

ASX RELEASE

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Drilling Commences at Musgrave Ni-Cu Project, WA (Anglo-American Farm-in, POZ 30% Free Carried)

Summary:

Drilling has commenced at the Company's Musgrave Ni-Cu Project in Western Australia (Figure 1).

- Drilling target is the airborne electro-magnetic (AEM) geophysical anomaly 'Manchego' (Figures 1 to 4) on tenement E69/2864.
- 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.
- 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.
- A recent follow-up ground EM survey models the top of the conductor target at 50 metres below the surface.
- A program of five RC drill holes is planned (Figure 2) for a total of approximately 1000 metres.
- Mineralisation style targeted is similar to Voisey's Bay (Canada) and Nova (WA).

Phosphate Australia Limited (POZ) has a Farm-In agreement 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 619km²). Anglo American has the right to earn a 70% interest 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.

Drilling results will be announced after assays have been received and assessed.

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

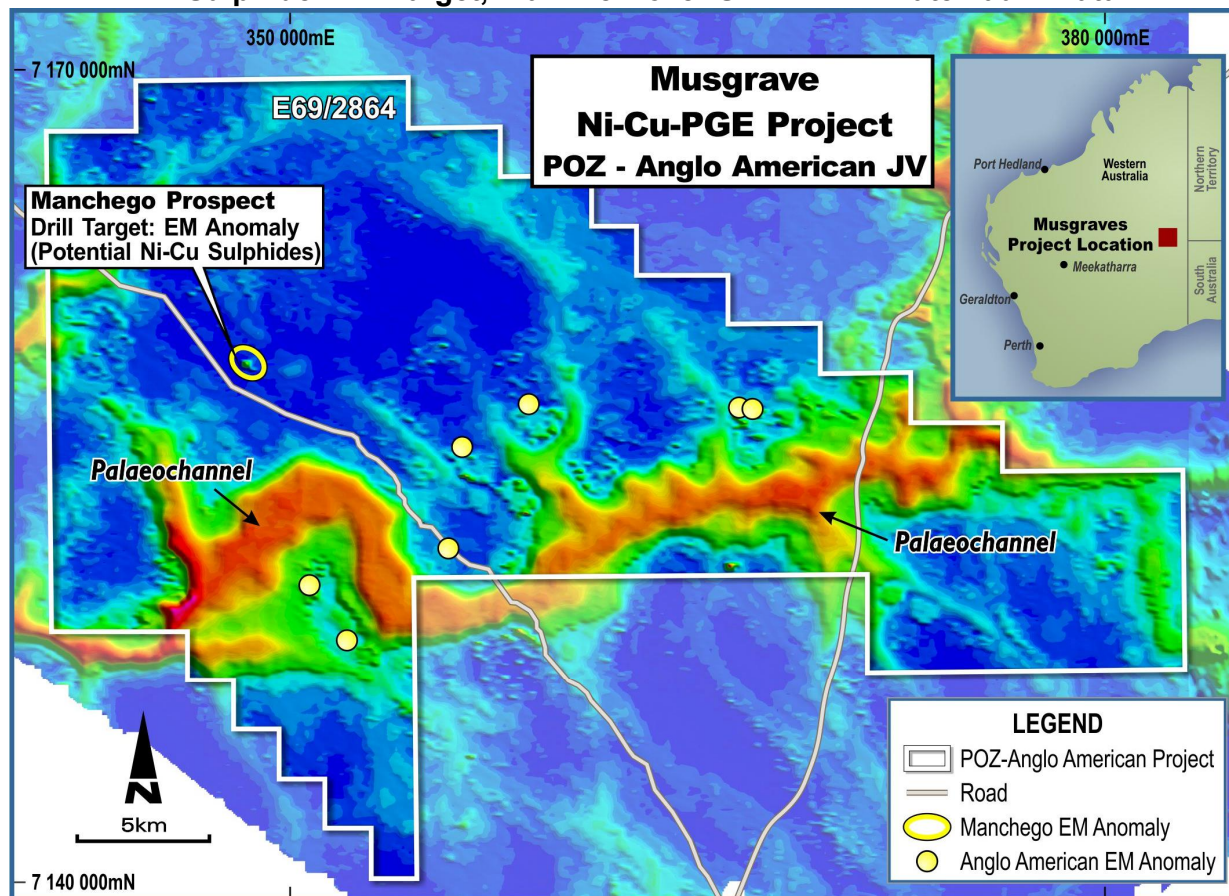


Figure 2: Manchego AEM Drill Target with Proposed Drill Holes (Satellite Image)

