

ASX RELEASE

29 July 2015

ASX Code: POZ



QUARTERLY REPORT

Period Ending 31 June 2015

Summary:

Failed Takeover Offer

- On 30 March 2015, Phosphate Australia Limited (ASX:POZ, Phosphate Australia or Company) received an unsolicited on-market takeover offer made by Mercantile Investment Company Limited (ASX:MVT, Mercantile) (the Offer).
- This takeover Offer ended on Thursday 14 May 2015; it failed.
- Overwhelmingly, shareholders agreed with our recommendation to reject the Offer as **no POZ shares were acquired by MVT during their failed Offer**. The Company would like to thank our shareholders for not selling into the Offer.

Highland Plains Phosphate Project (Northern Territory) Update

POZ 100%

- The Company has initiated an expert's scoping study for the Highland Plains Phosphate Project in the Northern Territory, with a view to attracting investment capital to further develop the project.
- The Highland Plains deposit is only 68km west of the Century Zinc Mine which utilises a slurry pipeline to the coast and is currently preparing for the end of open pit production in 2015.

Musgrave Cu-Ni-PGE Project, WA

POZ 100% (80% under Option)

- The Musgrave Project is currently operated (under option) by ASX listed PepinNini Minerals Limited (PepinNini), an established Musgrave explorer. POZ are 20% free carried until completion of a bankable feasibility study or a subsidiary of PepinNini spending \$15 million on the project's tenements.
- Completion of a moving loop electromagnetic survey (MLEM) on three target areas (Northwest Zone, Canaan East, and South Central) within the Spinifex Range Project area.
- Reconnaissance vacuum regolith drilling of prospective nickel-copper sulphide and PGE targets is ongoing.

MMY Share Sale Completed

- During the quarter, POZ completed the sale of the 10 million shares it owned in Monument Mining Limited (MMY), a Canadian resource company listed on the TSX-V exchange. POZ received A\$853,309 (net of costs) from the final sale.

1.0 Failed Takeover Offer

On 30 March 2015, Phosphate Australia Limited (ASX:POZ, Phosphate Australia) received an unsolicited on-market takeover offer made by Mercantile Investment Company Limited (ASX:MVT, Mercantile).

This takeover Offer ended on Thursday 14 May 2015; it failed.

During the takeover Offer period, certain communications were sent by MVT to our shareholders. Phosphate Australia refutes some of the content of these communications which the Company believes to be factually incorrect, potentially misleading and defamatory. Phosphate Australia has referred these issues to ASIC.

Overwhelmingly, shareholders agreed with our recommendation to reject the Offer as **no POZ shares were acquired by MVT during their failed Offer**. The Company would like to thank our shareholders for not selling into the Offer.

The Offer from MVT was below the cash backing per share, placing zero value on the Company's projects which includes one of Australia's best positioned phosphate development opportunities.

Phosphate Australia Executive Chairman Jim Richards said Mercantile's Offer further reinforced the opportunistic nature of the bid by trying to acquire Phosphate Australia's quality projects at essentially no cost.

The offer short changes Phosphate Australia's shareholders by placing zero value on the Company's quality projects, Mr Richards said.

Phosphate Australia's assets include the Highland Plains Phosphate Project in the Northern Territory, which has an Inferred Resource of 53 million tonnes @ 16% P₂O₅¹ (JORC 2004). Phosphate is an essential component for fertiliser used extensively in agriculture.

We strongly believe this is one of the best phosphate projects in Australia, given it has an Inferred Resource and is in close proximity to existing infrastructure that provide potential transport solutions, Mr Richards said.

Increasing agricultural productivity is a key requirement to grow global food supply, and phosphate will play an important role in driving that growth."

2.0 Highland Plains Phosphate Project (Northern Territory) Update

POZ 100%

The Highland Plains Phosphate Project has a JORC Code (2004) compliant Inferred Resource of 53 million tonnes at 16% P₂O₅ (POZ ASX release dated 31 March 2009¹).

