163,276	42,400	-	17,960	223,636	19.0%
	<u>1,612,277</u>	<u>292,480</u>	<u>118,354</u>	<u>130,595</u>	<u>2,153,706</u>	

Year ended 30 June 2008

	Short Term			Post Employment Supera- nnuation Contribution	Total	Perform- ance Related
	Salary & Fees	Bonus	Non-cash Benefits			
	\$	\$	\$	\$	\$	
<b>Directors</b>						
Clive Brown	120,813	-	-	13,289	134,102	-
Lai Ah Hong	335,410	-	47,896	29,709	413,015	-
Willy Teo See Khiang	248,312	-	11,328	9,780	269,420	-
Chan Khye Meng	73,000	-	-	8,030	81,030	-
Cheng Hang	73,000	-	-	8,030	81,030	-
Anthony Brennan	72,209	-	-	7,943	80,152	-
<b>Executives</b>						
Mr. Kevin Edwards	189,744	-	-	-	189,744	-
Mr. Alfred Chong	216,628	1,040	-	20,712	238,380	0.4%
Mr. Allan Robartson	134,769	1,040	-	12,716	148,525	0.7%
	<u>1,463,885</u>	<u>2,080</u>	<u>59,224</u>	<u>110,209</u>	<u>1,635,398</u>	

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



**Clive Brown**  
Chairman



**LAI Ah Hong**  
Managing Director

Dated: 17 September 2009

## INCOME STATEMENT

For the year ended 30 June 2009

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>Continuing operations</b>					
Sale of goods		137,461	75,050	137,190	74,740
Rendering of services		4,086	3,047	547	739
Other revenue		1,057	755	994	1,916
<b>REVENUE</b>	5(a)	<u>142,604</u>	<u>78,852</u>	<u>138,731</u>	<u>77,395</u>
<b>COST OF SALES</b>	5(b)	<u>(60,559)</u>	<u>(61,649)</u>	<u>(59,775)</u>	<u>(61,143)</u>
<b>GROSS PROFIT</b>		82,045	17,203	78,956	16,252
Other income	5(c)	6,229	5,456	5,785	5,391
Other expenses	5(d)	(18,447)	(11,604)	(15,728)	(9,914)
Finance costs	5(e)	(800)	(540)	(798)	(539)
<b>PROFIT BEFORE INCOME TAX</b>		69,027	10,515	68,215	11,190
<b>INCOME TAX EXPENSE</b>	6	<u>(21,558)</u>	<u>(2,908)</u>	<u>(19,606)</u>	<u>(2,962)</u>
<b>NET PROFIT FOR THE YEAR</b>		<u>47,469</u>	<u>7,607</u>	<u>48,609</u>	<u>8,228</u>
Attributable to:					
Minority interest		(486)	-	-	-
Members of the parent		<u>47,955</u>	<u>7,607</u>	<u>48,609</u>	<u>8,228</u>

# BALANCE SHEET

As at 30 June 2009

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	24(b)	24,126	6,161	22,885	4,458
Trade and other receivables	8	15,338	11,966	13,726	11,512
Inventories	9	10,553	7,714	8,004	6,812
Other	10	10,626	4,906	10,607	2,010
<b>TOTAL CURRENT ASSETS</b>		<b>60,643</b>	<b>30,747</b>	<b>55,222</b>	<b>24,792</b>
<b>NON-CURRENT ASSETS</b>					
Term Deposits	11	16,412	9,851	15,532	9,379
Other receivables	12	-	-	9,715	6,087
Other financial assets	13	-	-	1,406	1,406
Property, plant and equipment	14	12,586	7,137	7,992	4,171
Mine properties	15	13,262	-	-	-
Deferred tax assets	6	4,499	2,991	5,949	2,870
<b>TOTAL NON-CURRENT ASSETS</b>		<b>46,759</b>	<b>19,979</b>	<b>40,594</b>	<b>23,913</b>
<b>TOTAL ASSETS</b>		<b>107,402</b>	<b>50,726</b>	<b>95,816</b>	<b>48,705</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	7,118	4,109	4,351	3,998
Interest-bearing loans and borrowings	18	43	900	28	879
Income tax payable		5,018	2,497	4,893	2,240
Provisions	19	5,512	1,997	5,440	1,892
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,691</b>	<b>9,503</b>	<b>14,712</b>	<b>9,009</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	20	-	24	-	24
Deferred tax liabilities	6	7,356	1,227	3,984	1,187
Provisions	21	12,983	13,183	12,694	12,912
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,339</b>	<b>14,434</b>	<b>16,678</b>	<b>14,123</b>
<b>TOTAL LIABILITIES</b>		<b>38,030</b>	<b>23,937</b>	<b>31,390</b>	<b>23,132</b>
<b>NET ASSETS</b>		<b>69,372</b>	<b>26,787</b>	<b>64,426</b>	<b>25,573</b>
<b>EQUITY</b>					
Equity attributable to equity holders of the parent					
Contributed equity	22	4,509	4,509	4,509	4,509
Retained earnings		60,351	22,152	59,460	20,607
Reserves	23	233	126	457	457
Parent interests		65,093	26,787	64,426	25,573
Minority interests		4,279	-	-	-
<b>TOTAL EQUITY</b>		<b>69,372</b>	<b>26,787</b>	<b>64,426</b>	<b>25,573</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Contributed equity	Retained earnings	Foreign currency translation reserve	Share Option Reserve	Minority Interests	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>CONSOLIDATED</b>						
<b>At 30 June 2007</b>	4,470	16,252	(319)	457	-	20,860
Currency translation differences	-	-	(12)	-	-	(12)
Total income and expense recognised directly in equity	-	-	(12)	-	-	(12)
Net profit after tax	-	7,607	-	-	-	7,607
Total income and expense for the period	-	7,607	(12)	-	-	7,595
Issue of shares	39	-	-	-	-	39
Dividend paid	-	(1,707)	-	-	-	(1,707)
<b>At 30 June 2008</b>	4,509	22,152	(331)	457	-	26,787
Currency translation differences	-	-	107	-	691	798
Total income and expense recognised directly in equity	-	-	107	-	691	798
Net profit after tax	-	47,955	-	-	(486)	47,469
Total income and expense for the period	-	47,955	107	-	205	48,267
Dividend paid	-	(9,756)	-	-	-	(9,756)
Minority interest on acquisition of subsidiaries	-	-	-	-	4,074	4,074
<b>At 30 June 2009</b>	4,509	60,351	(224)	457	4,279	69,372

