

Form 1003

Disclosure notice for unlisted disclosing entity

ANNEXURE “ A ”

Phosphate Resources Ltd

Impairment of China Acquisition

The Board of Directors of Phosphate Resources Limited have accepted the advice of its wholly owned subsidiary Phosphate Resources (China) Ltd (Hong Kong) and decided to impair by a further \$2.875 million the value of the Phosphate Resources (China) Ltd 59.275% share of the Hua Li mines in Kaiyang County, Guizhou Province, China held in Phosphate Resources (Hua Li) Ltd.

The decision brings the valuation into line with recent sale prices achieved for substantial shareholdings held by other parties in the mine.

Phosphate Resources (China) Ltd have reported that the mining operations were break even for 2009/10. However the extensive floods in China over past months have limited the demand for fertiliser products and the operation remains marginal.

The final determination of the Chinese government decreed consolidation with an adjacent mine and the final operating arrangements are contingent on ore reserve estimates being agreed after the completion of a Chinese government directed drilling programme currently in progress. Until this is finalised the ongoing profitability of the investment will remain in doubt.

The entire impairment charge has been allocated to mine properties

A handwritten signature in black ink, appearing to read 'Kevin Edwards', with a long horizontal stroke extending to the right.

Kevin Edwards
Company Secretary
24 August 2010