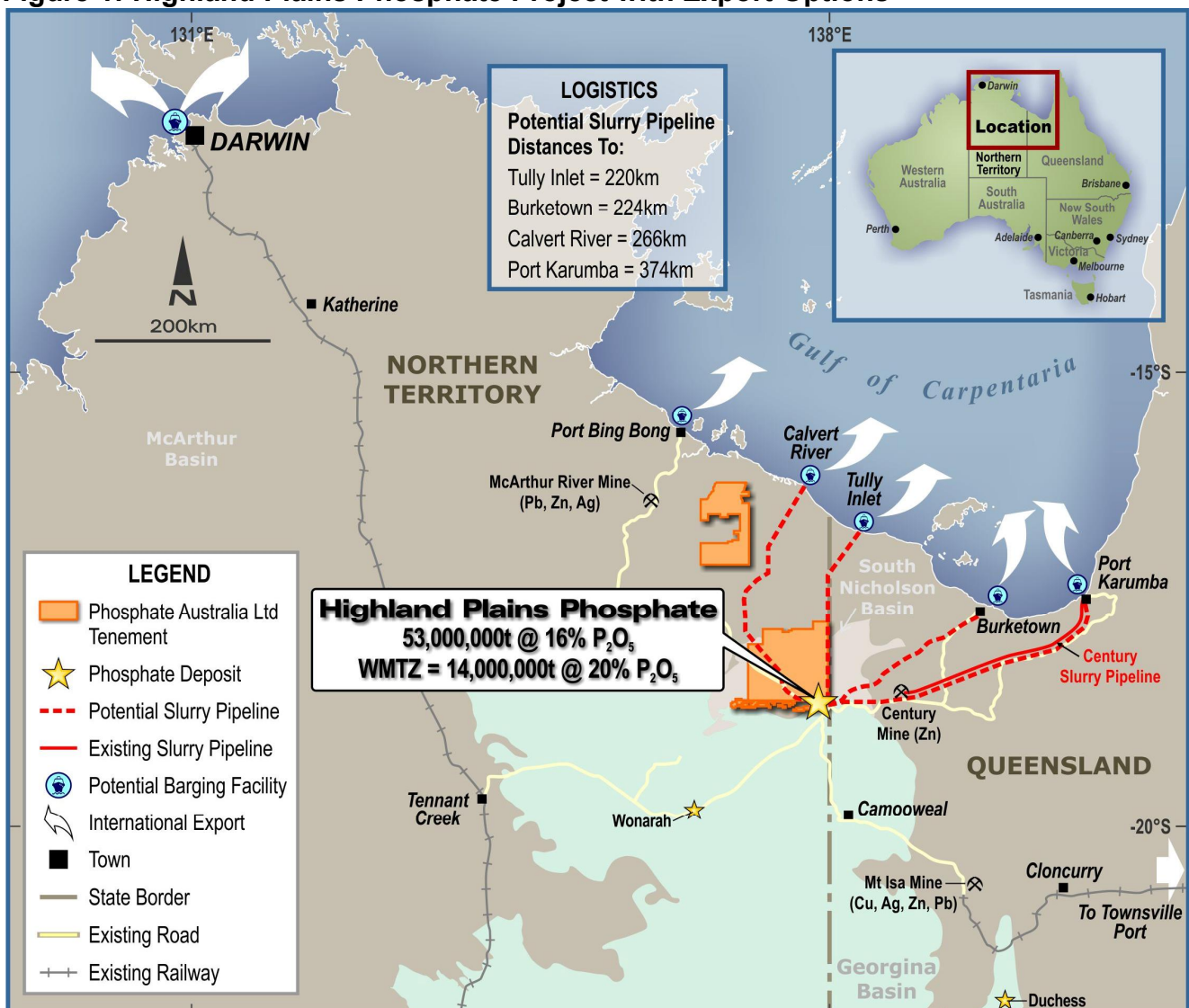
Since Phosphate Australia listed in 2008, substantial amounts of drilling and other work have been done at Highland Plains with proposed solutions for beneficiation demonstrating higher grades.

The Highland Plains deposit is only 68km west of the Century Zinc Mine which utilises a slurry pipeline to the coast and is currently preparing for the end of open pit production in 2015.