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2009

	Contributed equity \$'000s	Retained earnings \$'000s	Share Option Reserve \$'000s	Total \$'000s
<b>PHOSPHATE RESOURCES LIMITED</b>				
<b>At 1 July 2007</b>	4,470	14,086	457	19,013
Total income and expense recognised directly in equity	-	-	-	-
Net profit after tax	-	8,228	-	8,228
Total income and expense for the period	-	8,228	-	8,228
Issue of shares	39	-	-	39
Dividend paid	-	(1,707)	-	(1,707)
<b>At 30 June 2008</b>	4,509	20,607	457	25,573
Total income and expense recognised directly in equity	-	-	-	-
Net profit after tax	-	48,609	-	48,609
Total income and expense for the period	-	48,609	-	48,609
Dividend paid	-	(9,756)	-	(9,756)
<b>At 30 June 2009</b>	4,509	59,460	457	64,426

## CASH FLOW STATEMENT

For the year ended 30 June 2009

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		138,425	74,644	135,589	71,700
Payments to suppliers and employees		(73,243)	(67,882)	(69,870)	(66,933)
Interest received		1,057	836	994	716
Grant income		-	4,040	-	4,040
Finance costs paid		(320)	(90)	(318)	(89)
Income tax paid		(17,395)	(1,718)	(17,235)	(1,341)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	24(a)	<b>48,524</b>	<b>9,830</b>	<b>49,160</b>	<b>8,093</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividends received		-	-	-	1,200
Increase in term deposit		(6,561)	(5,334)	(6,153)	(5,033)
Proceeds from disposal of property, plant and equipment		-	95	-	94
Payments for acquisition of property, plant and equipment		(6,960)	(1,215)	(6,139)	(1,069)
Payment for purchase of subsidiary		(6,401)	-	-	-
Payment of deposit future business acquisition		-	(2,865)	-	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(19,922)</b>	<b>(9,319)</b>	<b>(12,292)</b>	<b>(4,808)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from / (repayment of) borrowings		(616)	343	-	264
Finance lease principal paid		(265)	(571)	(259)	(504)
Loans to subsidiaries		-	-	(8,426)	(2,651)
Proceeds from issue of shares		-	39	-	39
Equity dividend paid		(9,756)	(1,707)	(9,756)	(1,707)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(10,637)</b>	<b>(1,896)</b>	<b>(18,441)</b>	<b>(4,559)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents at beginning of period		17,965	(1,385)	18,427	(1,274)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	24(b)	<b>24,126</b>	<b>6,161</b>	<b>22,885</b>	<b>4,458</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 1. CORPORATE INFORMATION

The financial report of Phosphate Resources Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 17 September 2009.

Phosphate Resources Limited (the parent) is a company limited by shares and incorporated in Australia. The nature of the operations and principal activities of the Group are described in the Directors' Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial report is a general-purpose financial report which has 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. The financial report has also been prepared on a historical cost basis except for derivatives which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ("'\$'000"), unless otherwise stated.

### (a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

### (b) New accounting standards and interpretations

Except for AASB 8 "Operating Segments", which the Group has early adopted, Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Company's financial report	Application date for Group*
AASB 1004 (revised)	Contributions	This standard contains the original requirements on contributions from AASB 1004 as issued in July 2004, as well as the requirements on contributions from AASs 27, 29 and 31 substantively unamended (with some exceptions).	1 July 2008	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Applica- tion date of standard	Impact on Company's financial report	Applica- tion date for Group*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 April 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Applica- tion date of standard	Impact on Company's financial report	Applica- tion date for Group*
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year. However the Group has not yet assessed the impact if any.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Applica- tion date of standard	Impact on Company's financial report	Applica- tion date for Group*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Refer to AASB 2008-5 above.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Applica- tion date of standard	Impact on Company's financial report	Applica- tion date for Group*
AASB 2008-7	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.</p>	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Applica- tion date of standard	Impact on Company's financial report	Applica- tion date for Group*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and - inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2009-4, AASB 2009-5 and AASB 2009-6 and AASB 2009-7	'Amendments to Australian Accounting Standards arising from the Annual Improvements Process	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These amendments are not expected to have a material impact on the Group's financial report.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in- specie distributions.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

#### *Adoption of new accounting standards*

There were no new standards requiring mandatory adoption for the annual period ended 30 June 2009.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Basis of consolidation

A controlled entity is any entity Phosphate Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end with the exception of the companies domiciled in China which have a December year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by Phosphate Resources Limited are accounted for at cost in the separate financial statements of the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

### (d) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

#### Property

Freehold land and buildings are measured at cost less accumulated depreciation on buildings.

#### Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these assets (refer to note 2(l) for accounting policy on recoverable amount).

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land are depreciated on a straight line or diminishing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciation assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Leasehold and strata title properties	Shorter of the lease and 2%
Plant and equipment under lease:	
- the shorter of the lease term and life span	20 – 30%
Plant and equipment	13 – 40%
Mine properties	Life of mine

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Mining tenements and exploration expenditure

Costs incurred during exploration and evaluation activities related to an area of interest are accumulated at cost.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest, or alternatively its sale, or where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to abandoned areas of interest are written off in full in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### (h) Mine properties

Costs incurred prior to the start up of operations or mining assets acquired are accumulated at cost. Such costs are only carried forward to the extent that they are expected to be recouped through the successful exploitation of the known reserves.

#### *Impairment*

The carrying amount of mine properties is reviewed annually by the directors to ensure it is not in excess of the recoverable amount (refer to note 2(l) for accounting policy on recoverable amount).

### (i) Restoration

Estimated rehabilitation expenditure is recognised as a provision when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amounts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged to the income statement in each accounting period, and is disclosed as a financing cost.

Other changes in the measurement of an existing restoration obligation that result from changes in the estimated timing or amount of future costs, or a change in the discount rate, are recognised as an adjustment to production costs included in cost of goods sold.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments of operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### (k) Derivative financial instruments

Derivative financial instruments are used by the Group to provide an economic hedge of exposures to exchange rates. The consolidated entity does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the Income Statement.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The resulting gain or loss is recognised in profit or loss immediately.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### (l) Recoverable amount

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Intangibles

#### *Goodwill*

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the identifiable net assets at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Research and Development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies indicate that the project will deliver future economic benefits and these benefits can be measured reliably.

### (n) Foreign currency transactions and balances

#### *Functional and presentation currency*

The functional currency of each of the group's entities is determined by reference to the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### (p) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are carried at nominal amounts due less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

Receivables from related parties are recognised and carried at the nominal amount due. An estimate for doubtful debts is determined based on the net assets of the related party.

