

QUARTERLY REPORT
Period Ending 30 September 2010

Highland Plains Rock Phosphate Project (NT)
Nicholson Iron Project (NT)

Highlights - Phosphate:

- Strategic Partner Process for the Highland Plains phosphate project continuing.
- Metallurgical Scoping Study completed.

Highlights - Other:

- Tenement applications lodged for 6 new Australian projects including manganese, nickel and uranium.

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Strategic Partner Process – Highland Plains Phosphate Project (NT)

Phosphate Australia Limited (POZ) together with Gresham Advisory Partners Limited (“Gresham”) are continuing their search for a strategic partner to assist with the development of the Highland Plains phosphate project.

Highland Plains has a JORC compliant Inferred Resource of 56 Mt at 16% P₂O₅. The project is 100% owned by POZ and the Company is currently targeting the production and sale of up to 3 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’s strategic partner process remains at a relatively early stage and there can be no assurance that a binding proposal will emerge.

As part of this process, beneficiated rock phosphate samples have been dispatched overseas. Samples have been sent to potential project partners for independent quality testing. In conjunction with this, Phosphate Australia is preparing to dispatch samples to an independent laboratory for phosphoric acid conversion testing. Results from this testing will be sent to various interested parties as part of the strategic partner search.

Late in the quarter, the Company also finalised and exchanged a Confidentiality Agreement with an infrastructure consortium. The aim of this data exchange will be to develop an integrated logistics scoping study for the phosphate and iron ore project.

2.0 Metallurgy Update – Highland Plains Phosphate

The metallurgical scoping study summarising the test work which has been undertaken in the past 12 months was received during the quarter. Highland Plains is located on the border between the Northern Territory and Queensland, around 230 km from the Gulf of Carpentaria on tenement EL25068.

The Company now has a full plan for a metallurgical process at a scoping level. Further work is now required to take this metallurgical solution to the next stage. This would entail using larger sample sizes and a pilot plant.

The results below (previously released), do give an indication as to the high phosphate grades and good recoveries that can be achieved from the Highland Plains project.

Table 1: Best Metallurgical Results to Date

		P ₂ O ₅ %	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	Recovery P ₂ O ₅ %
Test 1	Input Material	23.4	30.8	4.3	4.2	
	Coarse Fraction (>5 um)	37.4	6.3	0.5	0.7	53.1
	Coarse and Fine Fractions	32.3	12.3	4.3	1.8	75.8
Test 2	Input Material	25.6	26.2	3.9	4.1	
	Coarse Fraction (>5 um)	36.5	7.6	0.7	1.0	51.0
	Coarse and Fine Fractions	31.8	12.9	4.4	2.0	73.7

3.0 Phosphate Exploration Activities

Clearances from the Aboriginal Areas Protection Authority have been received for several regional phosphate targets in the NT. These areas (refer to Figure 2) have now been cleared for drilling. Phosphate targets on EL25600 include the Alexandria, Buchanan Dam and Alroy prospects. Historic intersections from drilling in the 1960s at Buchanan Dam include 6.1 m at 25.0% P₂O₅ from 12 m.

The Company's Greater NT Phosphate Project planning is based on a Phase 1 development at Highland Plains underpinning the initial infrastructure development with later phosphate production being sourced from targets within a 200 km radius of Highland Plains. Early studies indicate that trucking within this radius back to a Highland Plains slurry pipeline "hub" would be a viable option.

Planning for this program has been completed and the Company will be able to undertake this program early 2011.

4.0 NT Iron Ore Project Sampling and Mapping Program

Results of the Iron Ore sampling and mapping program on the Company's 100% owned Nicholson Iron Project in the NT, further to the initial helicopter-supported program, were released to the ASX on 10 August.

The aim of this program was to identify and site potential drill targets. New areas of iron mineralisation were discovered and sampled on this trip. This sampling program was conducted on granted permit EL25068. Importantly, numerous other iron ore targets also exist to the north on other permit applications held by POZ on Aboriginal Freehold Land (refer to section 4.0) and the overall size potential of this iron project is large.

