Annual Report 2012

PHOSPHATE
RESOURCES
LIMITED

ACN: 009 -396 -543

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LETTER FROM THE CHAIRMAN

Dear Shareholder

The Company's performance in the 2011-2012 financial year can aptly be described as outstanding, both in terms of the bottom line result and achievements made in securing the medium term outlook for our mining operations.

Our profit for the year exceeded all expectations and demonstrated a capacity within the Company to overcome unforeseen and unnecessary setbacks. The challenges we faced and the successes achieved are aptly outlined in the Managing Director's report.

In this report I wish to focus on some matters concerning our mining operations.

During the year we obtained approval of over 70% of our outstanding clearing permits, giving us the opportunity to maintain our mining operations until the end of current mining lease.

In my report last year I gave a great deal of attention to the seeming incapacity within Government to deal with our clearing permit applications in a professional and coherent way. Inordinate delays and ever increasing demands created the impression that there were those within government administration intent on seeing our mining operation prematurely closed.

Fortunately our strong and persistent representations resulted in a more mature approach being taken and in the end the bulk of our clearing permit applications being granted. The success of our endeavours means we are now able to plan with some confidence for the medium term.

The other matter I paid particular attention to last year was the push by government environmental agencies to impose what is known as an island wide recovery plan on Christmas Island. Our view was then and remains today that the implementation of such a plan could threaten the continuation of our mining operations and effectively prohibit any other alternative economic development on the Island.
While our concerns were initially dismissed by Government, we again managed to convince all concerned about the legitimacy of our interpretation of the legislation. It was significant that the Minister for the Environment has now acknowledged the validity of our concerns. This is a helpful development but does not, of itself, constitute a guarantee that the Government will ensure that any recovery plan will take into account our rights to mine and make provision for alternative economic development.

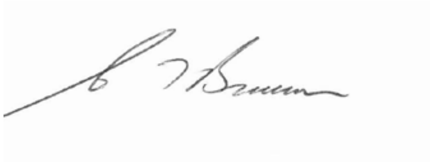
To achieve this, the company and the Island community will still need to remain vigilant and continue to actively campaign for the development of a sensible recovery plan that not only seeks sound conservation outcomes, but recognises and endorses peoples' rights to have an economic livelihood.
While pressing for a sensible approach from government, we have been focusing on finding a solution to the greatest environmental threat facing Christmas Island, namely the scourge of the yellow crazy ant. This tramp ant species has been responsible for the deaths of millions of red crabs, the keystone species that underpins the entire island eco-system.

Ground breaking research funded by the Company identified ways of combatting the devastation caused by these tramp ants and our next challenge will be to see how we can realise the environmental benefits created by the research.

The efforts we have made throughout the year demonstrate the Company is committed to delivering sound results for shareholders and all of our stakeholders.

In that regard I am pleased to join with the Managing Director in thanking our customers, management team and all staff and contractors for their efforts, understanding and goodwill during the year.

Yours Sincerely



Clive Brown
Chairman
21 September 2012

MANAGING DIRECTOR'S REPORT

Dear Shareholder

It is with pleasure that I again present you with the Phosphate Resources Limited Annual report for the financial year ending 30 June 2012.

Financial Performance and Production Overview

Our mining operation shipped 653,000 tonnes of phosphate product in FY 2012.

This was a modest improvement on the previous year's output and a very creditable result in the circumstances as unnecessary and ultimately counterproductive industrial action closed the operations for five weeks during a peak production period.

Total output for the year was also constrained by significant adverse weather conditions and the unfortunate foundering of the MV Tycoon which limited the volume of dust product that could economically be shipped in the second half due to the closure of the crane berth.

However, we were still able to achieve an after tax profit from the mine operations alone for the period of $21.0 million, notwithstanding the continuing high Australian dollar exchange rate.

The excellent result was due in large part to the considerable efforts of our marketing and shipping staff in maintaining sales prices and constraining shipping costs.

Regrettably the closure of the crane berth has caused further deferral of the installation of the new cascade loading system as the bulk components have not been able to be landed. We now anticipate that it will be installed towards the end of the current financial year. The new system should provide significant improvements to ship loading times and environmental outcomes.

Our market share in Malaysia and Indonesia will be under continuing pressure over the next few years as significant additional capacity comes online from Middle Eastern, North African and South American producers. Downward pressure on prices is likely to result.

It will be essential for the company's continuing viability that we are able to maintain and even extend our export outputs and maximise the shipping time advantage we have to offset the limitations incurred by the prevailing high exchange rate and our comparatively high cost structure. To this end we will have to ensure that there are no bottlenecks and delays in our port operations.

Group Developments

The Consolidated result was recorded as a profit after tax for 2012 of $23.3 million.

Our subsidiary CK Plantations Sdn Bhd achieved an operating profit after tax of $3.3 million. The result was disappointing and below expectations due to abnormally low palm oil yields over the year which occurred right across the Malaysia peninsular region. This resulted in a 14% lower annual yield from our plantation and was compounded by lower yields from surrounding estates reducing the amount of palm fruit available for purchase by our mill. Competition from other mills for scarce fruit increased cost prices and reduced our mill margins even though the sales prices achieved for milled product remained high.

Our agronomic advisors are confident that the downturn is temporary arising from earlier low rainfall seasons and yields and profitability should improve in coming years.

Our subsidiary, CI Maintenance Services Pty Ltd (CIMS), which provides accommodation management and maintenance services to the Commonwealth Department of Immigration and Citizenship on the Island, continued to perform strongly. However, if recent legislative amendments result in reduced use of Christmas Island immigration facilities, it is unlikely to be able to continue at its current annual turnover level of some $7million.

Resources

Some significant progress with access to resources within our existing mining lease has been achieved with the approval by the Commonwealth government of the majority of the areas that had been the subject of outstanding clearing permit applications.

Under current approvals and within existing commercial parameters we now estimate our known ore resources to be sufficient to sustain viable mining operations at current levels for a further 7 years.
We remain hopeful that a final batch of areas still outstanding will be approved for access for mining by year end. The additional resources contained in these areas will add further to our possible viable mine life.

In addition, we are seeking approval for the return of the significant resources known to exist in the areas we were compelled to relinquish some years ago for the failed spaceport project.

Discussions have commenced with the Commonwealth government to obtain approval for the extension of our current lease beyond 2019 so that all these known reserves can be mined.

