

## ASX RELEASE

31 July 2013

ASX Code: POZ



## QUARTERLY REPORT

Period Ending 30 June 2013

### Summary:

#### Musgraves Ni-Cu Project, WA (Anglo-American Farm-in, POZ 30% Free Carried)

- High priority airborne electro-magnetic geophysical (AEM) anomaly 'Manchego', scheduled for drilling late August/early September 2013.
- Interpretation of Manchego by Anglo American models a bedrock conductor, potentially a nickel-copper sulphide body, 240 x 300 metres extent, dipping at 45 degrees, with an unknown depth.
- Recent follow-up ground EM survey now models the top of the conductor target at 50 metres below the surface (previously 110 metres).

#### Tuckanarra Gold Project, WA:

- Maiden Indicated and Inferred JORC resource at Tuckanarra: 2,020,000 tonnes at a grade of 1.55 g/t Au for 100,700 ounces of gold at 0.25g/t Au lower cut off (see Table 1 for resource details).
- Pit design and permitting underway; de-watering permit for the Cable Pit has recently been applied for; more applications will follow

#### Nicholson Iron Project, NT:

- Joint Venture Option Agreement covering the Company's 100% owned Nicholson Iron and Manganese Project in the Northern Territory was signed with Sydney based company Jimpec Resources Pty Ltd (Jimpec).
- Jimpec paid POZ \$200,000 for an option over 80% of the iron and manganese rights within the Nicholson Project.

#### Highland Plains Phosphate Project, NT:

- The Company is actively pursuing commercial options for the Highland Plains Phosphate Project (Inferred Resource of 53 Mt at 16% P<sub>2</sub>O<sub>5</sub>) which includes the possibility of a trade sale.