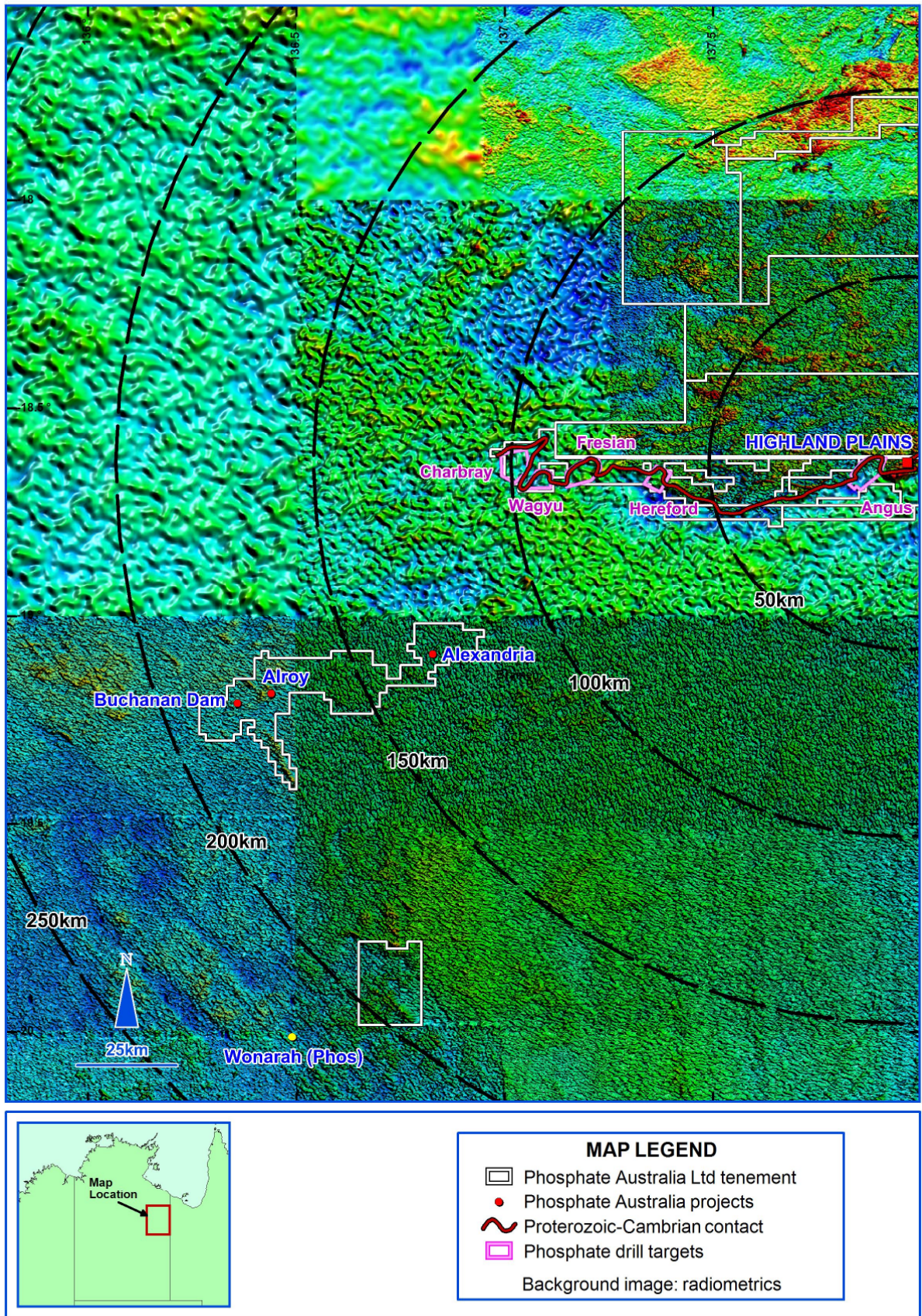
The discovery of outcropping, high-grade (>60% Fe) iron mineralisation, in only the second small mapping program, highlights the potential of the project area which contains 1400 km² of prospective geology. The best rock chips results from this second round of mapping and sampling are highlighted below in Table 2. A complete list of assay results for the second sampling program can be found in Appendix "A" of the 10 August release

Table 2: Rock Chips: Second iron sampling program best results

Sample #	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
0118	63.7	5.1	1.79	0.037	1.15
0169	61.2	7.3	3.17	0.018	1.68
0170	60.6	6.7	3.91	0.019	2.20
0173	58.5	7.5	4.98	0.032	3.08
0164	52.6	20.0	2.76	0.012	1.76
0175	49.8	18.6	6.50	0.028	2.63
0190	49.5	25.6	2.01	0.035	1.07
0168	48.6	16.6	7.70	0.015	5.81

Assay by Amdel Laboratories XRF

Figure 2: Phosphate Targets, Regional Development Options and POZ Northern Permits



The Company's tenements have areas of known iron occurrences and are prospective for Clinton style oolitic iron mineralisation. Geological mapping by the NTGS has identified outcrop and sub-crop of iron-bearing formations on the Company's tenements that lie within the South Nicholson Group.