The Year Ahead

We are examining a range of engineering options to increase the efficiency and output of our mining and drying operations and reduce our unit production costs. Significant capital outlays and changes in work processes may be required if we are to keep the operation open and remain internationally competitive and profitable. Fortunately, the government approvals already achieved have enabled us to confirm that we will have access to sufficient resources to justify the capital and training costs that will be needed to implement any required changes.

The Company will also continue to actively examine further investment opportunities outside Christmas Island to ensure the Company has a long term sustainable future beyond its Island phosphate mining operation.

In closing I would again thank my senior managers, office staff, contractors and major customers for their continued loyalty and support which has enabled us to continue to develop and enhance our operations notwithstanding the challenges we have had to confront.

LAI Ah Hong
Managing Director
21 September 2012

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Jalan Tun Perak, 50050 Kuala Lumpur

BOARD OF DIRECTORS

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.

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 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.

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.

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.

Phua Siak Yeong
Executive Director Projects
Mr Phua Siak Yeong graduated from the University of Malaysia with first class honours degree in Chemical Engineering. He obtained his MBA from the same university in 1990. He worked at Esso Singapore after graduation and then as a Marketing Executive for Bulk Chemicals Sdn Bhd from 1979 to 1983. He joined the Hong Leong Group in Malaysia in 1983, involved in motorcycle manufacturing. Mr Phua retired in 2008 from the Hong Leong Group.

FINANCIAL STATEMENTS

For the year ended 30 June 2012

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DIRECTORS REPORT

For the year ended 30 June 2012

Your Directors submit their report for the year ended 30 June 2012.

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.

Clive Brown	Chairman
LAI Ah Hong	Managing Director
CHAN Khye Meng	Non-Executive Director
CHENG Hang OAM	Non-Executive Director
PHUAR Kong Seng	Non-Executive Director
TEE Lip Sin	Non-Executive Director
Phua Siak Yeong	Executive Director Projects

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 and as Chief Operating Officer from 2 December 2009.

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.
- running a palm oil estate, processing and sale of palm oil products.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised for members of the parent a profit after tax of $23.3 million [2011: $10.1 million].

The chief entity has approximately 175 shareholders (2011: 169) of whom 41.14% are Christmas Island Residents holding 14.08% of the total shares issued.

Following are other key highlights of the operations during the current year:

- Sales of phosphate products increased to 653,000 tonnes;
- Operational profit of mine improved to $21 million after tax;
- Mine loading facilities upgrade delayed by crane berth closure;
- Improved resources estimates for mine extend potential mine life;
- Abnormally low rainfall in previous seasons reduced palm oil yield for plantation subsidiary.

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 2012 financial year will see the Company remain profitable and in line with the performance of the current year enhanced by a full year production from Palm oil assets.

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.

Cheekah-Kemayan Plantations Sdn Bhd also holds environmental licences from the operation of a palm oil mill issued by Malaysian Government.

Licenses issued by the Commonwealth Government of Australia and Malaysian Government 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 $9,709.

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 60 of the financial report.

DIRECTORS' MEETINGS HELD DURING THE YEAR ENDED 30 JUNE 2012

Director	Directors Meetings Attended	Number Held While in Office
Clive Brown	8	8
Lai Ah Hong	7	8
Chan Khye Meng	7	8
Cheng Hang	8	8
Phuar Kong Seng	6	8
Tee Lip Sin	7	8
Phua Siak Yeong	7	8

AUDIT COMMITTEE

The members of the Audit Committee are Directors Mr. Clive Brown, Mr. Cheng Hang, Mr. Phuar Kong Seng and Mr. Phua Siak Yeong. There were 2 audit committee meetings during the year and all members attended each meeting except Mr. Phuar Kong Seng who was absent from both meetings.

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.

DIVIDENDS

During the year ended 30 June 2012, the Company paid $2.739 million as dividend. The Company's management have not recommended or declared any dividend since the last dividend paid.

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.

For the purposes of this report the term executive encompasses the executive directors, senior executives 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 continued 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.

Executives are given short term incentive in the form of cash bonus which is calculated based on the profit after tax for the year and is ultimately at the discretion of the Board of Directors.

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
Chan Khye Meng	Non-Executive Director
Cheng Hang	Non-Executive Director
Phuar Kong Seng	Non-Executive Director
Tee Lip Sin	Non-Executive Director
Phua Siak Yeong	Executive Director Projects
Executives	
Kevin Edwards	Company Secretary / Chief Operating Officer
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 2012

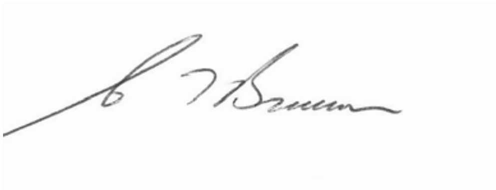
	Salary & Fees	Short Term Bonus	Non-cash Benefits	Post Employment Super-annuation Contribution	Other	Total	Perform-ance Related
	$	$	$	$	$	$	%
Directors							
Clive Brown	147,692	-	4,934	12,946	-	165,572	-
Lai Ah Hong	397,697	67,400	65,893	51,161	-	582,151	11.6%
Chan Khye Meng	58,846	-	-	6,473	-	65,319	-
Cheng Hang	58,846	-	16,387	6,473	-	81,706	-
Phuar Kong Seng	57,500	-	-	-	-	57,500	-
Tee Lip Sin	57,500	-	-	-	-	57,500	-
Phua Siak Yeong	142,979	34,642	-	10,679	-	188,300	18.4%
Executives							
Mr. Kevin Edwards	252,789	54,168	10,558	-	-	317,515	17.1%
Mr. Alfred Chong	260,537	54,000	12,443	34,599	-	361,579	14.9%
Mr. Allan Robartson	186,957	42,600	17,319	25,251	-	272,127	15.7%
	1,621,343	252,810	127,534	147,582	-	2,149,269	-

The cash bonus is based on the results for the financial year ending 30 June 2011 and in accordance with a determination at the discretion of the Board of Directors. 100% of the total bonus was paid in the current financial year ending 30 June 2012.