## 1.0 Musgrave Ni-Cu Project, WA (Anglo American Farm-in, POZ 30% Free Carried)

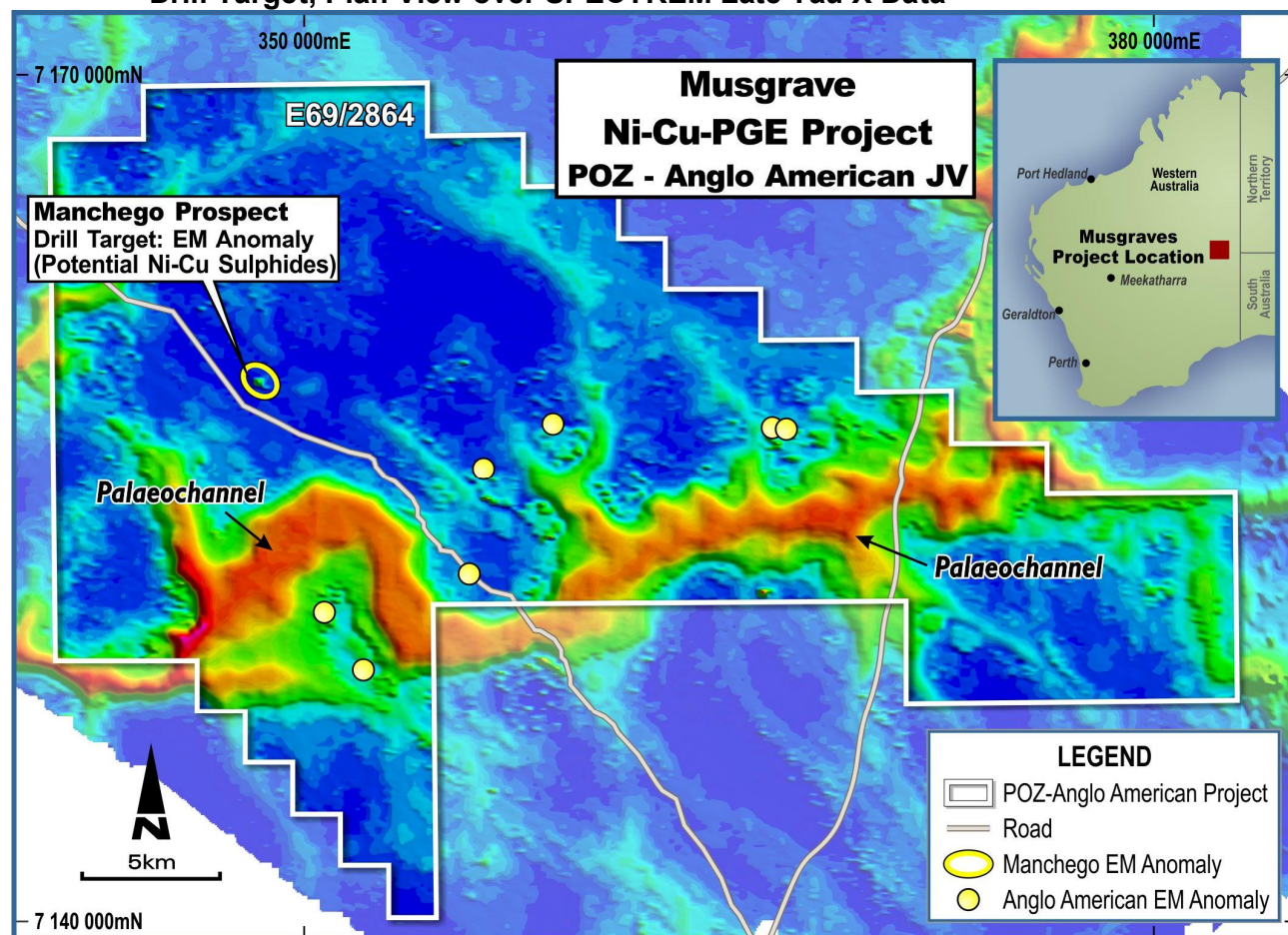
### 1.1 Background

The Musgrave Project lies in the relatively unexplored Musgrave Province of Western Australia, an area that is prospective for giant, magmatic style nickel-copper sulphide deposits of the Voiseys Bay type. The most significant discovery in the Musgrave region to date is the BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel, 0.3% copper and 0.18 g/t PGE).

In April 2012, POZ entered into a Farm-In agreement for the Musgrave Project 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.

The Farm-In covers exploration licence E69/2864 (an area of 619km<sup>2</sup>) and Anglo American has the right to earn 70% in a JV by spending \$3 million and completing a minimum 5,000 metres of drilling. POZ is then free carried through the JV until completion of a bankable feasibility study (BFS).

**Figure 1: Musgrave Ni-Cu-PGM Project, WA. Manchego AEM Anomaly, Ni-Cu Sulphide Drill Target, Plan View over SPECTREM Late Tau X Data**



## 1.2 Geology

The Farm-In area is mainly underlain by the Giles Complex (~1,075 million years), one of the largest layered mafic-ultramafic complexes in the world. Similar large intrusive complexes elsewhere host magmatic Ni-Cu-PGE deposits (e.g. Voiseys Bay, Canada).<sup>1</sup>

## 1.3 Manchego EM Anomaly: High Priority Drill Target

In 2012 Anglo American flew an airborne electro-magnetic (AEM) survey over the Farm-in area using its proprietary SPECTREM system. This AEM survey identified a number of anomalies (Figure 1).

One of these anomalies, named Manchego, has been ranked as a high priority anomaly and is recommended by Anglo American for follow up drilling. Manchego is located at what appears to be the confluence of two interpreted mafic dykes within the Jameson intrusive complex and does not follow the strong NW-SE trending magnetic layers of the Jameson intrusion.

A thick, clay-bearing palaeo-channel is detected through the central part of the tenement. The Manchego conductor to the north of this palaeo-channel stands out as a discrete, late-time EM response (Figures 1 and 2).

Anglo American models the Manchego two line AEM response as a conductor (or plate) that is 240 x 300 metres in size, dipping 45 degrees to the south with an unknown depth extent.

The anomaly has a calculated conductance value of 90 seimens on both lines. For the SPECTREM AEM system, these are high conductance values which indicate potential sulphides.

## 1.4 Ground EM Survey July 2013: Depth of Target Now Only 50 metres

A follow up ground EM survey was successfully completed over the Manchego anomaly in early July 2013 (Figure 3). This survey achieved the following:

- Confirmed the original Manchego SPECTREM anomaly.
- Improved spatial definition of the anomaly to allow more accurate target follow up drilling.
- Provided a more accurate estimate of the depth from surface to the conductor anomaly target.