### (q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### (r) Revenue

#### **Sale of goods**

Revenue is recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the consolidated entity;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

#### **Interest**

Revenue is recognised as the Interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### **Rendering of services**

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

#### **Dividends**

Revenue is recognised when the right to receive a dividend has been established.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

### (t) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees up until balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### (u) Share-based payments

The consolidated entity provides benefits to employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using a binomial model. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects:

- The extent to which the vesting period has expired; and
- The number of awards that, in the opinion of the directors, will ultimately vest. The opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

# NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income during the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits, long-term deposits and foreign exchange derivatives.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business.

The Group manages its exposure to key financial risks, including interest rate, currency and commodity risk in accordance with the Group's risk management procedures. The overall objective of these procedures is to:

- Ensure that net cash flows are sufficient to meet all financial commitments as and when they fall due.
- Support the delivery of the Group's financial targets whilst protecting future financial security.
- Minimise the potential adverse effects resulting from volatility on financial markets.

The Group continually monitors its forecast financial position against these criteria.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken.

### Risk Exposures and Responses

#### a) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash deposits and receivables. The Group places its cash deposits and derivatives with high credit-quality financial institutions. Receivables balances are monitored on an ongoing basis with the results that the Parent's and Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

#### b) Market risk

##### i) Interest rate risk

The Group's does not have significant interest bearing liabilities. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

As the interest rates for term deposits are fixed and there is no material risk for interest bearing assets, a sensitivity analysis has not been prepared.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### c) Liquidity risk

The Group's liquidity position is managed to ensure that sufficient funds are available to meet its financial commitments in a timely and cost effective manner.

Management monitors the Group's liquidity reserve on the basis of expected cash flow. The table below reflects a balanced view of cash inflows and outflows and shows the implied risk based on those values. Trade payables and other financial liabilities originate from the financing of assets used in the Group's ongoing operations. These assets are considered in the Group's overall liquidity risk.

Management continually reviews the Group liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

#### Maturity analysis of financial assets and liabilities based on management's expectation

##### Consolidated

Year ended 30 June 2009	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash	24,126	-	-	-	24,126
Trade and other receivables	15,338	-	-	-	15,338
Term deposits	-	-	16,412	-	16,412
Foreign exchange contracts	2,889	3,193	2,817	-	8,899
<b>Financial liabilities</b>					
Trade and other payables	7,118	5,018	-	-	12,136
Interest bearing loans and borrowings	43	-	-	-	43
<b>Year ended 30 June 2008</b>	<b>≤6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>1-5 years \$'000</b>	<b>&gt;5 years \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>					
Cash	6,161	-	-	-	6,161
Trade and other receivables	11,966	-	-	-	11,965
Term deposits	-	-	9,851	-	9,851
Foreign exchange contracts	704	705	-	-	1,409
<b>Financial liabilities</b>					
Trade and other payables	4,109	2,719	-	-	6,828
Interest bearing loans and borrowings	767	147	24	-	938

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### c) Liquidity risk (continued)

#### Parent

Year ended 30 June 2009	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash	22,885	-	-	-	22,885
Trade and other receivables	13,726	-	-	9,715	23,441
Term deposits	-	-	15,532	-	15,532
<b>Financial liabilities</b>					
Trade and other payables	4,351	4,893	-	-	9,244
Interest bearing loans and borrowings	28	-	-	-	28
Year ended 30 June 2008	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash	4,458	-	-	-	4,458
Trade and other receivables	11,511	-	-	6,087	17,598
Term deposits	-	-	12,294	-	12,294
<b>Financial liabilities</b>					
Trade and other payables	3,954	2,352	-	-	6,306
Interest bearing loans and borrowings	756	136	25	-	917

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### d) Derivative instruments

The Group's future revenues are exposed to movements in foreign exchange rates, particularly the US dollar/Australian dollar rate. The Group may from time to time enter into foreign exchange derivative instruments to manage this exposure.

The Group has, as outlined in note 10, forward currency contracts designated as held for trading that are subject to fair value movements through profit or loss as foreign exchange rates move.

At 30 June 2009, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

<i>Judgements of reasonably possible movements:</i>	<b>Post tax profit Higher/Lower</b>		<b>Equity Higher/Lower</b>	
	<b>2009 \$'000s</b>	<b>2008 \$'000s</b>	<b>2009 \$'000s</b>	<b>2008 \$'000s</b>
<i>Consolidated</i>				
AUD/USD + 10%	6,143	1,235	6,143	1,235
AUD/USD - 10%	(7,509)	(1,493)	(7,509)	(1,493)
<i>Parent</i>				
AUD/USD + 10%	6,143	1,235	6,143	1,235
AUD/USD - 10%	(7,509)	(1,493)	(7,509)	(1,493)

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

### e) Fair values

The Directors have performed a review of the financial assets and liabilities as at 30 June 2009 and have concluded that the fair value of those assets and liabilities are not materially different to book values. The methods and assumptions used to estimate the fair value of financial instruments were:

- Cash - The carrying amount is fair value due to the liquid nature of these assets.
- Receivables/payables - due to the short term nature of these financial rights and obligations, and/or market interest received/paid, their carrying values are estimated to represent their fair values.
- Derivatives - The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
- Finance lease liability - The fair value is the present value of minimum lease payments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### (i) *Significant accounting judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

#### Assessment of mine life on Christmas Island

The financial statements have been prepared on the basis that the resource supports continued operations for at least 5 years on the current market parameters and expectations.

The company has applied to the Commonwealth Government for clearing permits relating to a number of leases over areas the company intends to mine. A significant proportion of the planned future phosphate mining by the company is contained within the area covered by these leases and the permits are required to be in place before mining activity can commence. Negotiations in respect of the permits are continuing and are expected to be concluded by the end of the year.

The directors have sought and received confirmation from the Minister of Home Affairs that these matters will be resolved and are of the opinion that the company will be able to mine these areas.

If the Commonwealth Government should not issue these permits the expected mine life would reduce to 1 to 2 years. This reduction would impact on the recoverability or classification of recorded asset amounts, and to the amounts or classifications of liabilities.

