

QUARTERLY REPORT

Period Ending 30 June 2010

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

Highlights - Phosphate:

- Scoping bench-test scale metallurgical testing has been completed and a final report is being prepared.
- Discussions underway with a number of international fertiliser industry participants and POZ technical data currently under review.

Highlights - Iron:

- Iron Project follow up mapping and sampling program completed with further areas of iron mineralisation identified – assays pending.

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Metallurgy Update - Phosphate

The metallurgical program which has been on-going for the past 12 months has now been completed. Highland Plains is located on the border between the Northern Territory and Queensland, around 230 km from the Gulf of Carpentaria on tenement EL25068.

Beneficiation (upgrading) of the rock phosphate ore at Highland Plains to produce a high grade, premium product is a key part of the Company's strategy. On the international market, rock phosphate is commonly traded with grades of between 29 and 32%, with premium product grades above 34%.

The preliminary metallurgical flow-sheet previously released to the market (March 2010 ASX Quarterly Report) is continuing to be refined as results come to hand. Recent modifications have resulted in the best metallurgical performance to date.

Table 1: Best Recent Metallurgical Results

		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

These results are the culmination of the past 12 months of work with continuing improvement in all areas. In particular, the ability to produce a product of over 36% P₂O₅ at over 50% recovery, with less than 1.7% combined Al₂O₃ and Fe₂O₃, presents the Company with more marketing and processing options as this is a premium product.

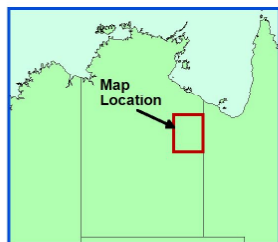
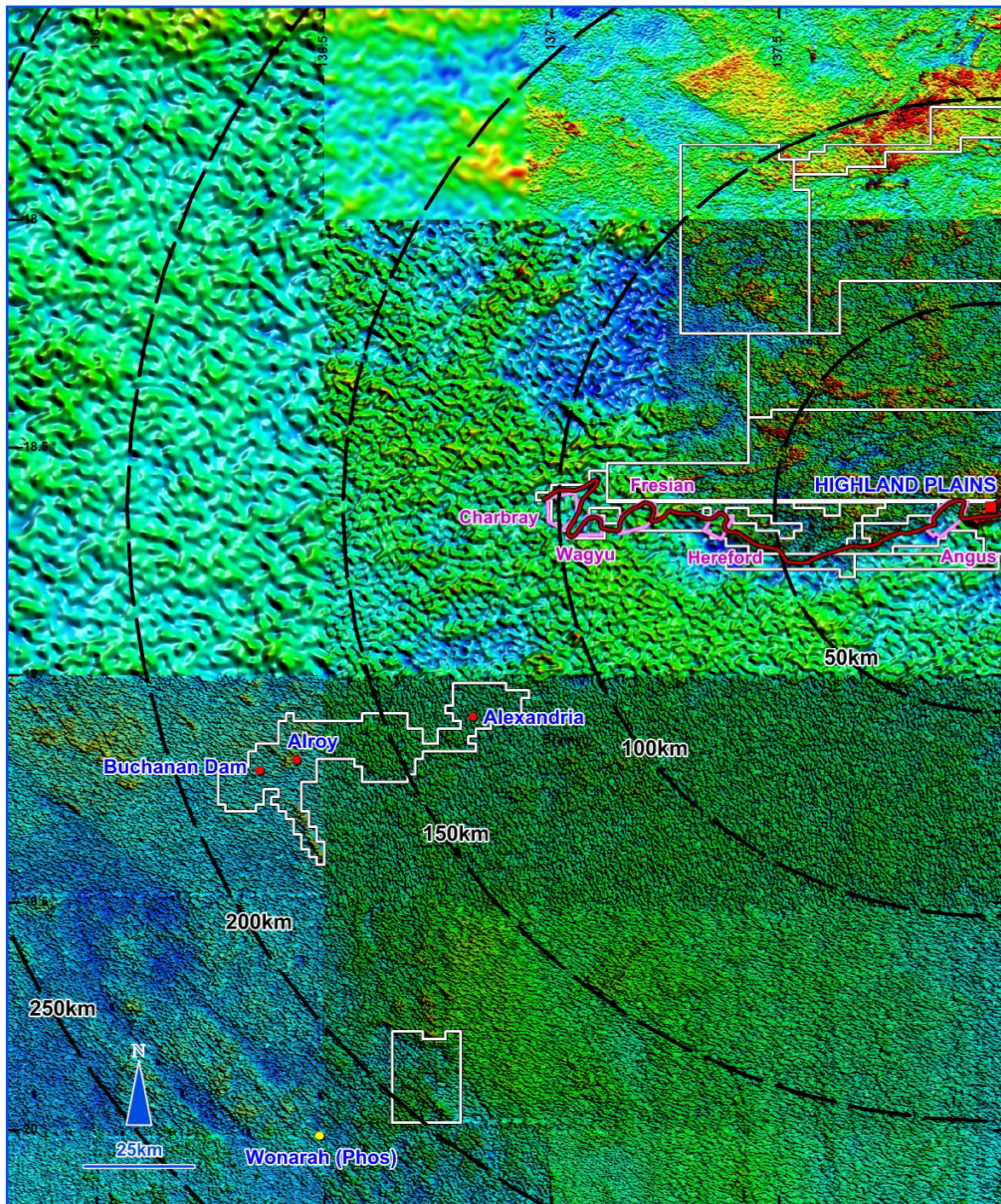
With this phase of the project study now completed the Company's metallurgical consultants will prepare and deliver a final report. This report will summarise the work to date and present options for starting the next phase of investigations required to progress the project to feasibility.

