

ASX RELEASE

31 July 2012

ASX Code: POZ



QUARTERLY REPORT

Period Ending 30 June 2012

Highlights:

Cash:

- A\$2.3m cash at bank. Current JV negotiations are expected to further enhance Companys' financial comfort.

Phosphate:

- Feedback awaited from potential strategic financing partner for Highland Plains project (NT) from re-assaying of deposit's mineralisation.
- Market conditions for rock phosphate remain strong during June quarter.

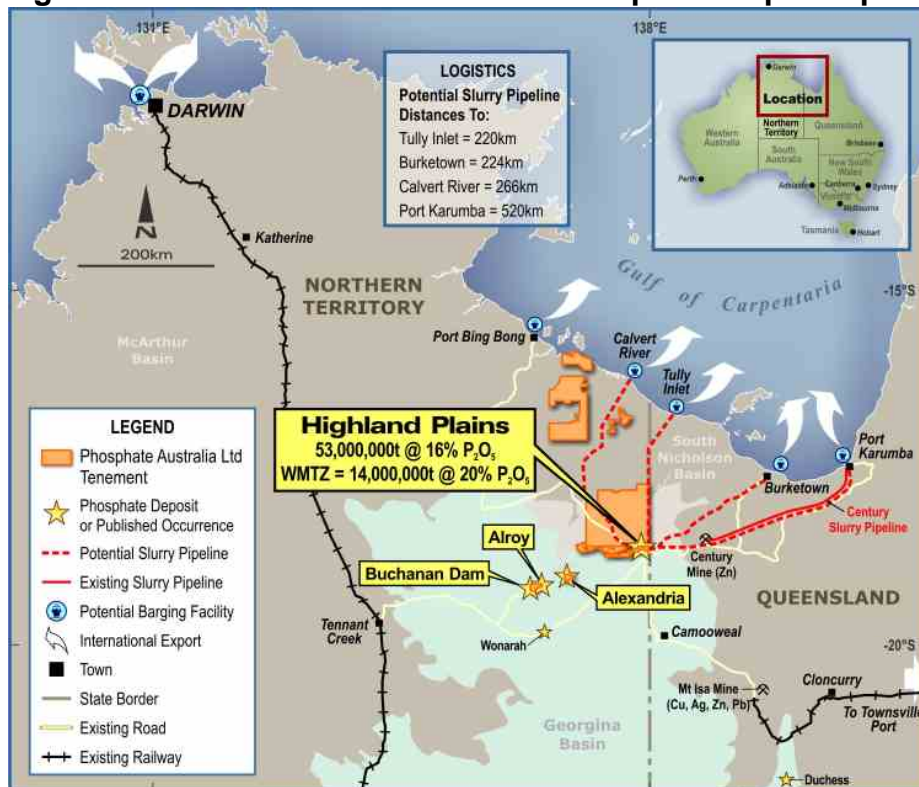
Gold:

- Assays awaited from completed third drill campaign on Tuckanarra project in WA.
- Planning mining licence application by year's end.

Iron ore:

- Key placement with experienced private investor – Lodestone Equities Limited.
- Negotiations underway with Lodestone over potential JV on Nicholson project (NT) in which POZ free carried.

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Tuckanarra Gold Project (WA)

During the Quarter, the Phase 3 RC drilling program was completed on the company's 100% owned Tuckanarra gold project in Western Australia. A total of 52 holes were drilled for 2,963 metres. Assays results from this drilling program will be released once they are all available.