Year ended 30 June 2011

	Salary & Fees	Short Term Bonus	Non-cash Benefits	Post Employment Super-annuation Contribution	Other	Total	Perform-ance Related
	$	$	$	$	$	$	%
Directors							
Clive Brown	150,000	-	-	16,500	-	166,500	-
Lai Ah Hong	409,510	73,750	38,992	53,159	-	575,411	12.8%
Chan Khye Meng	75,000	-	-	8,250	-	83,250	-
Cheng Hang	75,000	-	7,070	8,250	-	90,320	-
Phuar Kong Seng	75,000	-	-	-	-	75,000	-
Tee Lip Sin	75,000	-	-	-	-	75,000	-
Phua Siak Yeong	149,402	9,640	-	9,542	-	168,584	5.7%
Executives							
Mr. Kevin Edwards	224,060	55,470	11,293	-	-	290,823	19.1%
Mr. Alfred Chong	217,009	54,920	18,079	29,912	-	319,920	17.2%
Mr. Allan Robartson	158,855	41,190	16,447	22,005	-	238,497	17.3%
	1,608,836	234,970	91,881	147,618	-	2,083,305	-

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



Clive Brown
Chairman

LAI Ah Hong
Managing Director

Dated: 21 September 2012

INCOME STATEMENT

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000s	2011 $'000s
Continuing operations			
Sale of goods		126,858	94,803
Rendering of services		9,459	10,024
Other revenue		852	1,775
Revenue	5(a)	137,169	106,602
Cost Of Sales	5(b)	(87,272)	(77,439)
Gross profit		49,897	29,163
Other income	5(c)	1,115	1,852
Other expenses	5(d)	(14,999)	(14,783)
Finance costs	5(e)	(1,511)	(600)
Profit From Continuing Operations Before Income Tax		34,502	15,632
Income Tax Expense	6	(11,168)	(6,433)
Profit From Continuing Operations After Income Tax		23,334	9,199
Discontinued Operations			
Profit / (loss) from discontinued operations after income tax	29	-	1,555
Net Profit for the period		23,334	10,754
Profit/(loss) is attributable to:			
Non-controlling interest		-	633
Owners of the parent		**23,334**	**10,121**
		23,334	10,754

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

Profit for the year	23,334	10,754
Other comprehensive income		
Exchange differences on translation of foreign operations	(324)	(310)
Other comprehensive income, net of tax	**(324)**	**(310)**
Total comprehensive income for the year, net of tax	**23,010**	**10,444**
Attributable to:		
Non-controlling interest	-	633
Owners of the parent	23,010	9,811
	23,010	**10,444**

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	Consolidated 2012 $'000s	2011 $'000s
CURRENT ASSETS			
Cash and cash equivalents	22(b)	34,232	27,356
Trade and other receivables	8	28,524	23,544
Inventories	9	12,106	11,912
Income tax receivable		121	-
Other	10	1,211	6,072
TOTAL CURRENT ASSETS		76,194	68,884
NON-CURRENT ASSETS			
Term Deposits	11	13,015	10,188
Property, plant and equipment	13	45,003	45,593
Goodwill	14	7,158	7,635
Biological assets	30	11,135	12,332
Deferred tax assets	6	6,549	5,855
TOTAL NON-CURRENT ASSETS		82,860	81,603
TOTAL ASSETS		159,054	150,487
CURRENT LIABILITIES			
Trade and other payables	15	9,989	11,267
Interest-bearing loans and borrowings	16	5,599	6,536
Income tax payable		6,307	2,836
Provisions	17	5,814	2,765
TOTAL CURRENT LIABILITIES		27,709	23,404
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	9,863	23,956
Deferred tax liabilities	6	10,424	12,034
Provisions	19	16,162	16,468
TOTAL NON-CURRENT LIABILITIES		36,449	52,458
TOTAL LIABILITIES		64,158	75,862
NET ASSETS		94,896	74,625
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	20	4,509	4,509
Retained earnings		90,666	70,071
Reserves	21	(279)	45
Parent interests		94,896	74,625
Non-controlling interests		-	-
TOTAL EQUITY		94,896	74,625

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Contrib-uted equity $'000s	Retained earnings $'000s	Foreign currency translation reserve $'000s	Share Option Reserve $'000s	Non-controlling Interests $'000s	Total $'000s
CONSOLIDATED						
At 1 July 2011	4,509	70,071	(412)	457	-	74,625
Profit / (Loss)for the period	-	23,334	-	-	-	23,334
Other comprehensive income	-	-	(324)	-	-	(324)
Total comprehensive income for the period	-	23,334	(324)	-	-	23,010
Transactions with owners in their capacity as owners:						
Dividend paid	-	(2,739)	-	-	-	(2,739)
At 30 June 2012	4,509	90,666	(736)	457	-	94,896
At 1 July 2010	4,509	61,921	1,529	457	(127)	68,289
Profit for the period	-	10,121	-	-	633	10,754
Other comprehensive income	-	-	(310)	-	-	(310)
Total comprehensive income for the period	-	10,121	(310)	-	633	10,444
Disposal of subsidiary	-	-	(1,631)	-	(506)	(2,137)
Transactions with owners in their capacity as owners:						
Dividend paid	-	(1,971)	-	-	-	(1,971)
At 30 June 2011	4,509	70,071	(412)	457	-	74,625

CASH FLOW STATEMENT

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000s	2011 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		132,189	101,568
Payments to suppliers and employees		(95,601)	(85,218)
Interest received		438	1,777
Finance costs paid		(908)	-
Income tax paid		(7,640)	(8,058)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22(a)	28,478	10,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Net deposits/(withdrawals)in term deposit		(2,827)	12,294
Payments for acquisition of property, plant and equipment		(1,757)	(1,467)
Proceed from the sale of subsidiary		-	2,222
Payment for purchase of subsidiary		-	(44,299)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,584)	(31,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayments of) borrowings		(13,685)	27,928
Finance lease principal paid		(1,345)	(1,190)
Equity dividend paid		(2,739)	(1,971)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(17,769)	24,767
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,125	3,586
Cash and cash equivalents at beginning of period		27,356	23,770
Impact of foreign exchange		751	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	22(b)	34,232	27,356

1. CORPORATE INFORMATION

The financial report of Phosphate Resources Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 21 September 2012.

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

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2011.

- AASB 1054 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2011
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets (AASB1 & AASB7) effective 1 July 2011
- AASB 2010-9 Amendments to Australian Accounting Standards – Sever Hyperinflation and Removal of Fixed Dates for First-time adopters (AASB1) – effective 1 July 2011
- AASB2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation (AASB127, AASB128 & AASB131) effective 1 July 2011
- AASB2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB112) effective 1 January 2012

The adoption of the above Standards or Interpretations does not have an impact on the financial statements or performance of the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New accounting standards and interpretations (continued)

AASB 1054 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2011

This standard, with AASB2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- Compliance with Australian Accounting Standards
- The Statutory basis or reporting framework for financial statements
- Whether the entity is a for-profit or not-for profit entity
- Whether the financial statements are general purpose or special purpose
- Audit fees
- Imputation credits

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets (AASB1 & AASB7) effective 1 July 2011

The amendment increases the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-9 Amendments to Australian Accounting Standards – Sever Hyperinflation and Removal of Fixed Dates for First-time adopters (AASB1) – effective 1 July 2011

In respect of the removal of fixed dates, the amendments provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian Accounting Standards financial statements or to present Australian Accounting Standards financial statements for the first time.

