
AUDIO BROADCAST

**3 MILLION TONNES PER ANNUM SLURRY PIPELINE INITIATIVE FOR HIGHLAND PLAINS
PHOSPHATE PROJECT IN THE NORTHERN TERRITORY**

Phosphate Australia Limited provides the opportunity to listen to an audio broadcast conducted recently with Company Chairman **Mr Jim Richards**.

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Following is a transcript of this recording.

Q1 **Good morning and welcome to Board Room Radio. Today we're speaking with Jim Richards, the Chairman of Phosphate Australia. Jim, your quarter results have just come out and you've announced a new initiative for the slurry pipeline. This has totally changed the economics and dynamics of the project. Can you just walk us through that?**

A1 Thank you, Eliza. Yes, it has very much changed the Company. Instead of being a much smaller operation we're now looking at potentially up to three million tonnes per annum of phosphate product being able to ship a slurry pipeline from Highland Plains to the Gulf Coast. The major difference is that the transport costs have been considerably diminished and are now only potentially from \$2 to \$3.69 per tonne. These pipeline operating costs are what has really fundamentally changed the project and instead of trucking we've now potentially got some of the lowest costs in the world for shipped product, and that is a fundamental change in our dynamics and in our strategy for moving the project forward.

Q2 **Just to touch on transport costs; this is obviously an important part. Do you want to just walk us through some of the numbers?**

A2 Certainly. We've had a study done by a – basically, a slurry consultancy company, SSPL Limited, a very highly acclaimed slurry company. They've done previous studies, and, indeed, built a slurry pipeline in the same Gulf area that we're involved in, so we've got a high degree of confidence in the initial numbers that they've come up with from their desktop study. There were three potential areas that we could move our slurry over through the pipeline; one of them Tully Inlet, 220 kilometres away; Burketown, 224 kilometres away. If we went to Calvert River, 266 kilometres away, the whole operation would be solely within the Northern Territory which would make permitting and other things considerably easier. The different costings are due to the different distances, so per tonne shipment would be from \$2.06 for the shortest one and up to \$3.69 for the Calvert River, which is the longest one. Capital expenses to build the slurry pipeline and the pumps would be between 184 million to 226 million dollars, which, although certainly a much larger CapEx, the scale of the project would give economic benefit if those kind of numbers look advantageous and on paper the project stacks up quite nicely.

So the overall look of the study has quite excited us and made us wish to pursue the pipeline option with some considerable degree of diligence.

Q3 I gather from your quarterly that the scale of your project has changed quite dramatically. Can you expand on that for us?

A3 Yes, certainly. Originally we were looking at a half a million tonne per annum trucking operation, and you're really constrained by using trucks and the road system, etcetera. Once you go to a pipeline, even though it might only be 10 to 12 inches in diameter, the amount that you can push down the pipeline is in order of a magnitude greater, so suddenly we are able to push between two and three million – up to three million tonnes per annum. This means that your ability to sustain a much higher capital expenditure to build a project is sustained by that larger tonnage. So we are, again, excited by the economic potential of this and the scale of the project now works at many different levels.

Q4 And how is your metallurgical test work progressing?

A4 Yes, that's another exciting part of where we're moving forward. The aim of the Company here is to get a much higher grade of phosphate to ship and that's got obvious advantages to get a premium for the product on sale. Also you are shipping less waste and it's more economically advantageous to ship it, and we've put a lot of work into the Company in the last six months to get some metallurgical results out. We are excited and happy about the way we've been moving forward. We've had continual improvement in the metallurgical results and got - some of the latest results we've got show - from the coarse fraction we've got phosphate grades up to 33.4 per cent, silica grades down to – 12.3 per cent, that's from 34 per cent and a recovery of 84.6 per cent on that particular floatation study. Now, the exciting part about that is, that is only the rougher floatation test, which is the first floatation test. We still need now to do the cleaner floatation test, which is the final floatation, and that will enable us to further concentrate that and we are anticipating getting the silica grades down further and the phosphate grades up further, so we are well on our way. We've only been listed for a year and a half and I believe that the progress that we've shown on metallurgy and other things has been very pleasing.

Q5 So moving forward, what's the outlook for 2010? What have you got happening over the next few months?

A5 A busy 2010 coming up. We had a very busy period in the last year and a half since floating the Company and I would challenge anybody to have achieved more than what our team has achieved in the last 18 months, but not letting the bit rest between our teeth, we are surging forward. We've got the further studies from the initial slurry pipeline study. We are now trying to finesse that. Given the potentially larger tonnages that we will be shipping, we want to increase the resource base of the Company as well, so further drilling is going to be moving ahead starting in April. We want to completely delineate Highland Plains and also some of the surrounding phosphate prospects that we've got as well to increase the tonnages and we believe we've got a great ability to increase the tonnage there in the Highland Plains area and greater area. The metallurgical work will be ongoing as well, particularly the cleaner floatation testing. The rougher has gone very well, but the final stages we are now moving towards so that we can get a specification on a final shipped product. Corporately, we have not as yet tied up with anybody, we've had an awful lot of interested parties we've been talking to, but as yet we have chosen to go it on our own and we've added value, I think, in that regard, so there is potential at some point to tee up with potential off-take partners and we will be doing some ongoing discussions with different parties over the next few months.

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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.