#### Determination of mineral resources and ore reserves

The Group's policy for estimating its mineral resources and ore reserves requires that the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') be used as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates or production costs may change the economic status of resources and may, ultimately, result in the resources being restated. Such changes in resources could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### (ii) *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources;
- Future production levels;
- Future commodity prices and foreign exchange rates; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

#### Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), the appropriateness of the discount rate and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements or the emergence of new restoration techniques. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>5. REVENUES AND EXPENSES</b>				
<b>(a) Revenue</b>				
<i>Sale of goods</i>				
Phosphate sales	137,461	74,740	137,190	74,740
Oil sales	-	310	-	-
	137,461	75,050	137,190	74,740
<i>Rendering of services</i>				
Stevedoring	838	1,027	-	-
Other	3,248	2,020	547	739
<i>Other revenue</i>				
Finance revenue – interest	1,057	755	994	716
Dividends – subsidiaries	-	-	-	1,200
	142,604	78,852	138,731	77,395
<b>(b) Cost of sales</b>				
<i>Cost of production:</i>				
Production costs	25,561	27,398	26,652	28,655
Royalties	3,464	1,544	3,464	1,544
Insurance	2,279	1,414	2,089	1,239
	31,304	30,356	32,205	31,438
<i>Shipping and marketing costs:</i>				
Shipping charges	23,834	24,735	22,736	23,663
Port charges	1,655	1,949	1,508	1,807
Levy	994	1,372	994	1,372
Commission	378	481	378	481
	26,861	28,537	25,616	27,323
<i>Depreciation:</i>				
Plant and equipment	2,394	2,756	1,954	2,382
Total cost of sales	60,559	61,649	59,775	61,143

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>5. REVENUES AND EXPENSES (Continued)</b>				
<b>(c) Other income</b>				
Government grants	-	4,040	-	4,040
Net gain/(loss) on disposal of assets	(10)	8	10	7
Net foreign exchange gain	5,283	1,408	4,819	1,344
Change in net present value of demolition provision	956	-	956	-
	6,229	5,456	5,785	5,391
<b>(d) Other expenses</b>				
Government grant expenditure	9	4,612	9	4,612
Redundancy expense	563	608	555	558
Depreciation	751	94	344	-
Impairment	4,209	-	-	-
Administration	13,038	5,806	10,693	4,741
Bad debt expense/(recovery)	(68)	417	4,182	(64)
Other	-	14	-	14
Allowance for inventory obsolescence	(55)	53	(55)	53
	18,447	11,604	15,728	9,914
<b>(e) Finance costs</b>				
Interest expense	308	51	307	51
Finance lease	12	39	11	38
Accretion on demolition provision	480	450	480	450
	800	540	798	539

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>6. INCOME TAX</b>				
The major components of income tax are:				
<b>Income statement</b>				
<i>Current income tax</i>				
Current income tax charge	20,309	3,293	19,888	3,052
Adjustments in respect of current income tax of previous years	-	(252)	-	(42)
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	1,249	(133)	(282)	64
Income tax expense reported in the income statement	21,558	2,908	19,606	2,962
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	69,027	10,515	68,215	11,190
At the Group's statutory income tax rate of 30% (2006: 30%)	20,708	3,154	20,464	3,357
Income/expenditure not allowable for income tax purposes:				
Add:				
- Adjustments in respect of current income tax of previous years	-	(202)	-	(42)
- Expenditure not allowable for income tax purposes	1,364	48	101	46
- Non-assessable income	-	-	-	(154)
- Other	(514)	(92)	(959)	(245)
Aggregate income tax expense	21,558	2,908	19,606	2,962

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	<i>Balance Sheet</i>		<i>Income Statement</i>	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>6. INCOME TAX (continued)</b>				
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Consumables	(699)	(764)	(65)	66
Accelerated depreciation – fixed assets	(637)	(38)	599	(115)
Mine properties <sup>(i)</sup>	(3,372)	-	-	-
Unrealised gains	(2,648)	(425)	2,223	341
Gross deferred income tax liabilities	<u>(7,356)</u>	<u>(1,227)</u>		
<i>Deferred tax assets</i>				
Provisions and accruals	3,958	2,610	(1,348)	(385)
Depreciation – fixed assets	541	381	(160)	(40)
Gross deferred income tax assets	<u>4,499</u>	<u>2,991</u>		
Deferred tax income/(expense)			<u>1,249</u>	<u>(133)</u>
 <i>PHOSPHATE RESOURCES LTD</i>				
<i>Deferred tax liabilities</i>				
Consumables	(677)	(764)	(87)	66
Accelerated depreciation – fixed assets	(637)	-	637	-
Unrealised gains	(2,670)	(423)	2,247	342
Gross deferred income tax liabilities	<u>(3,984)</u>	<u>(1,187)</u>		
<i>Deferred tax assets</i>				
Provisions and accruals	5,479	2,502	(2,977)	(307)
Depreciation for tax purposes	470	368	(102)	(37)
Gross deferred income tax assets	<u>5,949</u>	<u>2,870</u>		
Deferred tax income/(expense)			<u>(282)</u>	<u>64</u>

(i) Deferred tax liability acquired as part of business combination

This deferred tax asset will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidation entity in realising the benefit.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

### 6. INCOME TAX (continued)

The parent entity has made non-current provisions for demolition of \$6,304,000 (2008: \$7,126,000) and for employee redundancies of \$4,885,000 (2008: \$4,385,000). The future income tax benefit relating to the provision on demolition is not probable of full recovery, as it is believed that when the provisions are required the parent entity may not have future taxable income to utilise the tax benefit. It is opined that 65% of the provision for employee redundancy is probable of recovery on the premise that this proportion of total employee severance will be incurred prior to mine closure.

Phosphate Resources Limited and its wholly owned controlled entities have not entered into a tax consolidation agreement.

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>7. DIVIDENDS</b>				
<b>(a) Dividends proposed</b>				
– Franked dividend	-	-	-	-
<b>(b) Dividends paid or provided for during the year</b>				
Current year interim				
– Franked dividend	9,756	1,707	9,756	1,707
Previous year final				
– Franked dividend	-	-	-	-
<b>(c) Franking credits balance</b>				
The amount of franking credits available for the subsequent financial year are:				
– franking account balance as at the end of the financial year at 30% (2008: 30%)			31,130	16,210
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			5,018	2,352
			36,148	18,562

The tax rate at which paid dividends have or will be franked is 30% (2008: 30%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>8. TRADE AND OTHER RECEIVABLES (CURRENT)</b>				
Trade debtors	15,364	11,989	13,726	11,512
Less: allowance for doubtful debts	(26)	(23)	-	-
	15,338	11,966	13,726	11,512
<b>9. INVENTORIES (CURRENT)</b>				
Consumable materials and stores	2,329	2,131	2,257	2,131
Finished goods	8,224	5,583	5,747	4,681
	10,553	7,714	8,004	6,812
<b>10. OTHER (CURRENT)</b>				
Prepayments	1,727	632	1,708	601
Deposit for acquisition of business <sup>(a)</sup>	-	2,865	-	-
Forward currency contracts – held for trading <sup>(b)</sup>	8,899	1,409	8,899	1,409
	10,626	4,906	10,607	2,010