AASB2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation (AASB127, AASB128 & AASB131) effective 1 July 2011

This standard makes amendments to:

- AASB127 *Consolidated and Separate Financial Statements*
- AASB128 *Investment in Associates*
- AASB131 Interests in Joint Ventures

to extend the circumstances in which an entity can obtain relief from consolidation, the equity method to proportionate consolidation, and relates primarily to those applying to reduced disclosure regime or not-for-profit entities.

AASB2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB112) effective 1 January 2012

These amendments address the determination of deferred tax on investment property measured at fair value and introduce rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB112.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective.
Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2012. These are outlined in the table below:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB1, 5, 7, 101, 112, 132, 133, 134, 1039 & 1049]
- AASB 9 – Financial Instruments
- AASB 10 - Consolidated Financial Statements
- AASB 11 - Joint Arrangements
- AASB 12 - Disclosure of Interests in Other Entities
- AASB 13 – Fair value Measurements
- AASB 119 – Employee Benefits
- Interpretation 20 – Stripping costs in the Production Phase of a Surface Mine
- Annual Improvements 2009-2011 The following items are addressed by this standard:
    - IFRS 1 First-time Adoption of IFRS
        - Repeated application of IFRS1
        - Borrowing costs
    - IAS1 Presentation of Financial Statements
        - Clarification of the requirements for comparative information
    - IAS16 Property, plant and equipment
        - Classification of servicing equipment
    - IAS32 Financial Instruments: Presentation
        - Tax effect of distribution to holders of equity instruments
    - IAS 34 Interim Financial Reporting
        - Interim financial reporting and segment information for total assets and liabilities
- AASB2011-4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements
- AASB1053 – Application of Tiers of Australian Accounting Standards – This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements
- AASB 2012-5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle
- AASB 2012-3 - Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

The impact of these amendments for future years has not been assessed by management.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Phosphate Resources Limited and its subsidiaries and as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

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

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 less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(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.

(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 from 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:

Class of Fixed Asset	*Depreciation Rate*
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.

(f) 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.

(g) 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 of these assets (refer to note 2(l) for accounting policy on recoverable amount).

(h) 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.

(i) 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.

(j) 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.

(k) Impairment of non-financial assets other than goodwill

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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers — being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and

the segments are similar in each of the following respects:

► Nature of the products and services

► Nature of the production processes

► Type or class of customer for the products and services

► Methods used to distribute the products or provide the services, and if applicable

► Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(s) 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.

(t) 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.

(u) 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.

(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.

(x) Plantation development costs

Costs incurred on land clearing are capitalised as plantation development costs and is amoritsed over the economic useful life of the asset (25 years). Costs on the concession lease with a term of 60 years are capitalised and amortised over the remaining term of lease.

(y) Biological assets

Biological assets which include mature and immature oil palm plantations are stated at fair value less estimated point of sale costs except when the fair value cannot be measured reliably. In this instance, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Fresh fruit bunches (which are subsequently milled to become palm oil) is the harvested product of a biological asset and is measured at its fair value less estimated point of sale costs at the point of harvest.

Net movement in fair value less estimated point of sale costs of biological assets are included in the statement of comprehensive income in the year they arise.

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, interest bearing loans and borrowings 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 exposure to market interest rates relates primarily to the Group's long term debt obligations. 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.

The interest rates for term deposits are fixed and there is no material risk for interest bearing assets. There is no other financial asset or liability bearing interest rate risk except for interest bearing loans and borrowings, the sensitivity of which is disclosed below.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk

Interest rate risk (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Profit higher/(lower)		Other comprehensive income higher/(lower)	
	2012	2011	2012	2011
	$000	$000	$000	$000
1% (100 basis points)	318	(305)	318	(305)
-1% (100 basis points)	(318)	305	(318)	305

Reasonable possible movements in interest rates were determined based on the Group's mix of debt in Australia and foreign countries, relationship with financial institutions and review of last two years' historical movements and economic forecaster's expectations.

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 2012	≤6 months	6-12 months	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash	34,232	-	-	-	34,232
Trade and other receivables	28,524	-	-	-	28,524
Term deposits	-	13,015	-	-	13,015
Foreign exchange contracts	241	143	-	-	384
Financial liabilities					
Trade and other payables	9,989	-	-	-	9,989
Interest bearing loans and borrowings	3,039	3,013	10,290	-	16,342

Year ended 30 June 2011	≤6 months	6-12 months	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash	27,356	-	-	-	27,356
Trade and other receivables	23,544	-	-	-	23,544
Term deposits	-	10,188	-	-	10,188
Foreign exchange contracts	3,134	2,174	-	-	5,308
Financial liabilities					
Trade and other payables	11,267	-	-	-	11,267
Interest bearing loans and borrowings	3,268	3,268	23,956	-	30,492

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) 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 2012, 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:

Judgements of reasonably possible movements:	**Post tax profit Higher/Lower**		**Equity Higher/Lower**	
	2012 $'000s	**2011 $'000s**	**2012 $'000s**	**2011 $'000s**
Consolidated				
AUD/USD + 10%	(1,707)	(2,327)	(1,707)	(2,327)
AUD/USD - 10%	1,552	2,560	1,552	2,560
Parent				
AUD/USD + 10%	(1,707)	(2,327)	(1,707)	(2,327)
AUD/USD - 10%	1,552	2,560	1,552	2,560

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

d) Fair values

The Directors have performed a review of the financial assets and liabilities as at 30 June 2012 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.
- Bank loan – All the bank loans of the Group are interest bearing with floating interest rates which move in accordance with the market interest rates. Therefore the fair value of the bank loans approximates their carrying value.

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

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.

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.

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.

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

Significant accounting estimates and assumptions (continued)

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.