Further on-ground mapping and sampling for the iron ore project is planned for 2011. The northern wet season appears to have broken early this year with the first rains occurring during the Company's October program.

5.0 Northern Land Council Negotiations

The permits north of the Highland Plains permit EL25068 (refer to Figure 2) lie on Aboriginal Land Rights (Northern Territory) Act (1976) freehold land. The region is prospective not only for iron but also phosphate outliers, uranium and base metals. Traditional Owners of this land, through the Northern Land Council ("NLC"), have control of the access and exploration of this area generally known as the Nicholson Land Trust.

Phosphate Australia is currently negotiating with the NLC to access this large under-explored area. Phosphate Australia recently presented the NLC with its proposed terms for access at a meeting in Darwin. The NLC, while considering its response to the proposal, is organising for an anthropological survey to be carried out on behalf of the Company. This survey is required as part of an access agreement.

The Company is working towards gaining access to these permits in 2011.

6.0 New Projects

POZ is primarily focused on its phosphate projects. However, the Company has an interest in new project areas and applications. These project areas are:

Northern Territory

EL28220 – Additional application in the Nicholson Land Trust area.

EL28221 – West Amadeus Basin uranium project.

EL28429 – Pine Creek iron ore project.

Western Australia

E04/2058 – South Oobagooma uranium project.

E69/2820 – Iroquois manganese project.

E69/2862 to /2864 – West Musgrave Block nickel project.

E80/4500 – Billiluna uranium and rare earths project.

These recently acquired projects are still at the application stage and require further research and progress to grant. However, these projects provide a more diversified geographic exposure and should allow more active field programs for the Company during the northern wet season.

7.0 Summary and Outlook

The Board continues to deal with potential strategic partner inquiries for the Highland Plains phosphate project and is also excited by the prospects of an infrastructure partnership which would allow the Company to focus on the mining and metallurgy aspects of Highland Plains.

The acquisition of new projects in the Company at low cost allows Phosphate Australia to leverage its considerable in-house expertise to create further value for shareholders. The Board looks forward to being able to efficiently advance not only the phosphate project but also the Nicholson iron project, the new applications and the Nicholson Land Trust applications in 2011.

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 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 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.

The information in this report that related to metallurgical testwork is based on information compiled by Mr Fred Kock and overseen by Mr Brian Putland who is a member of the Australian Institute of Mining and Metallurgy. Mr Putland is the Managing Director of Orway Mineral Consultants.

Phosphate Australia at a Glance

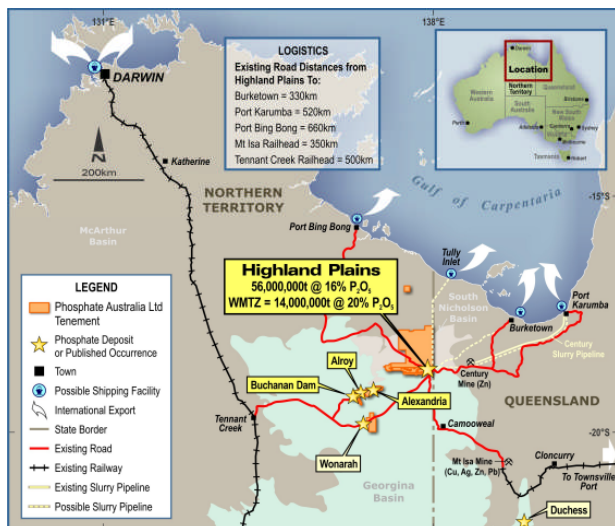
ASX Code: **POZ**

Phosphate Australia Limited is a rock phosphate development company targeting the production and sale of up to 3,000,000 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 56 Mt at 16% P₂O₅. 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% P₂O₅ 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% P₂O₅ 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 28 October 2010

Ordinary Shares on Issue: 108.9 million
Top 20 Shareholders: 68.2 million (63%)

Unquoted Options on Issue: 25.4 million

Share Price: A\$0.12
Undiluted Market Cap: A\$13 million

Number of Shareholders: 1100

Cash Balance: \$5.3 million

Board of Directors

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

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