<sup>(a)</sup> Refer to Note 30 for details of business combination

<sup>(b)</sup> *Forward currency contracts – held for trading*

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional amounts \$AUD		Average exchange rate	
	2009 \$'000s	2008 \$'000s	2009	2008
<b>Sell US\$/buy Australian \$</b>				
<i>Consolidated</i>				
Sell US\$ maturity 0 to 12 months	76,476	15,041	0.6941	0.8644
<i>Parent</i>				
Sell US\$ maturity 0 to 12 months	76,476	15,041	0.6941	0.8644

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gains on foreign currency derivatives during the year were \$4.819 million for the Group (2008: gain of \$1.408 million) and \$4.819 million (2008: loss of \$1.344 million) for the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>11. TERM DEPOSITS (NON-CURRENT)</b>				
Trust fund term deposit	3,074	2,368	3,074	2,368
Demolition and restoration bonds	1,868	3,053	1,868	3,053
Other term deposits	11,470	4,430	10,590	3,958
	16,412	9,851	15,532	9,379

Under the terms of the current Workplace Agreement between the Union of Christmas Island Workers and Phosphate Resources Limited a trust fund term deposit to meet employee entitlements is maintained. This trust fund may only be used to meet employee entitlements but may be drawn down as they arise. It is supplemented by a minimum amount of \$500,000 annually. The trust fund term deposit currently stands at \$3,074,039 (2008: \$2,368,001). The interest earned on the term deposit of \$206,037 (2008: \$84,095) has been added to the term deposit.

Other term deposits have varying maturities all greater than 12 months and earn interest at commercial rates.

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>12. OTHER RECEIVABLES (NON-CURRENT)</b>				
Related party receivables:				
loans to controlled entities (i)	-	-	15,105	7,297
Less: allowance for doubtful debts	-	-	(5,390)	(1,210)
	-	-	9,715	6,087

(i) The terms and conditions of related party transactions are set out in Note 25.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

13. OTHER FINANCIAL ASSETS (NON-CURRENT)	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
Investments at cost comprise: shares in controlled entities	-	-	1,406	1,406

### Interests in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2009 %	2008 %	2009 \$'000s	2008 \$'000s
- CI Maintenance Services Pty Ltd (ii)	Australia	100	100	-	-
- Phosphate Resources Properties Pty Ltd (ii)	Australia	100	100	-	-
- Indian Ocean Stevedores Pty Ltd (ii)	Australia	100	100	901	901
- Phosphate Resources (Singapore) Pte Ltd (i)	Singapore	100	100	504	504
- Indian Ocean Oil Company Pty Ltd (ii)	Australia	100	100	-	-
- Indian Ocean Mechanical Services Pty Ltd (iii)	Australia	100	50	-	-
- Phosphate Resources Laos Pty Ltd (iv)	Australia	100	-	-	-
- Phosphate Resources (China) Ltd (iv)	Hong Kong	100	-	1	1
- Phosphate Resources (Hau-Li) Ltd (iv) (v)	Hong Kong	59.275	-	-	-
- XingAo (Guizhou) Mining Consultancy Ltd (iv) (v)	China	59.275	-	-	-
				1,406	1,406

- (i) Audited by auditors other than the auditors of the chief entity. Overseas controlled entity carries on business in the country of incorporation.
- (ii) These companies meet the definition of a small proprietary limited company as set out in the *Corporations Act 2001*. Ernst & Young has not issued separate audit opinions in respect of these entities.
- (iii) Dormant company. Acquired the remaining 50% of the company during the current financial year for a nominal amount.
- (iv) Incorporated in the current financial year.
- (v) These entities are indirectly owned through Phosphate Resources (China) Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$000's	2008 \$'000s
<b>14. PROPERTY, PLANT AND EQUIPMENT</b>				
<i>Leasehold buildings</i>				
At cost	692	672	627	608
Accumulated depreciation	(633)	(585)	(582)	(547)
	59	87	45	61
<i>Land and buildings</i>				
At cost	1,237	1,230	-	-
Accumulated depreciation	(694)	(577)	-	-
	543	653	-	-
<i>Strata title properties</i>				
At cost	1,275	1,143	-	-
Accumulated depreciation	(153)	(126)	-	-
	1,122	1,017	-	-
<i>Plant and equipment</i>				
At cost	45,483	40,693	40,620	38,176
Accumulated depreciation and impairment	(38,633)	(36,710)	(36,531)	(35,296)
	6,850	3,983	4,089	2,880
<i>Plant and equipment under lease</i>				
At cost	620	1,953	435	1,746
Accumulated depreciation	(356)	(964)	(319)	(917)
	264	989	116	829
<i>Construction in progress</i>	3,748	408	3,742	401
<i>Total property, plant and equipment</i>				
At cost	53,055	46,099	45,424	40,931
Accumulated depreciation and impairment	(40,469)	(38,962)	(37,432)	(36,760)
Net carrying amount	12,586	7,137	7,992	4,171

**(a) Assets pledged as security:**

Included in all balances above are assets of Phosphate Resources Limited, Phosphate Resources Properties Pty Ltd and strata title properties of Phosphate Resources (Singapore) Pte Ltd over which first and second mortgages have been granted as security. The terms of the mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The net book values of the assets pledged are:

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$000's	2008 \$'000s
	11,876	8,181	9,410	6,542

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

### (b) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<i>Leasehold buildings</i>					
Carrying amount at beginning		87	157	61	119
Transfer from construction in progress		15	-	15	-
Additions		-	1	-	-
Disposals		-	-	-	-
Depreciation expense		(43)	(71)	(31)	(58)
		59	87	45	61
<i>Land and buildings</i>					
Carrying amount at beginning		653	771	-	-
Transfer from construction in progress		7	-	-	-
Additions		-	-	-	-
Disposals		-	-	-	-
Depreciation expense		(117)	(118)	-	-
		543	653	-	-
<i>Strata title properties</i>					
Carrying amount at beginning		1,017	1,037	-	-
Impact of foreign exchange		119	(8)	-	-
Additions		-	-	-	-
Disposals		-	-	-	-
Depreciation expense		(14)	(12)	-	-
		1,122	1,017	-	-
<i>Plant and equipment</i>					
Carrying amount at beginning		3,983	5,421	2,880	4,142
Transfer from construction in progress		2,864	763	2,767	666
Impact of foreign exchange		239	-	-	-
Additions		2,003	10	-	-
Transfer from/(to) equipment under lease		626	53	626	53
Disposals		(8)	(6)	(4)	(5)
Depreciation expense		(2,857)	(2,258)	(2,180)	(1,976)
		6,850	3,983	4,089	2,880