Fair value of biological assets

The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price and the estimated yield of the agricultural produce, being FFB, net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, location of the plantations, soil type and infrastructure. The market price of FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

	Consolidated 2012 $'000s	Consolidated 2011 $'000s
5. REVENUES AND EXPENSES		
(a) Revenue		
Sale of goods		
Phosphate sales	92,626	84,127
Oil sales	735	690
Palm Oil product sales	33,497	9,986
	126,858	94,803
Rendering of services		
Stevedoring	1,749	2,242
Other	7,710	7,782
Other revenue		
Finance revenue – interest	852	1,775
	137,169	106,602
(b) Cost of sales		
Cost of production:		
Production costs	62,246	52,514
Royalties	1,420	942
Insurance	1,780	1,834
	65,446	55,290
Shipping and marketing costs:		
Shipping charges	15,302	16,596
Port charges	1,615	1,507
Levy	1,258	1,179
Commission	141	190
	18,316	19,472
Depreciation:		
Plant and equipment	3,510	2,677
Total cost of sales	87,272	77,439

	Consolidated 2012 $'000s	Consolidated 2011 $'000s
5. REVENUES AND EXPENSES (CONTINUED)		
(c) Other income		
Government grants	-	1
Net gain/(loss) on disposal of assets	6	29
Foreign exchange gain	1,109	1,822
	1,115	1,852
(d) Other expenses		
Redundancy expense	923	1,192
Depreciation	34	33
Administration	12,418	10,889
Impairment of goodwill	422	-
Gain on disposal of a subsidiary (29)	-	(287)
Bad debt expense	1	650
Foreign exchange loss	117	2,218
Allowance for inventory obsolescence	25	-
Change in fair value of biological assets	1,059	-
Others	-	88
	14,999	14,783
(e) Finance costs		
Interest expense	904	-
Finance lease	7	-
Accretion on demolition provision	600	600
	1,511	600

	Consolidated	
	2012	2011
	$'000s	$'000s
6. INCOME TAX		
The major components of income tax are:		
Income statement		
Current income tax		
Current income tax charge	13.461	6,473
Adjustments in respect of current income tax of previous years	11	(546)
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,611)	(1,129)
Adjustments in respect of deferred tax of previous years	307	1,635
Income tax expense reported in the income statement	11,168	6,433
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	34,502	15,632
At the Group's statutory income tax rate of 30% (2011: 30%)	10,351	4,690
Income/expenditure not allowable for income tax purposes:		
Add:		
- Adjustments in respect of current income tax of previous years	11	(546)
- Expenditure not allowable for income tax purposes	618	478
- Prior year adjustment in respect of temporary difference	307	1,635
- Deferred tax asset not brought to account	131	176
- Difference in global tax rates	(250)	-
Aggregate income tax expense	11,168	6,433

	Balance Sheet		*Income Statement*	
	2012	**2011**	**2012**	**2011**
	$'000s	**$'000s**	**$'000s**	**$'000s**

6. INCOME TAX (CONTINUED)

Deferred income tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED

	Balance Sheet 2012 $'000s	Balance Sheet 2011 $'000s	Income Statement 2012 $'000s	Income Statement 2011 $'000s
Deferred tax liabilities				
Consumables	(1,624)	(1,352)	272	410
Accelerated depreciation – fixed assets	(8,685)	(9,090)	(405)	3
Mine properties[(i)]	-	-		-
Unrealised forex gains	(115)	(1,592)	(1,477)	(567)
Gross deferred income tax liabilities	(10,424)	(12,034)		
Deferred tax assets				
Provisions and accruals	5,074	4,434	(640)	(586)
Depreciation – fixed assets	1,347	1,215	(132)	(168)
Unrealised forex loss	128	206	78	(206)
Allowance for doubtful debt	-	-		1,620
Gross deferred income tax assets	6,549	5,855		
Deferred tax income/(expense)			(2,304)	506

(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.

The parent entity has made non-current provisions for demolition of $8,104,000 (2011: $7,504,000) and employee redundancies of $7,282,000 (2011: $6,009,000). The future income tax benefit relating to the provision on restoration and demolition is not probable of 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 2012 $'000s	Consolidated 2011 $'000s
7. DIVIDENDS		
(a) Dividends proposed		
– Franked dividend	-	-
(b) Dividends paid or provided for during the year		
Current year interim		
– Franked dividend	1,369	1,027
Previous year final		
– Franked dividend	1,370	685
(c) Franking credits balance		
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% (2011: 30%)	45,073	39,340
– franking credits that will arise/reduce from the payment/refund of income tax payable/receivable as at the end of the financial year	6,466	5,733
	51,539	45,073

The tax rate at which paid dividends have or will be franked is 30% (2011: 30%).

	Consolidated 2012 $'000s	Consolidated 2011 $'000s
8. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade debtors	28,514	23,542
Other Debtors	10	2
	28,524	23,544

Trade debtors are non-interest bearing and are generally on 30-90 day terms. As at 30 June 2012, no trade receivables were considered impaired (2011: nil).

	2012 $'000s	2011 $'000s
9. INVENTORIES (CURRENT)		
Consumable materials and stores at cost	4,726	3,854
Finished goods at cost	7,380	8,058
	12,106	11,912

	2012 $'000s	2011 $'000s
10. OTHER (CURRENT)		
Prepayments	827	764
Forward currency contracts – held for trading[a]	384	5,308
	1,211	6,072

[a] *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 2012 $'000s	Notional amounts $AUD 2011 $'000s	Average exchange rate 2012	Average exchange rate 2011
Sell US$/buy Australian $				
Consolidated				
Sell US$ maturity 0 to 12 months	17,320	25,602	0.9815	0.8281
Sell US$ maturity 12 to 24 months	-	-	-	-

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 $0.093 million for the Group (2011: gain of $1.822 million).

10. OTHER (CURRENT) - CONTINUED	Consolidated	
	2012 $'000s	2011 $'000s

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: the fair value is calculated using quoted price in active markets;
Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (as price) or indirectly (derived from prices); and
Level 3: the fair value is estimated using inputs for the assets or liability that are not based on observable market data.

	Level 1 '000	Level 2 '000	Level 3 '000	Total '000
Forward currency contracts – held for trading	-	384	-	384
	-	384	-	384

Transfer between categories:
There were no transfer between level 1 and level 2 during the year.

11. TERM DEPOSITS (NON-CURRENT)

	2012	2011
Trust fund term deposit	5,235	4,446
Demolition and restoration bonds	2,186	2,059
Other term deposits	5,594	3,683
	13,015	10,188

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 $5,235,000 (2011: $4,446,448). The interest earned on the term deposit of $288,675 (2011: $211,140) has been added to the term deposit.

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

12. INTERESTS IN SUBSIDIARIES

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2012 %	2011 %	2012 $'000s	2011 $'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 (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources Laos Pty Ltd (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources (China) Ltd (i)	Hong Kong	100	100	1	1
- Phosphate Resources Plantations Pty Ltd (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources (Malaysia) Sdn Bhd (i)	Malaysia	100	100	-	-
- Cheekah-Kemayan Plantation Sdn Bhd (ii)	Malaysia	100	100	48,296	48,296
				49,702	49,702

(i) Overseas controlled entities carry 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.