2.0 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.

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



MAP LEGEND

-  Phosphate Australia Ltd tenement
-  Phosphate Australia projects
-  Proterozoic-Cambrian contact
-  Phosphate drill targets

Background image: radiometrics

3.0 NT Iron Ore Project Sampling and Mapping Program

A second Iron Ore sampling and mapping program has now been completed on the Company's 100% owned Nicholson Iron Project in the NT further to the initial helicopter-supported program. The aim of this program is to identify and site potential drill targets.

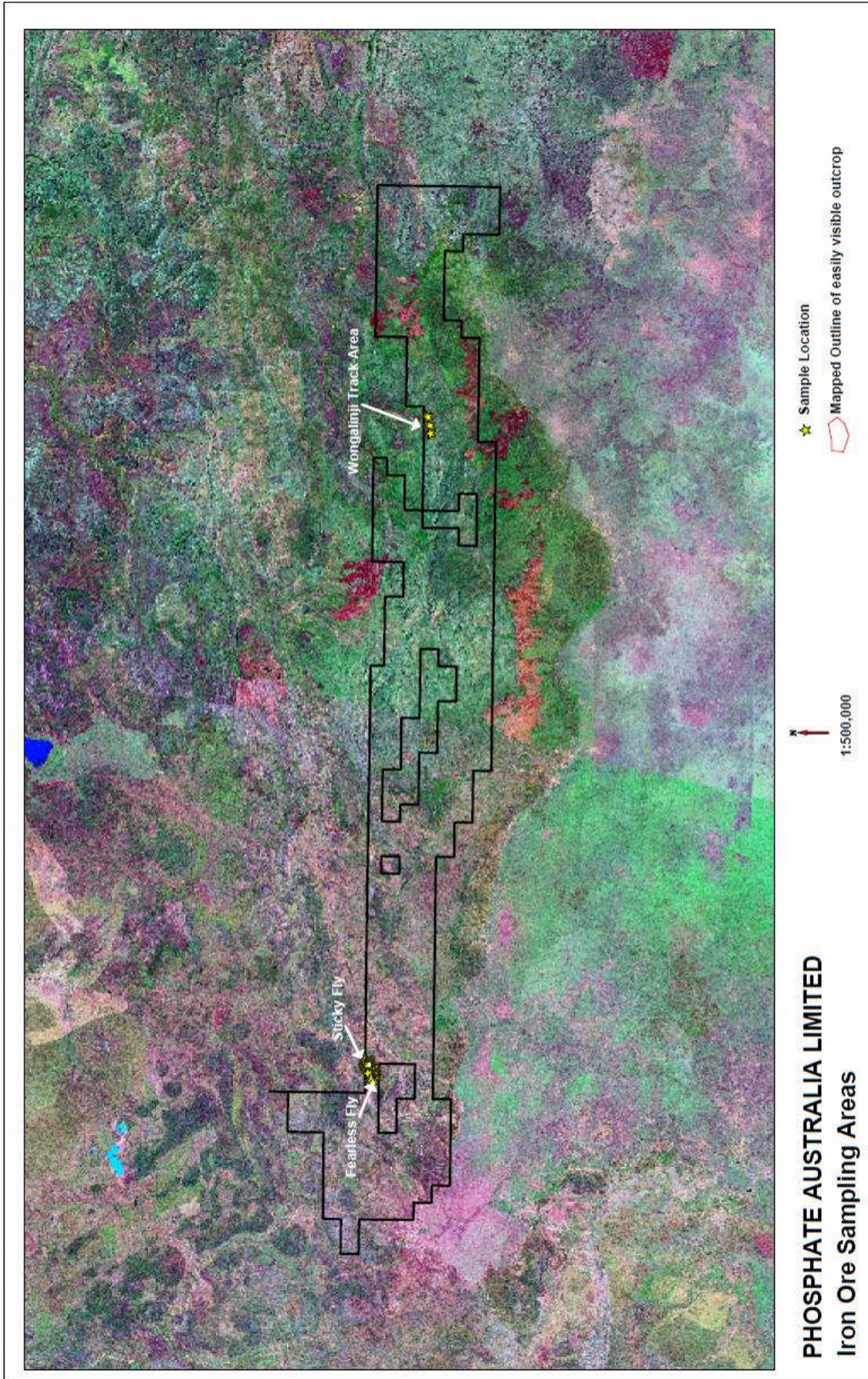
New areas of iron mineralisation were discovered and sampled on this trip and it is likely that further prospective areas will be identified with more ground mapping and follow-up. Samples have been submitted and results are currently pending.

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.

Figure 3: Lisa Wells, Technical Director mapping at "Sticky Fly"



Figure 4: Iron Ore target Areas Second Sampling Program - EL25068



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.

NTGS mapping confirmed that one of these formations is equivalent to the host unit for the Constance Range iron ore deposits that lie just over the border in Queensland. The style of mineralisation has been described as Clinton type oolitic ironstones.

Iron ore exploration was conducted in the Constance Range area in Queensland early in the 1960s. Results from this exploration are based upon historical data that was prepared before the introduction of the JORC Code and as such are not a resource. However, 250 million tonnes of iron mineralisation at a grade of 52% iron was reported by BHP from this period from three main occurrences - Deposits A, I and P (reported in Queensland Government Mining Journal, Spring 2008). Beneficiation techniques are available which can upgrade this style of iron mineralisation.

Since the discontinuation of the Constance Range iron ore project early in the 1960s, the iron ore industry economics have changed considerably. The stratiform oolitic ironstones for which POZ's Nicholson Basin tenements are prospective are excellent iron ore exploration targets.

The Company's tenements in the South Nicholson Basin are under explored for iron ore and have considerable potential for Constance Range type iron ore discoveries which POZ is assessing as part of a low-cost preliminary exploration program.