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliations (continued)	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<i>Plant and equipment under lease</i>					
Carrying amount at beginning		989	1,393	829	1,231
Gain / (loss) on translation of foreign exchange		22	(2)		-
Additions		-	57		-
Disposals		(7)	(15)		-
Transfer (to)/from plant and equipment		(626)	(53)	(626)	(53)
Depreciation expense		(114)	(391)	(87)	(349)
		264	989	116	829
<i>Construction in progress</i>					
Carrying amount at beginning		408	79	401	79
Additions		6,241	1,134	6,138	1,028
Disposals		-		-	
Written off		(15)	(42)	(15)	(40)
Transferred to plant and equipment		(2,886)	(763)	(2,782)	(666)
		3,748	408	3,742	401

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>15. MINE PROPERTIES</b>					
Mine development (at cost)		13,262	-	-	-
Carrying amount at start of year		-	-	-	-
Acquired		11,907	-	-	-
Additions		-	-	-	-
Impact of foreign exchange		1,714	-	-	-
Impairment <sup>(i)</sup>		(359)	-	-	-
		13,262	-	-	-

*(i) Impairment*

Since the determination of the acquisition price of the phosphate mines in China (refer Note 29), recoverable phosphate prices have declined in the People's Republic of China and the demand has dropped considerably.

While the mining operations remain profitable the rate of return on investment has declined and the completion of the proposed mine expansion plans have had to be deferred for 2 years as the demand has fallen in line with the global economic downturn.

The mines acquired will be managed as a single operation, hence have been identified in aggregate as a single cash generating unit. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on forecasts covering a 10 year period. The discount rate applied to cash flow projections is 15%. The key assumptions used in the cash flow projections are that revenue and expenses will rise in accordance with expected inflation increases. The impairment charge has been allocated to mine development and goodwill (refer to Note 16).

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>16. GOODWILL</b>					
Goodwill arising from business combination (Note 30)		3,337	-	-	-
Impact of foreign exchange		513	-	-	-
Impairment		(3,850)	-	-	-
		-	-	-	-

The total balance of goodwill was allocated to the three phosphate mining operations forming the cash generating unit. The recoverable amount of the goodwill relating to this CGU as at year end has been determined as nil (refer to Note 15).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>17. TRADE AND OTHER PAYABLES (CURRENT)</b>					
Trade Creditors		7,118	4,109	4,199	3,940
Controlled entity		-	-	152	58
		<u>7,118</u>	<u>4,109</u>	<u>4,351</u>	<u>3,998</u>
<b>18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)</b>					
Insurance premium funding loan		-	616	-	616
Lease liability	28(a)	43	284	28	263
		<u>43</u>	<u>900</u>	<u>28</u>	<u>879</u>
	Notes	Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>19. PROVISIONS (CURRENT)</b>					
Employee entitlements		<u>5,512</u>	<u>1,997</u>	<u>5,440</u>	<u>1,892</u>
<b>20. INTEREST-BEARING LOANS AND BORROWINGS (NON-CURRENT)</b>					
Lease liabilities	29(a)	<u>-</u>	<u>24</u>	<u>-</u>	<u>24</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

		Consolidated		Phosphate Resources Limited	
		2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>21. PROVISIONS (NON-CURRENT)</b>					
Redundancy	(a)	4,885	4,385	4,704	4,188
Employee entitlements		1,794	1,672	1,686	1,598
		6,679	6,057	6,390	5,786
Demolition	(b)	6,304	7,126	6,304	7,126
		12,983	13,183	12,694	12,912

**(a) Provision for redundancy**

The amount employees are entitled to receive if made redundant in accordance with their employment agreements are fully provided. The redundancy provision was increased by a net amount of \$500,000 during the year ended 30 June 2009 (2008: \$577,000).

**(b) Provision for demolition**

Based on the Mining Lease Agreement between the Commonwealth Government and Phosphate Resources Limited a provision for demolition has been recognised for costs associated with:

- Demolition of all improvements specified for the removal of all debris resulting from demolition, removal of plant and equipment and leaving the leased land in a safe, clean and tidy condition at the expiry of the lease.

Estimates of the demolition obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the demolition provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to demolition or restoration of such mines in the future.

	Consolidated		Phosphate Resources Limited	
	\$'000s		\$'000s	
<b>(c) Movement in provisions</b>				
<i>Provision for demolition:</i>				
Carrying amount at the beginning of the financial year		7,126		7,126
Additional provision		-		-
Change in net present value of provision:				
- Credited to profit or loss		(956)		(956)
- Credited to related asset		(346)		(346)
Interest charge		480		480
Carrying amount at the end of the financial year		6,304		6,304

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated and Phosphate Resources Limited			
	2009 \$'000s	2008 \$'000s	2009 Number on issue	2008 Number on issue
<b>22. CONTRIBUTED EQUITY</b>	4,509	4,509	3,436,507	3,436,507

**(a) Movements in ordinary shares on issue**

Balance at the beginning and end of the year

\$'000s	Number on issue
4,509	3,436,507

**(b) Terms and conditions of contributed equity**

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all assets less payment of liabilities in proportion to the number of fully paid shares held.

Each ordinary share entitles their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s

**23. RESERVES**

**(a) Foreign currency translation reserve**

Foreign currency translation reserve

(224)	(331)	-	-
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*Nature and purpose of reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

**(b) Share option reserve**

Share option reserve

457	457	457	457
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*Nature and purpose of reserve*

The Share Option Reserve is used to record the fair value of share based payments provided to employees of the Group.

233	126	457	457
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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>24. CASH FLOW STATEMENT</b>				
(a) Reconciliation of the operating profit after tax to the net cash flows from operations				
Profit after tax	47,469	7,607	48,609	8,228
<b>Non-Cash Items</b>				
Depreciation and amortisation	3,145	2,850	1,954	2,382
Unrealised foreign exchange (gain) / loss	(7,490)	-	(7,490)	-
Gain on disposal of non-current assets	-	(8)	-	(7)
Impairment	4,209	150	4,182	-
Accretion of demolition provision	480	450	480	450
Change in net present value of demolition provision	(956)	-	(956)	-
Dividend received reclassified as investing activity	-	-	-	(1,200)
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in trade and other receivables	(3,189)	(3,371)	(2,214)	(3,779)
Movement in deferred tax balances	1,644	(133)	(282)	65
(Increase)/decrease in inventories	(2,788)	399	(1,192)	241
Decrease in trade creditors and accruals	110	398	353	330
Increase in provisions	4,155	1,536	4,170	1,260
Decrease/(increase) in prepayments	(784)	(1,370)	(1,107)	(1,433)
(Decrease)/increase in tax payable	2,519	1,322	2,653	1,556
Net cash flow from operating activities	<u>48,524</u>	<u>9,830</u>	<u>49,160</u>	<u>8,093</u>
(b) Reconciliation of cash				
Cash balance comprises:				
Cash at bank	<u>24,126</u>	<u>6,161</u>	<u>22,885</u>	<u>4,458</u>