	Consolidated 2012 $000's	Consolidated 2011 $'000s
13. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Land		
At cost	26,645	26,839
Accumulated depreciation	(471)	(72)
	26,174	26,767
Leasehold buildings		
At cost	4,869	4,788
Accumulated depreciation	(2,093)	(1,923)
	2,776	2,865
Land and buildings		
At cost	383	383
Accumulated depreciation	(146)	(146)
	237	237
Strata title properties		
At cost	1,215	1,191
Accumulated depreciation	(227)	(211)
	988	980
Plant and equipment		
At cost	55,897	54,054
Accumulated depreciation and impairment	(44,941)	(42,924)
	10,956	11,130
Plant and equipment under lease		
At cost	4,079	4,371
Accumulated depreciation	(2,576)	(1,958)
	1,503	2,413
Construction in progress	2,369	1,201
Total property, plant and equipment		
At cost	95,457	92,827
Accumulated depreciation and impairment	(50,454)	(47,234)
Net carrying amount	45,003	45,593

(a) Assets pledged as security:

Included in all balances above are assets of Phosphate Resources Limited and, Phosphate Resources Properties Pty 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 shares in Cheekah-Kemayan Plantation Sdn Bhd are pledge as a security on a USD bank loan and the assets of Cheekah-Kemayan Plantation Sdn Bhd are pledged as a security over a bank overdraft facility. The net book values of the assets pledged are:

	2012	2011
	56,138	59,320

(b) Reconciliations

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

	Consolidated	
	2012 **$'000s**	**2011** **$'000s**
Leasehold Land		
Carrying amount at beginning	26,767	-
On acquisition of subsidiary	-	26,839
Depreciation expense	(399)	(72)
Foreign exchange difference	(193)	-
	26,174	26,767
Leasehold buildings		
Carrying amount at beginning	2,865	145
Transfer from construction in progress	91	180
Additions	12	2,675
Depreciation expense	(183)	(132)
Foreign exchange difference	(8)	(3)
	2,776	2,865
Land and buildings		
Carrying amount at beginning	237	428
Disposal of subsidiary	-	(190)
	237	237
Strata title properties		
Carrying amount at beginning	980	1,092
Depreciation expense	(12)	-
Foreign exchange difference	20	(112)
	988	980

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Reconciliations (continued)	Consolidated 2012 $'000s	Consolidated 2011 $'000s
Plant and equipment		
Carrying amount at beginning	11,130	6,109
Transfer from construction in progress	1,549	2,074
Additions	291	6,390
Transfer from/(to) equipment under lease	-	39
Disposals	(13)	(1,136)
Depreciation expense	(1,925)	(2,030)
Foreign exchange difference	(76)	(316)
	10,956	11,130
Plant and equipment under lease		
Carrying amount at beginning	2,413	2,950
Additions	30	201
Transfer (to)/from plant and equipment	-	(39)
Depreciation expense	(937)	(699)
Foreign exchange difference	(4)	-
	1,503	2,413
Construction in progress		
Carrying amount at beginning	1,201	136
Additions	2,809	3,255
Transferred to plant and equipment	(1,641)	(2,190)
	2,369	1,201

14. GOODWILL

Goodwill arising from business combination (Note 30)	7,635	7,635
Impairment	(422)	-
Impact of foreign exchange	(55)	-
	7,158	7,635

Goodwill acquired through business combination has been allocated to the Palm Oil CGU, which is also a reporting and operating segment for impairment testing. The net carrying amount of Goodwill at 30 June 2012 was 7,158,000 (2011: 7,635,000) which includes an accumulated impairment charge of 422,000 during the year (2011: nil).

The recoverable amount of the Palm Oil CGU has been determined using a value in use calculation using cash flow projections prepared as part of an external valuation of the plantation. The pre-tax discount rates applied to cash flow projections is 11% (2011: 11%) and the cash flows are forecast for 62 years using an initial palm oil price of RM2,600 (2011: RM3,000) and a growth rate of 2.5% (2011: 2.5%). As a result of the analysis, management has recognised an impairment charge of $422,000 against goodwill previously carried at 7,635,000, which is recorded against other expenses.

	Notes	Consolidated 2012 $'000s	Consolidated 2011 $'000s
15. TRADE AND OTHER PAYABLES (CURRENT)			
Trade Creditors		9,989	11,267
		9,989	11,267

Trade creditors are non-interest bearing and are normally settled on 30-60 day terms.

	Notes	2012 $'000s	2011 $'000s
16. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)			
Insurance premium funding loan		-	518
Bank loan	16 (a),(b),(c),(d)	4,906	4,656
Lease liability	29(a)	693	1,362
		5,599	6,536

(a) Interest rate risk and liquidity risk
Details regarding interest rate risk and liquidity risk are disclosed in Note 3.

(b) Fair value
The carrying amount of the borrowings approximates their fair value as the borrowings are at floating interest rates which move in accordance with market rates.

(c) Defaults and breaches
During the current there were no defaults or breaches on any of the loans.

(d) Financing facilities available
At reporting date, the following financing facilities had been negotiated and were available:

	2012	2011
Total facilities	15,219	28,454
Facilities utilised at reporting date	(14,719)	(27,954)
Facility unused at reporting date	500	500

	2012	2011
17. PROVISIONS (CURRENT)		
Employee entitlements	5,814	2,765

18. INTEREST-BEARING LOANS AND BORROWINGS (NON-CURRENT)

		Consolidated 2012 $'000s	Consolidated 2011 $'000s
Bank loan	16 (a),(b), (c),(d)	9,813	23,280
Lease liabilities	29(a)	50	676
		9,863	23,956

19. PROVISIONS (NON-CURRENT)

		2012	2011
Redundancy	(a)	7,282	6,499
Employee entitlements		776	2,465
		8,058	8,964
Decommissioning and restoration	(b)	8,104	7,504
		16,162	16,468

(a) ***Provision for redundancy***

The amounts 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 $783,000 during the year ended 30 June 2012 (2011: $1,150,000).

(b) ***Provision for decommissioning and restoration***

Based on the Mining Lease Agreement between the Commonwealth Government and Phosphate Resources Limited a provision for decommissioning and restoration 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 decommissioning and restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the decommissioning and restoration 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.