4.0 Northern Land Council Negotiations

The permits north of 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. A meeting was recently held in Mt Isa between the Traditional Owners, NLC and POZ. The key outcome of this meeting was that the Traditional Owners have consented to consider an Exploration Agreement. This agreement is now being negotiated between the NLC and POZ prior to the NLC presenting a draft document to the Traditional Owners for their consideration.

The Company would like to thank the Traditional Owners for making the time to attend the meeting and the NLC for organising and running the meeting.

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

As per the ASX release of 19 May, Gresham Advisory Partners Limited ("Gresham") has been appointed to assist in the search for a Strategic Partner to assist in the development of the Company's NT phosphate assets.

POZ is focussing its efforts on the development of Highland Plains, which 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.

As part of this process, the Company has exchanged Confidentiality Agreements with a number of groups and has supplied data to enable interested parties to examine the project in detail. This process is on-going. The Company's strategic partner process remains at a relatively early stage and there can be no assurance that a binding proposal will emerge.

In the interim POZ is continuing to advance the project as rock phosphate fundamentals continue to move in our favour. Recent (early July 2010) data indicates that phosphate rock (32% P₂O₅) is being sold from Morocco to Brazil, Europe and the United States at US\$120 to US\$130/t FOB.

6.0 Summary and Looking Ahead

The receipt of the metallurgical scoping final report for Highland Plains will enable the Company to plan in detail the work required to take the project to the next stage. The metallurgical team has made considerable progress in the past 12 months in developing the phosphate beneficiation process for Highland Plains - and the opportunity now exists to further improve the method through up-scaling and product recycling efficiencies.

With a JORC-compliant Inferred resource, a metallurgical process and viable transport options, the Board will be focussing its efforts on both the Strategic Partner Process and on advancing the technical studies which can most efficiently de-risk the Project.

In parallel with these activities, a low-cost evaluation of the iron opportunity is being pursued as well as the potential grant of the applications within the Nicholson Land Trust. Given the advances in the phosphate project, the Board is examining opportunities to diversify the exploration opportunities within the Company.

At the end of the June quarter the Company had A\$5.98 million cash on hand and approximately \$0.25 million owing from the Australian Taxation Office under a Research and Development claim.

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 and Ms Lisa Wells, who are both Members of The Australasian Institute of Mining and Metallurgy. Mr Richards and Ms Wells are both Directors of POZ and Ms Wells is also a full time employee. Both Mr Richards and Ms Wells have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards and Ms Wells both consent 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

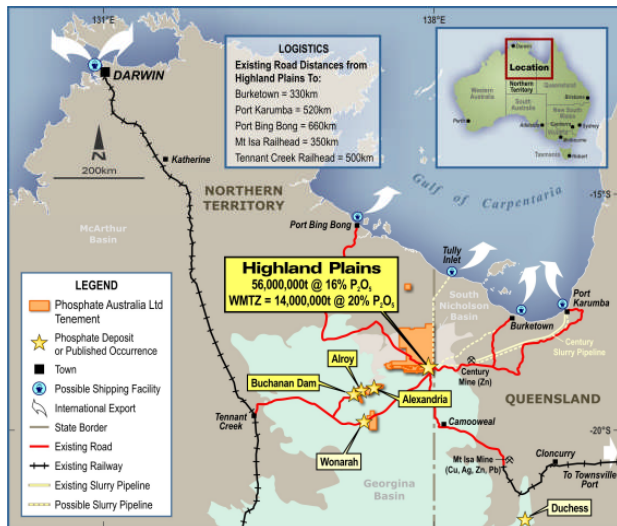
ASX Code: **POZ**

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 July 2010

Ordinary Shares on Issue:	108.9 million
Top 20 Shareholders:	68.0 million (62%)
Unquoted Options on Issue:	25.9 million
Share Price:	A\$0.105
Undiluted Market Cap:	A\$11.4 million
Number of Shareholders:	1113
Cash Balance:	\$6.0 million

Board of Directors

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

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