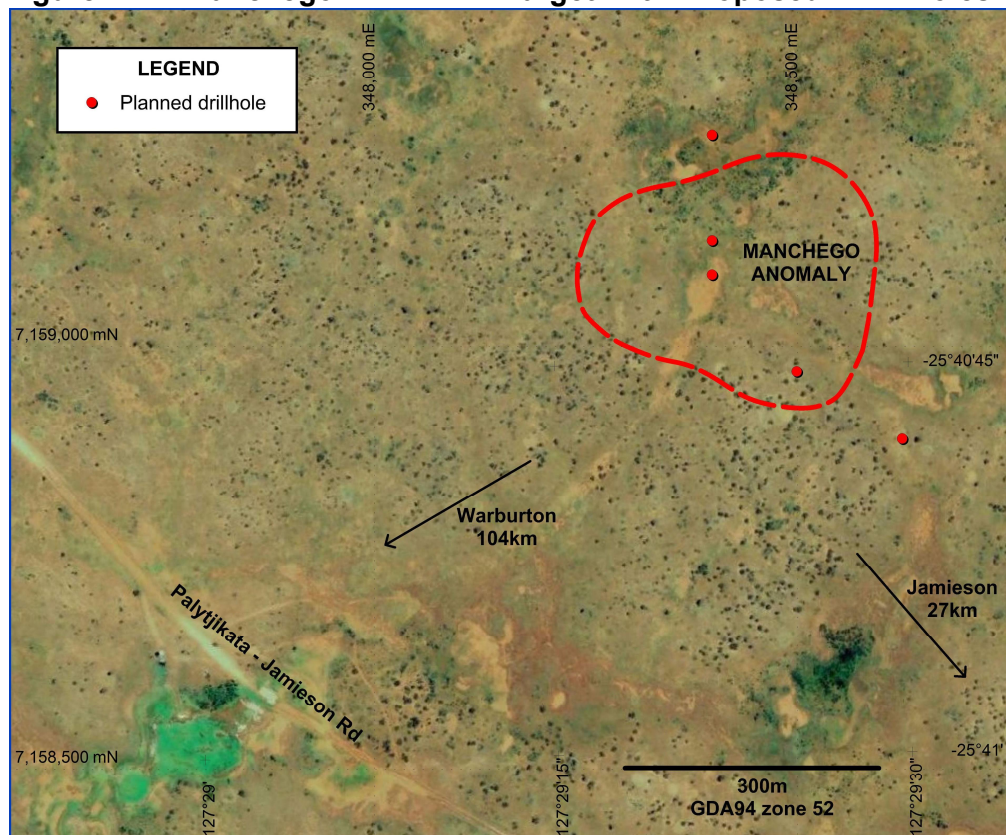
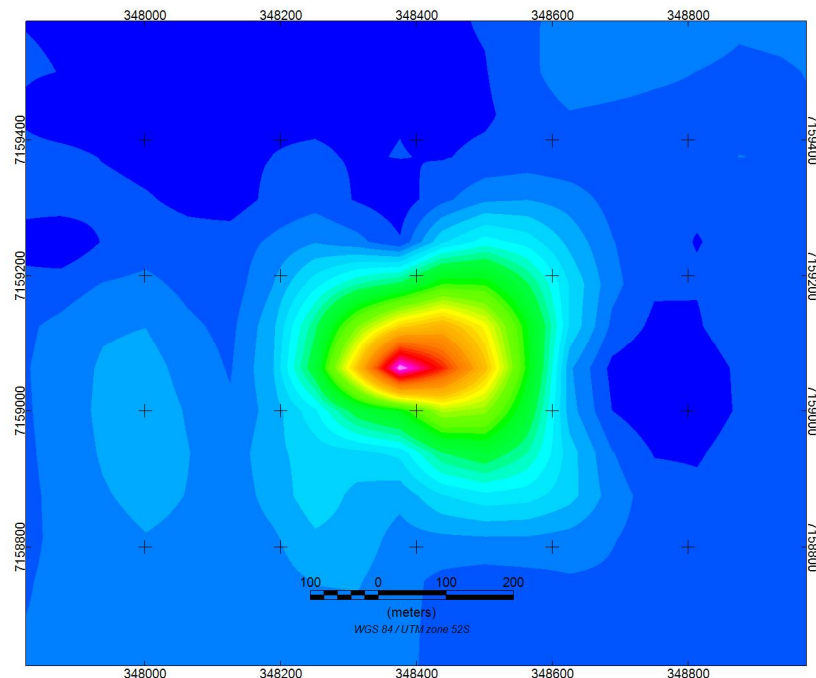
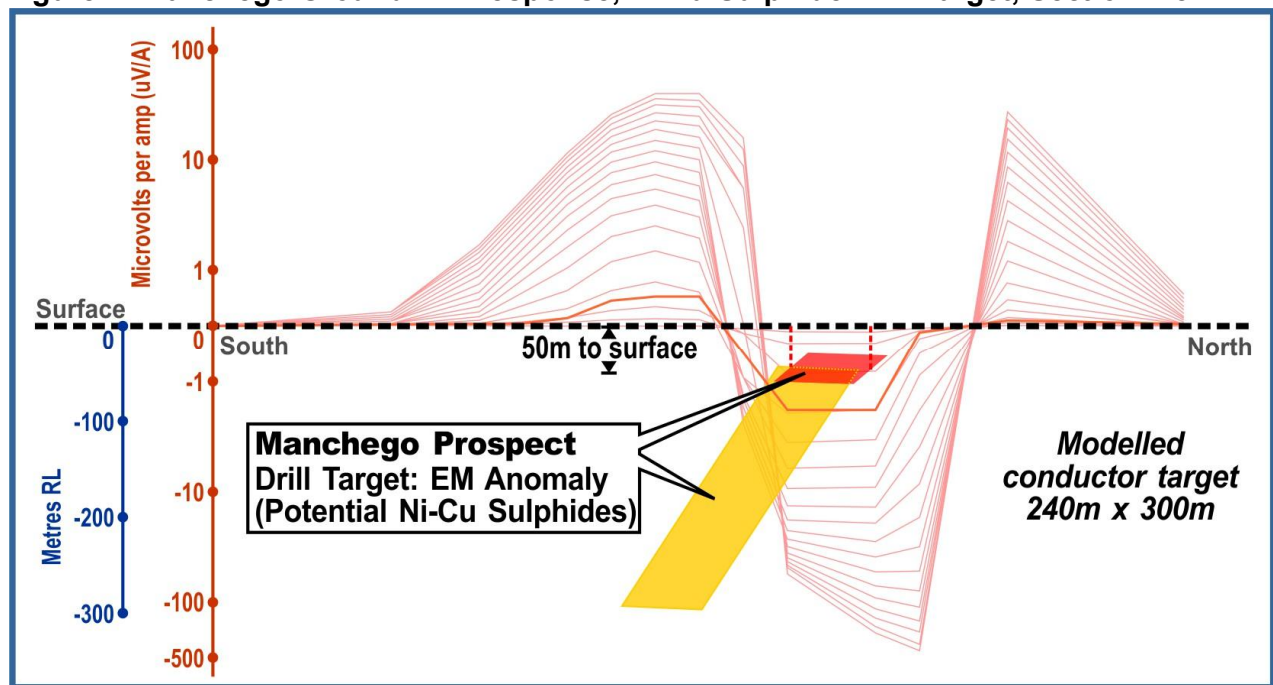


Figure 3: Manchego AEM Anomaly, Ni-Cu Sulphide Drill Target, Plan View of Tau Z

Figure 4: 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.

Jim Richards
Executive Chairman

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.