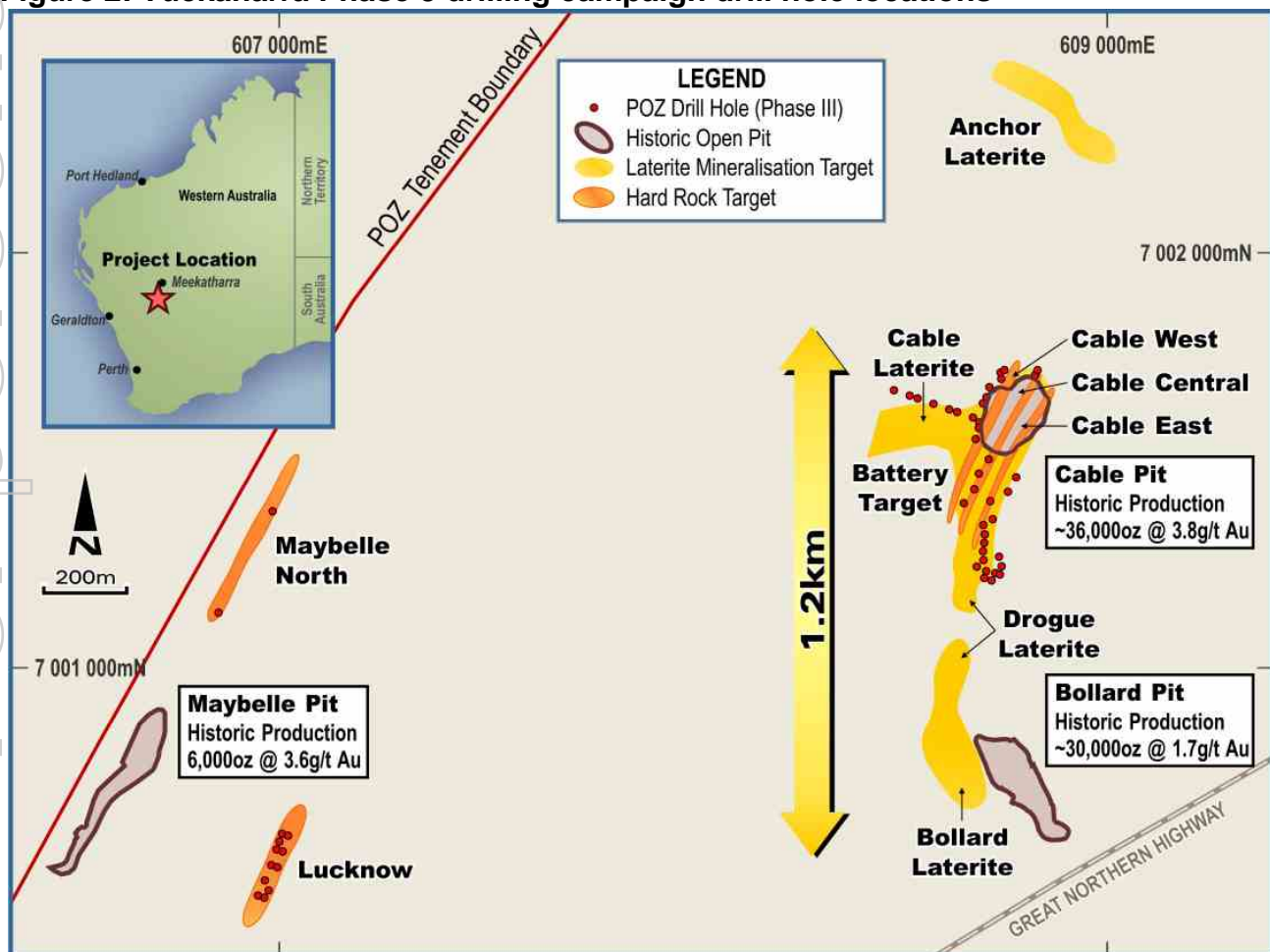
The Tuckanarra gold project lies within the prolific West Australian Murchison goldfield (Figure 2). The Tuckanarra project has historic production of ~125,000 ounces and was last mined in 1993 when the gold price was around US\$330 an ounce.

In-house gold resource modelling, incorporating the recent Company drilling and historic drilling, is currently underway. Environmental consultants have been commissioned to commence fauna and flora surveys and on-site studies with a view to the Company applying for a mining license later in the year.

For further information on the metallurgy results please refer to the POZ ASX releases dated 17 May 2012. More information on the geology of the Phase 3 drilling targets can be found in the POZ ASX release dated 12 June 2012

The Tuckanarra gold project is progressing well. The shallow and in parts high grade mineralisation, excellent initial metallurgical recoveries and the proximity of various third party gold processing mills, give the Company considerable confidence in this project.