To the west of Highland Plains are areas of significant phosphate exploration potential. These areas lie along the prospective Cambrian-Proterozoic contact which also hosts the Highland Plains deposit. Geomorphic embayments which appear similar to the Highland Plains embayment represent excellent future drilling targets and are on granted Phosphate Australia leases.

The Company is actively seeking partners for this project which is 100% owned by Phosphate Australia and has no private royalties.

Figure 1: Highland Plains Phosphate Project with Export Options



2.1 Highland Plains Scoping Study

The Company has initiated an expert's scoping study for the Highland Plains Phosphate Project in the Northern Territory, with a view to attracting investment capital to further develop the project. Highland Plains has an Inferred Resource of 53 million tonnes @ 16% P₂O₅ (JORC 2004).

Of particular interest to this scoping study is the Century Zinc Mine. This mine is only 68km east of the Highland Plains deposit (Figure 1), it has mains power, a full beneficiation plant and utilises a slurry pipeline to transport its product from Century to Port Karumba on the coast.

At Port Karumba there are existing port facilities including a slurry de-watering system, bulk storage and operational barging, currently being utilised for zinc concentrate.

Century has previously stated it is preparing for the end of open pit production in 2015. POZ has considerable interest in the Century infrastructure as one possible solution to greatly reduce the capital requirements needed to develop Highland Plains. We are actively seeking investors who have an interest in financing the potential use of this infrastructure.

The recent falls in the Australian dollar are seen by the Board as adding further operational cost advantages to the Highland Plains project. The Company expects the results of this study to be released during the current quarter.

3.0 Musgrave Project, WA

POZ 100% (80% under option)

The Musgrave Project lies in the relatively unexplored Musgrave Province of Western Australia. The project area consists of two 100% POZ held tenements, E69/2864 and E69/3191 (both granted) for a total area of 785.7km².

The project is currently operated (under option) by ASX listed PepinNini Minerals Limited (ASX: PNN), an established Musgrave explorer. POZ are 20% free carried until completion of a bankable feasibility study or expending \$15 million on the Tenements (at which point POZ becomes a contributing party). At any point after the formation of the Joint Venture, POZ may elect to convert its 20% interest to a 1% gross revenue royalty.

During the quarter, PNN received the processed data and consultants' assessment of the recent ground electro-magnetic surveys conducted at the Spinifex Range Project in the West Musgrave Region of Western Australia. Bedrock anomalies were not identified.

PNN recently reported (ASX announcement 9 June 2015) the completion of moving loop electromagnetic surveys (MLEM) of three target areas (Northwest Zone, Canaan East, and South Central) within the Spinifex Range Project area. A total of nineteen line kilometres of surveying along fourteen (14) lines was undertaken for a combined 250 receiver stations (Figure 2). The work was undertaken by Outer Rim Exploration (ORE) using the high powered ORE HPTX (200A) system. The data quality has been deemed sufficiently adequate to have identified any significant responses sourced by bedrock conductive bodies. Bedrock conductivity anomalies were not identified.

Whilst no diamond drill targets have yet been defined in the project area the Company is continuing to undertake vacuum regolith drilling of the remaining prospective nickel-copper sulphide and PGE targets as previously announced.

Figure 2: Location of MLEM & vacuum drill areas within E69/2864 "Spinifex Range"