The original depth estimation to the top of the conductor from surface (using the airborne SPECTREM survey data) was 110 metres. **This target depth estimation has now been adjusted to 50 metres** using the ground EM data; this is a significant shallowing of target depth and further improves the prospectivity of the Manchego anomaly.

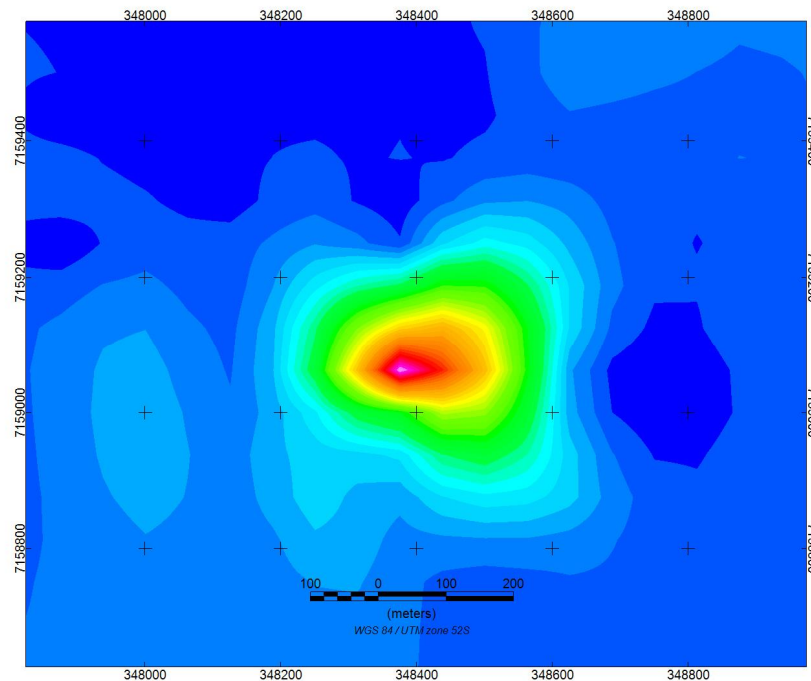
## 1.5 Drilling Program and Clearances

Anglo American has completed all necessary clearances to drill and is awaiting Ministerial approval from the Department of Aboriginal Affairs (WA) prior to the commencement of drilling. It is anticipated this sign off will be procured shortly.

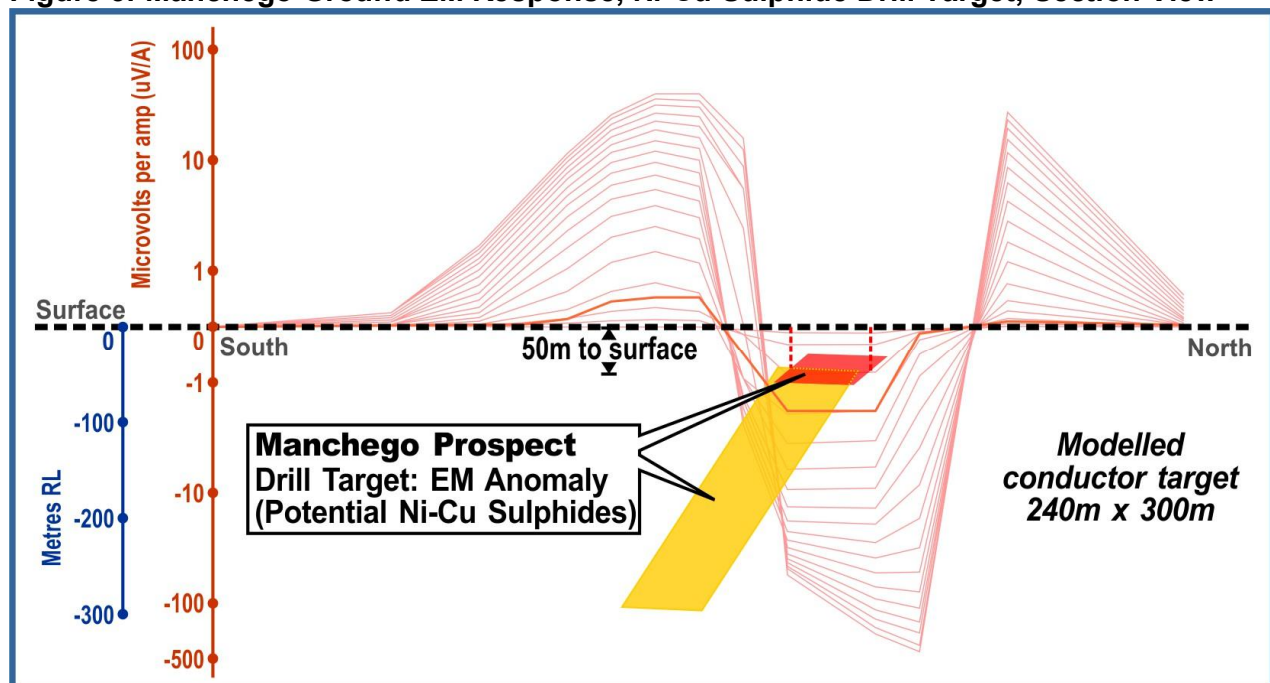
A high impact heritage clearance survey required for the drilling of the Manchego anomaly was successfully completed during the quarter. No cultural sites or areas of significance were noted within the area and the Ngaanyatjarra Council have given approval for all drill lines to be used. A flora and fauna survey was also completed over the Manchego Prospect in the first week of July.