(c) The chief and economic entity have a bank overdraft facility available to the extent of \$500,000 (2008: \$500,000) with an option to increase the facility by a further \$500,000 during the swell season (December to March). The bank overdraft facility is secured against the prevailing first mortgage on the assets of the Company. The facility was unused at year end. Average interest rate for the year was 9.5% (2008: 11.3%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>25. EMPLOYEE ENTITLEMENTS, REDUNDANCY AND SUPERANNUATION COMMITMENTS</b>				
<b>Employee Entitlements</b>				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries, bonus and on costs	5,062	332	5,062	332
Provisions (current)	5,512	1,997	5,440	1,892
Provisions (non-current)	6,679	6,057	6,390	5,786
	17,253	8,386	16,892	8,010

### Retirement and superannuation payments

The percentage amounts of base salaries and wages paid to superannuation funds by the economic entity is 11% (2008: 11%) for permanent employees and 9% (2008: 9%) for casual employees. The amount required by the Superannuation Guarantee Scheme is 9% (2008: 9%).

### 26. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### **Other related party transactions with directors of the chief entity**

- (i) Mr Chan, Khye Meng is the sole proprietor of Meng Chong trading based on Christmas Island. Meng Chong Trading provided such goods as toilet requisites and groceries totalling \$15,263 (2008: \$9,562) during the year.

#### **Transactions with related parties in the wholly owned group**

- (i) Management services are provided to Phosphate Resources Limited by Phosphate Resources (Singapore) Pte Ltd on commercial terms. Total services provided for the year were \$1,742,559 (2008: \$719,132).
- (ii) Rent was paid to Phosphate Resources Properties Pty Ltd by Phosphate Resources Limited on normal commercial terms and conditions. Total rent for the year was \$44,200 (2008: \$44,200).
- (iii) Indian Ocean Oil Company Pty Ltd provides fuel to Phosphate Resources Limited under commercial terms and conditions. Total fuel sales for the year were \$6,082,815 (2008: \$6,144,887).
- (iv) Accounting fees were paid to Phosphate Resources Limited by Phosphate Resources Properties Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were \$1,200 (2008: \$1,200).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 26. RELATED PARTY TRANSACTIONS (continued)

### *Transactions with related parties in the wholly owned group (continued)*

- (v) Accounting fees were paid to Phosphate Resources Limited by Phosphate Resources Properties Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were \$1,200 (2008: \$1,200).
- (vi) Accounting fees were paid to Phosphate Resources Limited by Indian Ocean Stevedores Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were \$36,000 (2008: \$36,000).
- (vii) Accounting fees were paid to Phosphate Resources Limited by CI Maintenance Services Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were \$36,000 (2008: \$28,500).
- (viii) Accounting and management fees were paid to Phosphate Resources Limited by Indian Ocean Oil Company Pty Ltd on normal commercial terms. Total accounting and management fees paid for the year were \$64,800 (2008: \$64,800).
- (ix) Stevedoring services are provided to Phosphate Resources Limited by Indian Ocean Stevedores Pty Ltd a controlled entity, on normal commercial terms. Total services provided for the year were \$20,000 (2008: \$12,500).
- (x) Stevedoring services are provided to Indian Ocean Oil Company Pty Ltd by Indian Ocean Stevedores Pty Ltd on normal commercial terms. Total services provided for the year were \$1,500 (2008: \$1,500).
- (xi) Indian Ocean Oil Company Pty Ltd provided fuel to Indian Ocean Stevedores Pty Ltd on normal commercial terms. Total fuel sales for the year were \$6,649 (2008: \$1,370).
- (xii) Phosphate Resources Limited is the ultimate controlling entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 27. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Compensation by category: Key Management Personnel

	Consolidated		Phosphate Resources Limited	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term	2,035,352	1,525,189	2,035,352	1,525,188
Post-employment	116,816	110,209	116,816	110,210
	2,152,168	1,635,398	2,152,168	1,635,398

### (b) Shareholdings of Key Management Personnel (consolidated)

30 June 2009	Fully Paid Ordinary Shares		
	Held at 1 July 2008	Net change other	Held at 30 June 2009
<b>Directors</b>			
Clive Brown	-	-	-
Lai Ah Hong	55,001	-	55,001
Willy Teo See Khiang	57,350	-	57,350
Chan Khye Meng	11,001	(11,000)	1
Cheng Hang	55,000	-	55,000
Tony Brennan	-	-	-
Phuar Kong Seng (appointed 25 Nov 2008)	-	-	-
Tee Lip Sin (appointed 25 Nov 2008)	-	-	-
<b>Executives</b>			
Kevin Edwards	5,000	-	5,000
Alfred Chong	2,000	-	2,000
Allan Robartson	2,000	-	2,000
<b>Total</b>	187,352	(11,000)	176,352

30 June 2008	Fully Paid Ordinary Shares		
	Held at 1 July 2007	Net change other	Held at 30 June 2008
<b>Directors</b>			
Clive Brown	-	-	-
Lai Ah Hong	60,001	(5,000)	55,001
Willy Teo See Khiang	55,350	2,000	57,350
Chan Khye Meng	11,001	-	11,001
Cheng Hang	55,000	-	55,000
Tony Brennan	-	-	-
<b>Executives</b>			
Kevin Edwards	5,000	-	5,000
Alfred Chong	-	2,000	2,000
Allan Robartson	-	2,000	2,000
<b>Total</b>	186,352	1,000	187,352

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 27. DIRECTOR AND EXECUTIVE DISCLOSURE (continued)

### (c) Loans to key management personnel

There were no loans to key management personnel during the period.

### (d) Other transactions and balances with key management personnel

There were no other transactions or balances with key management personnel.

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>28. AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- audit of the financial report of the parent entity and the consolidated entity	110	108	110	108
- review of the half year financial report of the consolidated entity	38	35	38	35
	148	143	148	143
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
	45	-	-	-
	193	143	148	143
Amounts received or due and receivable by auditors other than Ernst & Young for:				
- an audit or review of the financial report of a controlled entity	3	6	-	-
	196	149	148	143

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	Consolidated		Phosphate Resources Limited	
	2009 \$'000s	2008 \$'000s	2009 \$'000s	2008 \$'000s
<b>29. EXPENDITURE COMMITMENTS</b>				
<b>(a) Lease expenditure commitments</b>				
<i>Operating leases</i>				
- not later than one year	192	129	125	128
- later than one year and not later than five years	127	25	79	23
- total minimum payments	319	154	204	151

Operating leases are entered into as a means of providing residential accommodation and office premises for Phosphate Resources Limited; residential accommodation for Indian Ocean Stevedores Pty Ltd and office equipment for Phosphate Resources (Singapore) Pte Ltd.