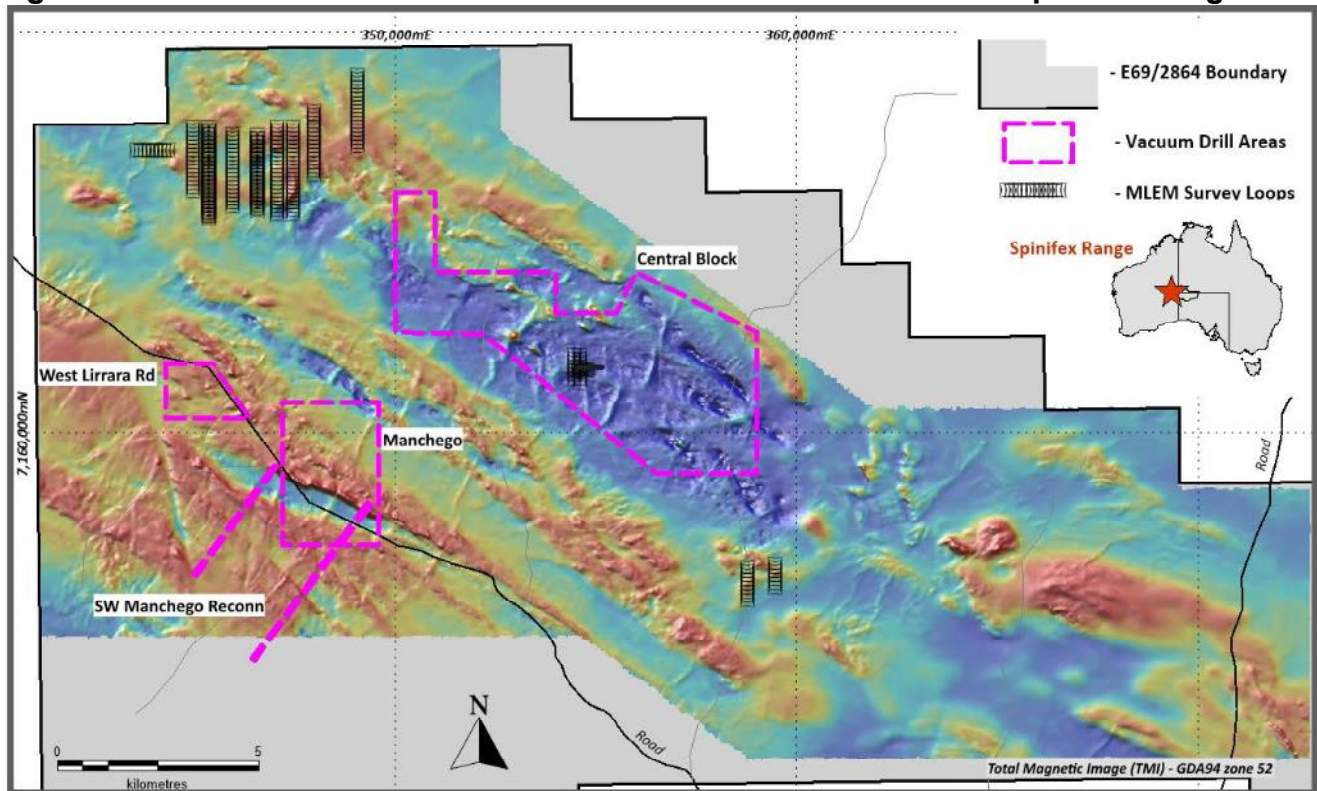


Figure and source text courtesy of Pepinnini Minerals Limited

4.0 Horse Well Gold Project, Wiluna WA

POZ 20%

POZ retains a 20% interest in E69/2820 which is free carried up to the completion of a bankable feasibility study. This tenement is a part of Alloy Resources Limited (ASX: AYR) Horse Well Gold Project which lies approximately 50km north-east of the major Jundee gold mine. This project is currently being actively explored by AYR (<http://www.alloyres.com/projects-horsewell.php>).

5.0 MMY Share Sale Completed

During the quarter, Phosphate Australia completed the sale of the 10 million shares it owned in Monument Mining Limited, a Canadian resource company listed on the TSX-V exchange. The sale was to a European financial group. POZ received A\$853,309 (net of costs).

The Directors of Phosphate Australia believe this sale is an excellent outcome for the Company and represents a significant increase to the cash backing of POZ. It is the Directors' intention for the cash be used to fund potential future acquisitions, exploration and as general working capital.

6.0 Summary and Outlook

Notwithstanding poor market sentiment towards the junior resources sector, Phosphate Australia has continued to demonstrate its ability to generate value from its projects, such as the sale of the Tuckanarra Gold asset in November 2014 for more than \$2.8 million.

The Company is looking forward to receiving the results of the scoping study at the Highland Plains Phosphate Project which will better enable us to attract a strategic partner to advance the project.