Drilling is still scheduled for late August/early September 2013<sup>2</sup>.

**Figure 2: Manchego AEM Anomaly, Ni-Cu Sulphide Drill Target, Plan View of Tau Z**



**Figure 3: Manchego Ground EM Response, Ni-Cu Sulphide Drill Target, Section View**



NB: Plate modelled on ground EM line 348,400mN. Plate target is not to scale and represents only the data modelled on one of three ground EM lines completed.



## 1.6 Other Musgrave Areas

POZ submitted tenement applications E69/3154, E69/3155 and E69/3191 within the Musgrave region during the quarter. The areas of E69/3154 and E69/3155 were subject to multiple applications and will be determined by ballot.

## 1.7 Musgrave Summary

Anglo American has classified Manchego as a high priority anomaly, it is a well defined bedrock conductor target that is likely to be explained by sulphide mineralisation; potentially a nickel-copper sulphide body.

Manchego is situated within close proximity to a main road.

Anglo American has also identified 7 other AEM anomalies (Figure 1) within E69/2864, which rank as lower grade anomalies. These anomalies are not planned for follow up drilling at this time, although that may change in the future depending on the results of the Manchego drilling.

## 2.0 Tuckanarra Gold Project (WA)

The Tuckanarra gold project lies within the West Australian Murchison goldfield (Figure 4) and has historic production of ~125,000 ounces. It was last mined in 1993 when the gold price was around US\$330 an ounce. Phosphate Australia Limited (POZ) owns the Tuckanarra gold project 100% with no private royalties.

As announced 27 December 2012, the Company completed a maiden Indicated and Inferred JORC resource at Tuckanarra totalling 2,020,000 tonnes @ 1.55 g/t Au for 100,700 ounces of gold. See Table 1 for resource details at the cut off grade of 0.25 g/t Au. The resource was calculated by Perth based independent mining industry consultants Ravensgate.