Figure 2: Tuckanarra Phase 3 drilling campaign drill hole locations



2.0 Highland Plains Phosphate Project Update (Northern Territory)

Highland Plains has a JORC compliant Inferred Resource of 53 Mt at 16% P_2O_5 . The project is 100% owned by POZ and the Company is currently targeting the production and sale of up to 2 million tonnes per annum of beneficiated rock phosphate from Highland Plains, to be transported by slurry pipeline to a barging facility in the Gulf of Carpentaria for export.

The Company has been working to attract a Strategic Financial Partner ("SFP") in the project for over a year and has had numerous early-stage discussions and data exchanges with predominantly Asian-based groups. The Company has entered into non-binding discussions with a number of these groups and is currently awaiting a response to proposals that have been previously submitted.

As part of the due-diligence process, selected phosphatic drilling sample pulps were re-assayed and the results reported to a potential SFP's international consulting engineering firm. POZ is currently awaiting a discussion with the instigating potential SFP about the results of the re-assays and ways in which to progress the project.

Market conditions for the rock phosphate product which is targeted for export from Highland Plains remain buoyant with high grade ($>33\% P_2O_5$) material selling at around US\$170/t fob ex-Morocco. The Company remains committed to taking the project forward by selecting an appropriate established fertiliser industry participant. There can be no guarantee of being able to finalise joint venture arrangements for Highland Plains on terms acceptable to the Company but the Board continues to be encouraged.

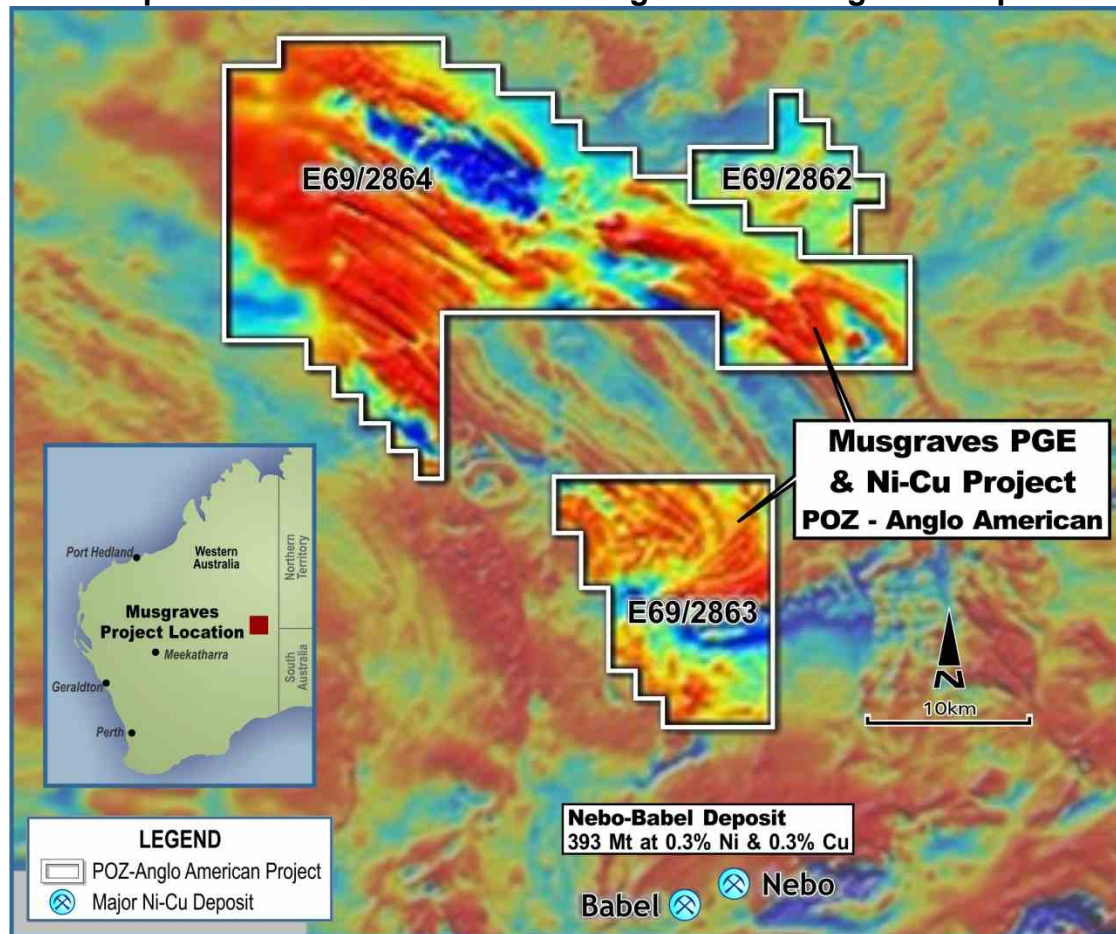
3.0 Musgrave PGE, Ni, Cu Project (WA)