### *Finance leases*

	2009		2008	
	<i>Minimum Lease Payments</i>	<i>Present Value of Lease Payments</i>	<i>Minimum Lease Payments</i>	<i>Present Value of Lease Payments</i>
	\$'000s	\$'000s	\$'000s	\$'000s
<b>CONSOLIDATED</b>				
Within one year	39	37	292	284
After one year but not more than five years	6	6	25	24
Total minimum lease payments	45	43	317	308
Less amounts representing future finance charges	(2)	-	(9)	-
Present value of minimum lease payments	43	43	308	308
<b>PARENT</b>				
Within one year	29	28	271	263
After one year but not more than five years	-	-	25	24
Total minimum lease payments	29	28	296	287
Less amounts representing future finance charges	(1)	-	(9)	-
Present value of minimum lease payments	28	28	287	287

Finance leases are entered into as a means of financing the acquisition of plant and equipment.

- (b)** The Company provides a guarantee and indemnity to the Commonwealth Government of Australia (Commonwealth) to ensure the performance of Indian Ocean Oil Company Pty Ltd's obligations under the terms of a 20 year fuel lease arrangement.
- (c)** The Company has committed to undertake various environmental management targets and objectives as detailed in the Christmas Island Phosphates Environmental Management Plan.
- (d)** The Company has provided a bank guarantee of \$1 million to the Commonwealth Government under the terms of the Mining Lease Agreement.
- (e)** The Company has capital commitments of \$2,200,000 (2008: \$624,000) for items of plant on order but not yet delivered.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 30. BUSINESS COMBINATION

### Acquisition of phosphate mining project

Effective 1 May 2009 a subsidiary of Phosphate Resources Limited, PRL China Pty Ltd, acquired a 59.275% interest in a phosphate mining project based in the People's Republic of China with principal activities of mining phosphate. The total cost of the combination was \$9.266 million and was settled by way of cash.

The provisional fair value of the identifiable assets acquired as at the date of the acquisition are:

	<b>CONSOLIDATED</b>	
	<b>Recognised on acquisition \$'000s</b>	<b>Carrying value \$'000s</b>
Property, plant and equipment	1,492	1,492
Mine development	11,907	-
Cash	68	68
Trade receivables	183	183
Inventory	50	50
Other assets	311	311
	14,011	2,104
Trade payables	(208)	(208)
Other payables	(822)	(822)
Deferred tax liability	(2,977)	-
	(4,007)	(1,030)
Fair value of identifiable net assets	10,004	
Goodwill arising on acquisition <sup>(ii)</sup>	3,337	
	13,341	

The cash outflow on acquisition is as follows:

Deposit paid in prior year	2,865
Cash paid in current year	6,401
Total cash paid	9,266

The cash outflow on acquisition is as follows:

Net cash acquired with the subsidiary	68
Cash paid	(9,266)
Net consolidated cash outflow	9,198

(i) The acquired business contributed revenues of \$0.457 million and a net loss of \$66,000 before an impairment charge of \$4.209 million to the Group for the period from 1 May 2009 to 30 June 2009. Had the Group owned the project from 1 July 2008, consolidated revenue and consolidated profit for the year ended 30 June 2009 would have been \$1.858 million and \$0.204 million respectively.

(ii) The goodwill recognised on acquisition was written down to nil at 30 June 2009 (refer to note 16).

(iii) The mining licenses covering the phosphate mining operation are due for renewal within 12 months. Management are confident the mining licenses will be renewed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

## 31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As part of the conditions of sale of the stevedoring and mooring services in January 2007 the Company has agreed that, in the event of premature closure of the mine (and hence cessation of shipping of phosphate) within five years of the date of sale of the business, the purchaser will be reimbursed an amount not exceeding \$200,000 for each year remaining of the five year period as at the date shipping of phosphate ceases.

There are no other contingent assets or liabilities as at the date of this report.

## 32. SUBSEQUENT EVENTS

No matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of Phosphate Resources Limited and its controlled entities, the results of those operations or the state of affairs of Phosphate Resources Limited and its controlled entities in subsequent years that is not otherwise disclosed in this report or the consolidated financial statements.

## 33. RECONCILIATION TO PRELIMINARY REPORTED PROFIT

	Consolidated	Phosphate Resources Limited
	\$'000s	\$'000s
Preliminary unaudited net profit after tax reported 1 September 2009	47,859	47,368
Revised demolition provision	1,241	1,241
Revised deferred tax expense	(1,631)	-
Audited net profit after tax	<u>47,469</u>	<u>48,609</u>
Unaudited net assets attributable to PRL shareholders reported 1 September 2009	64,807	
Adjustments to net profit as per above	(390)	
Adjustments to minority interest and reserves in relation to asset fair values and deferred tax arising from the acquisition of the phosphate mines in China	<u>676</u>	
	<u>65,093</u>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

## DIRECTORS' DECLARATION

### PHOSPHATE RESOURCES LIMITED FOR THE YEAR ENDED 30 JUNE 2009

In accordance with a resolution of the Directors of Phosphate Resources Limited, we state that:

- (1) In the opinion of the Directors:
- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
    - (ii) complying with *Accounting Standards and Corporations Regulations 2001*; and
  - (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.

#### SIGNED ON BEHALF OF THE BOARD:



**Clive Brown**  
Chairman



**LAI Ah Hong**  
Managing Director

Dated: 17 September 2009

Independent auditor's report to the members of Phosphate Resources Limited

## **Report on the Financial Report**

We have audited the accompanying financial report of Phosphate Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the 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 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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 met 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.

### **Auditor's Opinion**

In our opinion:

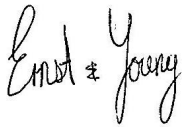
1. the financial report of Phosphate Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Phosphate Resources Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

### **Report on the Remuneration Report**

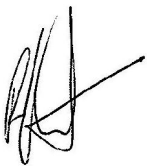
We have audited the Remuneration Report included on pages xx to xx of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Phosphate Resources Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.



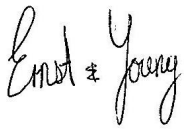
Ernst & Young



R J Curtin  
Partner  
Perth  
17 September 2009

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

In relation to our audit of the financial report of Phosphate Resources Limited for the year ended 30 June 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.



Ernst & Young



R J Curtin  
Partner  
17 September 2009