(c) ***Movement in provisions***

	Consolidated $'000s
Provision for decommissioning and restoration :	
Carrying amount at the beginning of the financial year	7,504
Additional provision	-
Change in net present value of provision:	
- Credited to profit or loss	600
Carrying amount at the end of the financial year	8,104

	Consolidated			
	2012 $'000s	2011 $'000s	2012 Number on issue	2011 Number on issue
20. CONTRIBUTED EQUITY	4,509	4,509	3,423,507	3,423,507

(a) Movements in ordinary shares on issue

	$'000s	Number on issue
Balance at the beginning and end of the year	4,509	3,423,507

(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	
	2012 $'000s	2011 $'000s
21. RESERVES		
(a) Foreign currency translation reserve		
Foreign currency translation reserve	(736)	(412)
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
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.		
	(279)	32

	Consolidated	
	2012 $000	2011 $000
22. CASH FLOW STATEMENT		
(a) Reconciliation of the operating profit after tax to the net cash flows from operations		
Profit after tax	23,334	10,121
Non-Cash Items		
Depreciation and amortisation	3,544	2,776
Unrealised foreign exchange (gain) / loss	2,239	388
Gain on disposal of non-current assets	6	-
Impairment	422	-
Gain on disposal of subsidiary	-	(294)
Accretion of demolition provision	600	600
Bad debts	-	650
Change in fair value of biological asset	1,059	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(4,980)	(7,598)
Movement in deferred tax balances	(2,304)	112
(Increase)/decrease in inventories	(194)	(1,538)
Decrease in trade creditors and accruals	(1,278)	6,295
Increase in provisions	2,793	(112)
Decrease/(increase) in prepayments	(63)	31
(Decrease)/increase in tax payable	3,350	(1,362)
Net cash flow from operating activities	28,478	10,069
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	34,232	27,356

(c) The chief and economic entity have a bank overdraft facility available to the extent of $500,000 (2011: $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 10.94% (2011: 11.2%).

	Consolidated	
	2012 $000	2011 $000
23. EMPLOYEE ENTITLEMENTS, REDUNDANCY AND SUPERANNUATION COMMITMENTS		
Employee Entitlements		
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries, bonus and on costs	760	596
Provisions (current)	5,814	2,765
Provisions (non-current)	8,058	2,465
	14,632	5,826

Retirement and superannuation payments

The percentage amounts of base salaries and wages paid to superannuation funds by the economic entity is 11% (2011: 11%) for permanent employees and 9% (2011: 9%) for casual employees. The amount required by the Superannuation Guarantee Scheme is 9% (2011: 9%).

24. 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 Lai Ah Hong is the owner of property MQ 77 on Christmas Island leased to Indian Ocean Stevedores Pty Ltd for three years ending 10 April 2011. Mr Lai Ah Hong received a total rent of $31,200 during the year(2011: 24,050)

(ii) 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 $10,721 (2011: $10,666) 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 $500,645 (2011: $492,868).

(ii) Management services are provided to Phosphate Resources Ltd by Phosphate Resources (Malaysia) Sdn Bhd on commercial terms. Total services provided for the year was $772,899 (2011: $767,209)

(iii) 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 $54,600 (2011: $44,200).

(iv) Indian Ocean Oil Company Pty Ltd provides fuel to Phosphate Resources Limited under commercial terms and conditions. Total fuel sales for the year were $7,264,791 (2011: $7,090,314).

(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 (2011: $1,200)

RELATED PARTY TRANSACTIONS (CONTINUED)

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

(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 $42,000 (2011: $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 $60,000 (2011: $36,000).

(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 (2011: $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 $33,910 (2011: $35,500).

(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 $1,000 (2011: $1,500).

(xi) Phosphate Resources Ltd provided fuel to CI Maintenance Services Pty Ltd on normal commercial terms. Total fuel sales for the year were $10,813 (2011: $10,435).

(xii) CI Resources Limited is the ultimate controlling entity.

25. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Compensation by category: Key Management Personnel

	Consolidated	
	2012 $	2011 $
Short-term	2,001,687	1,935,687
Post-employment	147,582	147,618
	2,149,269	2,083,305

(b) Shareholdings of Key Management Personnel (consolidated)

	Fully Paid Ordinary Shares		
30 June 2012	Held at 1 July 2011	Net change other	Held at 30 June 2012
Directors			
Lai Ah Hong	55,001	-	55,001
Chan Khye Meng	1	-	1
Cheng Hang	55,000	-	55,000
Phua Siak Yeong	11,000	-	11,000
Phuar, Kong Seng	-	19,000	19,000
Executives			
Kevin Edwards	5,000	1,500	6,500
Alfred Chong	2,000	-	2,000
Allan Robartson	2,000	1,500	3,500
Total	130,002	22,000	152,002

	Fully Paid Ordinary Shares		
30 June 2011	Held at 1 July 2010	Net change other	Held at 30 June 2011
Directors			
Lai Ah Hong	55,001	-	55,001
Chan Khye Meng	1	-	1
Cheng Hang	55,000	-	55,000
Phua Siak Yeong	-	11,000	11,000
		-	-
Executives		-	-
Kevin Edwards	5,000	-	5,000
Alfred Chong	2,000	-	2,000
Allan Robartson	2,000	-	2,000
Total	119,002	(11,000)	130,002

DIRECTOR AND EXECUTIVE DISCLOSURE (CONTINUED)

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

(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	
	2012	**2011**
	$	**$**
26. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- audit of the financial report of the parent entity and the consolidated entity	150,000	134,000
- review of the half year financial report of the consolidated entity	43,000	43,000
- other services	-	15,000
	193,000	192,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for the audit of the financial statements	33,150	12,688
	226,150	204,688
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	-	-
	226,150	204,688

	Consolidated	
	2012 $'000s	2011 $'000s
27. EXPENDITURE COMMITMENTS		
(a) Lease expenditure commitments		
Operating leases		
- not later than one year	374	274
- later than one year and not later than five years	235	217
- total minimum payments	609	491

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	***2012***		***2011***	
	Minimum Lease Payments	***Present Value of Lease Payments***	***Minimum Lease Payments***	***Present Value of Lease Payments***
CONSOLIDATED	***$'000s***	***$'000s***	***$'000s***	***$'000s***
Within one year	716	693	1,477	1,362
After one year but not more than five years	58	50	691	676
Total minimum lease payments	774	743	2,168	2,038
Less amounts representing future finance charges	(31)	-	(130)	-
Present value of minimum lease payments	743	743	2,038	2,038

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 $0.65 million (2011: $0.36 million) for items of plant on order but not yet delivered.