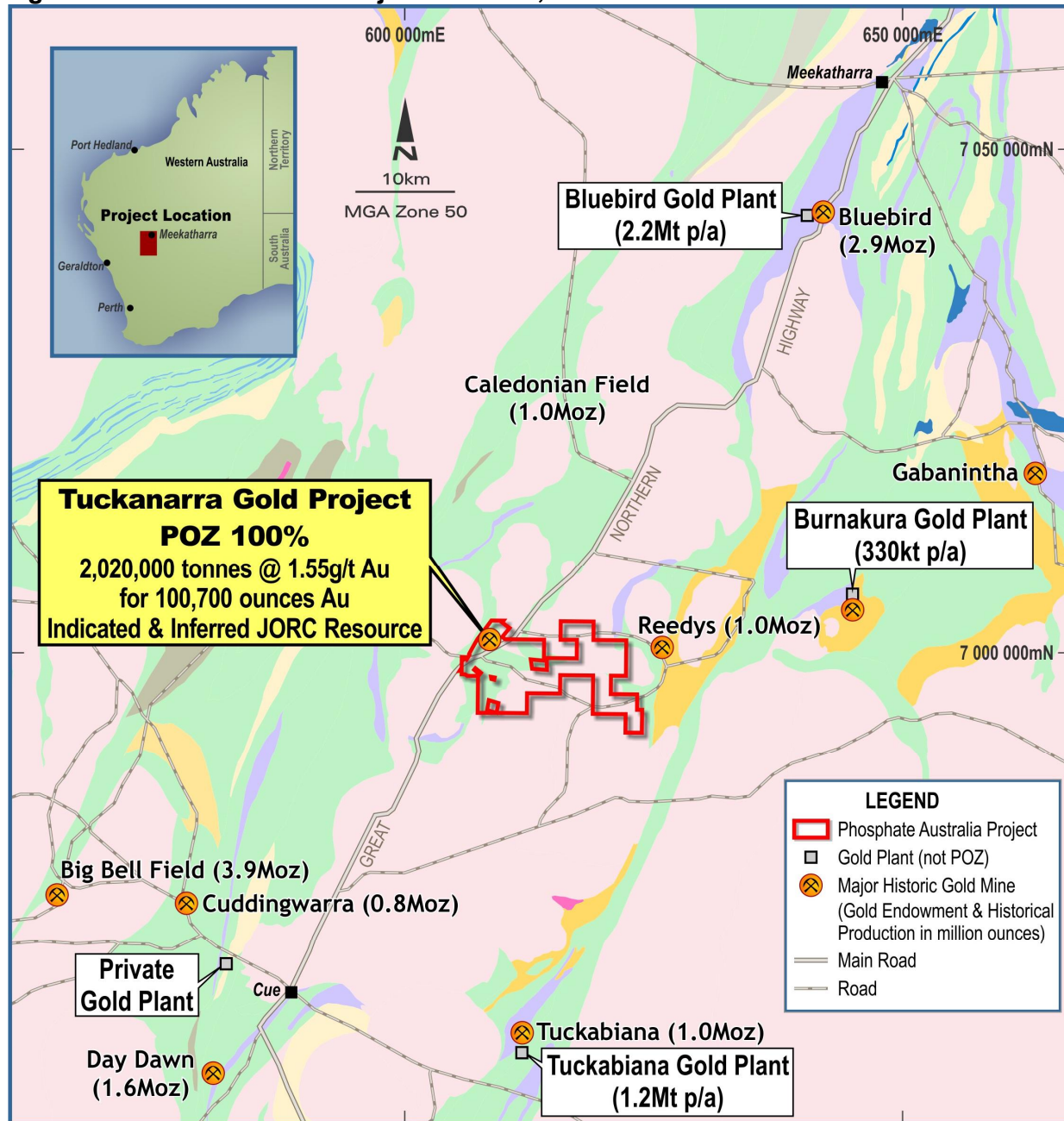
**Table 1: Summary of Total Mineral Resources at Tuckanarra at 0.25g/t Au lower cut off**

Resource Category	Tonnes	Grade (g/t)	Ounces Au
Indicated	1,091,000	1.60	56,000
Inferred	929,000	1.50	44,700
Total	2,020,000	1.55	100,700

The Tuckanarra Gold Project has shallow mineralisation, excellent metallurgical recoveries, and proximity to third party gold mills in the region (Figure 4).

The Board believes the best way to add value to the Tuckanarra Project is to continue to progress the planning and permitting for a future gold mine. Pit design and permitting are currently underway and a de-watering permit for the Cable Pit has recently been applied for; more applications will follow.

Concurrently with this, documentation is being prepared to apply for a mining lease over the project which will include a full mining proposal. The Board is keen to ensure Tuckanarra is positioned for a swift commissioning to mining as commercial circumstances within the gold sector improve.