As announced on 2 April 2012, the Company has negotiated a \$3 million, four year farm-in agreement for its Musgrave PGE, nickel and copper project in Western Australia, with Anglo American Exploration (Australia) Pty Ltd ("Anglo American"), a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups. This agreement covers the three core tenements within the Musgrave project area near the WA border with the NT and SA: E69/2862, E69/2863 and E69/2864 (Figure 3).

The key terms of the Agreement are for Anglo American to complete a SPECTREM airborne electro-magnetic survey over greater than 80% of the total area of the three tenements. Anglo American will have four years to meet the earn-in requirements at which point Anglo American will earn a 70% interest in the tenements and a Joint Venture will be formed. In order to meet the earn-in requirements, Anglo American must spend a minimum \$3 million dollars including the reimbursement of prior expenditure and completion of the SPECTREM survey.

Prior to vesting of the 70% interest, Anglo American is also required to complete a minimum of 5,000m of drilling on the tenements. POZ will be free-carried by Anglo American through any subsequent exploration and evaluation phases within the Joint Venture tenements until the completion of a Bankable Feasibility Study.

Figure 3: Phosphate Australia tenements on regional aeromagnetic map



Anglo American has recently completed the interpretation of its SPECTREM airborne electro-magnetic survey which was flown over the project area in March and April 2012. A number of bedrock conductors, potentially related to the presence of sulphides, have been identified and are recommended for on-ground follow-up work.

The three farm-in tenements have been granted and Anglo American is leading negotiations with the Ngaanyatjaraku Land Council to finalise an Access Agreement for the tenements which are located within Aboriginal Reserve lands. The aim of Anglo American is to follow up these SPECTREM anomalies once ground access has been secured.

The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel, 0.3% copper and 0.3 g/t PGE) remains the most significant discovery in the region to date.

4.0 Nicholson Iron Project (NT) and Capital Raising

Late in the Quarter, the Company entered into discussions with Lodestone Equities Limited (“Lodestone”) to negotiate a Joint Venture on the Nicholson iron project in the Northern Territory (NT). As announced on 2 July, POZ has signed a Letter Of Intent with Lodestone to finalise Joint Venture terms. POZ has granted Lodestone a period of exclusivity to negotiate a joint venture agreement covering POZ's 100% controlled Nicholson iron project. There is no guarantee this joint venture will be settled, but the Letter of Intent contains the following terms:

- Lodestone to pay POZ A\$1.0 million upon entering into the JV agreement in exchange for an option over 70% of the iron rights over the Nicholson iron project consisting of tenements EL25068, EL28152, EL28153, EL28157, EL(A)26604, EL(A)26645, EL(A)26646, EL(A)26649, EL(A)26650, EL(A)26648 and EL(A)28220.
- The option can be exercised by Lodestone within 3 years with the payment of A\$3 million to POZ.
- During the three year period, Lodestone shall spend a minimum of A\$3 million on iron ore exploration on the tenements and will sole fund that exploration.
- Upon exercise of the option, Lodestone to be entitled to 70% of the iron rights by way of an unincorporated joint-venture and POZ will have a 30% interest in the iron rights free carried, until completion of a Definitive Feasibility Study (DFS).
- POZ may elect to convert its 30% free carried interest to a 2% Free On Board (FOB) gross royalty at any time.
- The rights of both parties under the joint venture shall be transferrable.
- POZ will retain all rights to any other minerals on the Nicholson iron project tenements. The area of POZ's 100% owned Highland Plains phosphate deposit is excluded from the agreement covered under the Letter of Intent.