28. BUSINESS COMBINATION

Acquisition of Cheekah-Kemayan Plantation SDN. BHD.

Effective 1 May 2011 Phosphate Resources Limited, acquired a 100% interest in Cheekah-Kemayan Plantations SDN. BHD. a company incorporated in Malaysia with principal activities of oil palm cultivation and palm oil processing. The total cost of the acquisition was $48.293 million and was settled by way of cash.

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

	CONSOLIDATED	
	Recognised on acquisition	Acquiree Carrying value
	$'000s	$'000s
Cash	2,436	2,436
Trade and other receivables	412	412
Inventory	621	622
Property, plant and equipment	35,950	12,855
Biological assets	12,448	2,088
Goodwill arising on acquisition	7,635	-
	59,502	18,413
Trade payables	(1,881)	(1,881)
Hire purchase	(89)	(89)
Tax payable	(124)	(124)
Deferred tax liability	(9,115)	(1,480)
	(11,209)	(3,574)
Fair value of identifiable net assets	48,293	
Direct cost of acquisition	535	
Fair value of consideration paid:		
Cash	46,735	
Deferred consideration	1,557	
Total consideration paid	48,292	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	2,436	
Cash paid	(46,735)	
Net consolidated cash outflow	(44,299)	

BUSINESS COMBINATION (CONTINUED)
The consolidated statement of comprehensive income for the year ended 30 June 2011 includes sales revenue and net profit of $9.99m and $0.88m respectively, as a result of the acquisition of Cheekah-Kemayan Plantations Sdn Bhd. Had the acquisition of Cheekah-Kemayan Plantations Sdn Bhd occurred at the beginning of the prior reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $60.7m and $3.8m respectively for the year ended 30 June 2011.

29. DISCOUNTINUED OPERATIONS

On 18 April 2011 Phosphate Resources (China) Ltd entered into agreement with Fertiliser Futures Ltd to sell its entire interest of 59.275% in Phosphate Resources (Hua Li) Ltd ("PRL Hua Li"). The disposal was completed on 31 May 2011, on which date control of the business was passed to the acquirer.

PRL Hua Li held investment in Kaiyang County Tenglong Mineral Resources Enterprise which was engaged in exploration, mining, ore processing and sales of apatite and apatite related product. PRL Hua Li also owned direct interest in mine properties.

Due to continued difficulties, cost uncertainties and constant regulatory changes the directors of the group decided to sell group's interest in PRL Hua Li.

30. BIOLOGICAL ASSETS

	2012 $'000s	2011 $'000s
Carrying amount on acquisition of subsidiary	12,332	12,332
Harvest/amortisation	(88)	-
Effect of foreign exchange	(50)	-
Fair value adjustment	(1,059)	-
Carrying amount at end	11,135	12,332

Biological assets consist of mature oil palm trees.

The Group grows oil palm trees to produce palm oil. The plantation is located in Malaysia.

A valuation was conducted by Jones Lang Wootton, an independent professional valuer, on a subsidiary's oil palm estate development comprising land, ancillary facilities and biological assets, for the purposes of revaluing the biological assets of the subsidiary as at 30 June 2012.

The Group is exposed to risks in respect of agricultural activity. The agricultural activity of the Group consists of the plantation development and cultivation of palm products.

The primary risk associated with this activity occurs due to the length of time between expending cash on the purchase of planting and maintenance of oil palm plantation and in harvesting, and ultimately receiving cash from sale of palm oil to third parties. The Group's strategy to manage this risk is to get adequate insurance coverage.

31. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operation decision makers) in assessing performance and in determining the allocation of resource.

The Group has identified its operating segments to be Mining and Farming based on the different operating businesses within the Group. Discrete financial information about each of these operating segments is reported to the chief operation decision makers on a monthly basis.

Mining operating segment primarily involves mining, processing and sale of phosphate rock, phosphate dust and chalk

Farming operating segment primarily involves oil palm cultivation and palm oil processing

The accounting policy used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts.

Deferred tax assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

	Year ended 30 June 2012				Year ended 30 June 2011			
	Phosphate Sale $'000	Palm Oil Sale $'000	Unallocated $'000	Total $'000	Phosphate Sale $'000	Palm Oil Sale $'000	Unallocated $'000	Total $'000
Revenue								
Revenue from external customers	92,626	33,497	-	126,123	84,815	9,986	-	94,801
Interest income	657	-	195	852	1,029		748	1,777
Stevedoring	-	-	1,784	1,784			2,242	2,242
Rendering of services	-	-	7,710	7,710			7,782	7,782
Other sales	-	-	700	700			-	-
Total segment revenue	93,283	33,497	10,389	137,169	85,844	9,986	10,772	106,602
Result								
Segment net operating profit after tax (attributable to parent)	21,076	3,370	(1,112)	23,334	8,039	888	1,840	10,767
Depreciation and amortisation	2,116	618	810	3,554	2,005	279	492	2,776
Income tax expense	9,554	1,242	372	11,168	5,451	370	612	6,433
profit/(loss) from discontinued operations after income tax (including share of Non-Controlling Interest	-	-	-	-	1,555	-	-	1,555
Assets and Liabilities								
Segment assets	93,493	56,410	9,151	159,054	73,027	62,451	15,009	150,487
Segment liabilities	49,359	8,128	6,671	64,158	52,674	13,470	9,718	75,862

32. INFORMATION RELATING TO PHOSPHATE RESOURCES LIMITED ("THE PARENT ENTITY")

	2012 $'000s	2011 $'000s
Current assets	60,206	52,379
Total assets	136,599	128,293
Current liabilities	22,534	16,762
Total liabilities	49,359	59,390
Issued capital	4,509	4,509
Retained earnings	82,274	63,937
Share option reserve	457	457
	87,240	68,903
Profit or loss for the parent entity	21,076	6,484
Total comprehensive income of the parent entity	21,076	6,484

33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

34. 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.

DIRECTORS' DECLARATION

PHOSPHATE RESOURCES LIMITED
FOR THE YEAR ENDED 30 JUNE 2012

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 2012 and of their performance for the year ended on that date; and

(ii) complying with *Accounting Standards (including Australian Accounting Interpretations) and Corporations Regulations 2001;*

(b) the financial statement and notes also comply with International Financial Reporting Standards as disclosed in Note 2; 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	**LAI Ah Hong**
Chairman	Managing Director

Dated: 21 September 2012

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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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

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Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 3 to 5 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Phosphate Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
21 September 2012

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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 financial year ended 30 June 2012, 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

Ernst & Young

R J Curtin
Partner
21 September 2012