**Figure 4: Tuckanarra Gold Project Location, Tenements & Gold Plants**

### 3.0 Highland Plains Phosphate Project Update (Northern Territory)

The Highland Plains Phosphate Project has a JORC compliant Inferred Resource of 53 million tonnes at 16% P<sub>2</sub>O<sub>5</sub>. Substantial amounts of drilling and scoping study work have been done at Highland Plains with proposed solutions for beneficiation to higher grades and product transport logistics using a slurry pipeline. The project is 100% owned by POZ.

The Board is currently exploring commercial options for Highland Plains which includes the possibility of a trade sale.

#### **4.0 Nicholson Iron Project, (Northern Territory): Option Agreement**

During the quarter a Joint Venture Option Agreement (JVOA) covering Phosphate Australia Limited's (POZ) 100% owned Nicholson Iron and Manganese Project in the Northern Territory was signed with Sydney based company Jimpec Resources Pty Ltd (Jimpec).

Jimpec paid POZ \$200,000 for an option over 80% of the iron and manganese rights within the Nicholson Project (\$200,000 is in addition to \$50,000 previously paid for a period of exclusivity as announced in the POZ Quarterly Report for the period ending 31 Dec 2012).

The option can be exercised by Jimpec within 3 years by payment of A\$1.5 million to POZ, provided that Jimpec has spent a minimum of A\$1.5 million on iron and manganese exploration on the tenements during that period.

Upon exercise of the option, Jimpec shall have acquired 80% of the iron and manganese rights and POZ will retain a 20% interest in the iron and manganese rights free carried, until completion of a Definitive Feasibility Study (DFS).

POZ may elect to convert its 20% free carried interest to a 2% Free On Board (FOB) gross royalty at any time.

The Company is pleased with the implementation of the Joint Venture Option Agreement and looks forward to working with Jimpec on the forthcoming iron and manganese exploration of the Nicholson Project.

#### **5.0 Rights Issue**

On 8 May 2013, POZ lodged an offer document with ASX Limited for a pro-rata non-renounceable entitlement issue of approximately 40,292,083 ordinary fully paid shares in the Company on the basis of one share for every three shares held on 17 May 2013, to be issued at 1 cent per Share to raise approximately \$402,921 before costs.

This Rights Issue was partly underwritten and the full amount of \$402,921 (less costs) was successfully raised.

#### **6.0 R&D Tax Refund**

During the quarter, the Company received a Research and Development Tax Incentive Refund from the ATO for work conducted during the 2011-12 tax year. This refund was \$210,973; these funds (less 15% claim expenses) were applied to general working capital.

## 7.0 Summary and Outlook

The Board is pleased with the progress on several fronts during the quarter.

The West Musgrave Project has the very prospective Manchego Ni-Cu sulphide Prospect which is due to be drilled in late August/Early September. Phosphate Australia has a 30% free carry to BFS on this Project.

At the 100% owned Tuckanarra Gold Project, the planning and permitting for a future gold mine progresses well.

Also during the quarter, the Company successfully raised funds through a Rights Issue (\$402,921 less costs), the exercise of the Jimpec option (\$200,000) and an R&D tax refund (\$210,973 less 15%)

The Company has a cash balance of \$2.15 million (30th June).

Jim Richards  
Executive Chairman

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<sup>1</sup> Neumann, N, Fraser, G 2007, Geochronological Synthesis and Time Space plots for Proterozoic Australia: AGSO Record p208.

<sup>2</sup> Anglo American, July 2013, Quarterly Report to POZ and other communications.

The information in this report that relates to Exploration Results, Mineral Resources or ore reserves is based on information compiled by Mr Jim 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 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.

The new and updated resource estimations for the Tuckanarra Gold Project Area deposits, including the Anchor, Bollard, Cable, Drogue, Maybelle, Maybelle North and Miners Dream deposits, were also carried out by Mr Craig Harvey utilizing resource drilling data sets provided by Phosphate Australia Limited. Mr Harvey is a Principal Consultant with Ravensgate Mining Industry Consultants and is also a Member of the Geological Society of Southern Africa. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken 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 Harvey also consents to the inclusion in the report of the resource estimation matters for these deposits based on the reporting information in the form and context in which it appears.