POZ has also placed 11 million ordinary shares at a consideration of 7.4 cents per share with Lodestone for a total raising of \$814,000. These shares have been issued within the Company's 15% share issue capacity pursuant to the ASX Listing Rules and in accordance with the 'excluded offer' provisions of The Corporations Act.

Discussions to agree on the final Joint Venture terms are currently underway and the Company is optimistic that this transaction may be settled in August.

5.0 Summary and Outlook

The Company continues to work patiently towards attracting an established fertiliser industry participant that would make a suitable partner for the Highland Plains rock phosphate export project. There are a number of groups currently considering data packages on Highland Plains provided by the Company and Phosphate Australia is also considering other avenues for potentially monetising this project.

In the interim, there are a number of due-diligence processes which are ongoing. The Board continues to stress that there can be no guarantee of being able to finalise joint venture arrangements for Highland Plains on terms acceptable to the Company but the proximity of the project to the coast, the exploration acreage that the Company would bring to the potential joint venture and the quantity and quality of technical work that the Company has conducted, continues to give the Board cause for optimism.

For the next Quarter, the Company will work towards releasing a reserves statement at Tuckanarra in conjunction with the finalisation of an initial wire-framed geological model. This model will then be used to plan development options at Tuckanarra and further drilling programs. In parallel with this activity, environmental and metallurgical investigations will continue in order to fast-track the project as rapidly as possible.

The Board is excited by the progress of Anglo-American on the Musgrave project with the receipt of the airborne electro-magnetic survey and looks forward to working with the Ngaanyatjaraku Land Council to negotiate an Access Agreement.

The focus for the Board in the next month will be the finalisation of the Nicholson iron project Joint Venture. The Board is hopeful that given early completion of the proposal that significant on-ground exploration could take place before the onset of the 2012-2013 northern wet season in November-December.

With the completion of the share placement to Lodestone, the Company is comfortably funded with \$2.3 million in cash. Completion of the Nicholson iron project Joint Venture will allow the Company to aggressively pursue its current projects with confidence over the next 12 months.

ANDREW JAMES
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr James Richards, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richards is a Director of POZ. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Phosphate Australia at a Glance

ASX Code: **POZ**

Phosphate Australia Limited is a rock phosphate development company targeting the production and sale of up to 2,000,000 tonnes per annum of premium grade beneficiated rock phosphate with low contaminants.

Highland Plains is the lead project with a JORC compliant Inferred Resource of 53 Mt at 16% P_2O_5 . The permit is 100% controlled by POZ. The Western Mine Target Zone has been targeted for a potential start-up operation at Highland Plains. This is the shallowest part of the deposit, with outcropping mineralisation and comprises a JORC compliant Inferred Resource of 14 Mt at 20% P_2O_5 as a subset of the global Inferred Resource.

The company also controls three other known phosphate occurrences in the Northern Territory at Alexandria, Alroy and Buchanan Dam. Buchanan Dam has a historical intersection of 6.1 m at 25% P_2O_5 from 12.2 m.

Currently un-granted permit applications controlled by the company to the north of Highland Plains are prospective for iron and uranium with access subject to the negotiation of an agreement with the Traditional Owners.



Capital Structure Snapshot 30 July 2012

Ordinary Shares on Issue: 120.9 million
Top 20 Shareholders: 75.0 million (62.0%)

Unquoted Options on Issue: 26.4 million

Share Price: A\$0.073
Undiluted Market Cap: A\$8.8 million

Number of Shareholders: 1078

Cash Balance: \$2.3 million

Board of Directors

Chairman: Jim Richards
Managing Director: Andrew James
Director/Company Secretary: Grant Mooney

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