Our free-carried partnerships at Horse Well (Alloy Resources) and in the Musgraves (PepinNini Minerals), continue to provide exposure to quality mineral exploration on active and prospective projects.

POZ continues to monitor ground drop-offs in Western Australia and the Northern Territory in order to acquire projects at low cost. It is the Company's intention to explore these projects and to generate value for shareholders through mineral discoveries, development and astute deal-making.

During the quarter, the completion of the sale of 10 million Monument Mining Limited shares resulted in POZ receiving A\$853,309 in cash (net of costs).

The Company has a cash balance of \$3.6 million (31 June 2015).

Jim Richards
Executive Chairman

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The information in this report that relates to previously reported exploration results is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Richards is a Director of Phosphate Australia. 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 2012 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 relates to Highland Plains Mineral Resources is based on information compiled by Rick Adams and Ted Hansen who are members of the Australasian Institute of Mining and Metallurgy. Rick Adams and Ted Hansen are directors of Cube Consulting Pty Ltd. and 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 a competent Person as defined in the December 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Rick Adams and Ted Hansen consent to the inclusion in this report of the Information, in the form and context in which it appears.

¹*The Company is not aware of any new information or data that materially affects the information included in the previous announcement (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed.*

Appendix A - Interests In Mining Tenements

Table 1: Western Australia

Lease	State	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
E04/2388	WA Aus	Application	100%	0%	0%	Application
E12/11	WA Aus	Application	100%	0%	0%	Application
E25/525	WA Aus	Application	100%	100%	0%	Application
E38/3036	WA Aus	Withdrawn	0%	0%	100%	Withdrawn
E38/3038	WA Aus	Application	100%	0%	0%	Application
E38/3058	WA Aus	Application	100%	100%	0%	Application
E52/3276	WA Aus	Application	100%	0%	0%	Application
E52/3316	WA Aus	Application	100%	100%	0%	Application
E53/1849	WA Aus	Application	100%	100%	0%	Application
E59/2114	WA Aus	Application	100%	0%	0%	Application
E69/2820	WA Aus	Granted	20%	0%	0%	Joint Venture with Alloy Resources Limited
E69/2864	WA Aus	Granted	100%	0%	0%	PPN option to purchase 80%
E69/3191	WA Aus	Granted	100%	0%	0%	PPN option to purchase 80%
E80/4935	WA Aus	Application	100%	0%	0%	Application
E80/4936	WA Aus	Withdrawn	0%	0%	100%	Withdrawn
E80/4937	WA Aus	Application	100%	0%	0%	Application
E80/4953	WA Aus	Application	100%	100%	0%	Application

Table 2: Northern Territory

Lease	Mineral Field	Location	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
EL25068	NT Aus	Highland Plains	Granted	100%	0%	0%	JIMPEC have a Joint Venture Option Agreement to acquire 80% of the iron ore and manganese rights
EL26604	NT Aus	Nicholson	Application	100%	0%	0%	
EL26645	NT Aus	Nicholson	Application	100%	0%	0%	
EL26646	NT Aus	Murphy	Application	100%	0%	0%	JIMPEC have a Joint Venture Option Agreement to acquire 80% of the iron ore and manganese rights
EL26648	NT Aus	Nicholson	Application	100%	0%	0%	
EL26649	NT Aus	Nicholson	Application	100%	0%	0%	
EL26650	NT Aus	Nicholson	Application	100%	0%	0%	
EL27854	NT Aus	Manganese	Application	100%	0%	0%	
EL27855	NT Aus	Manganese	Application	100%	0%	0%	
EL27856	NT Aus	Manganese	Application	100%	0%	0%	
EL28152	NT Aus	Nicholson	Granted	100%	0%	0%	
EL28153	NT Aus	Nicholson	Granted	100%	0%	0%	
EL28220	NT Aus	Nicholson	Application	100%	0%	0%	
EL30604	NT Aus	Alroy	Withdrawn	0%	0%	100%	
EL30605	NT Aus	Alroy	Withdrawn	0%	0%	100%	
EL30890	NT Aus	HP West	Application	100%	100%	0%	
EL30891	NT Aus	HP West	Application	100%	100%	0%	