

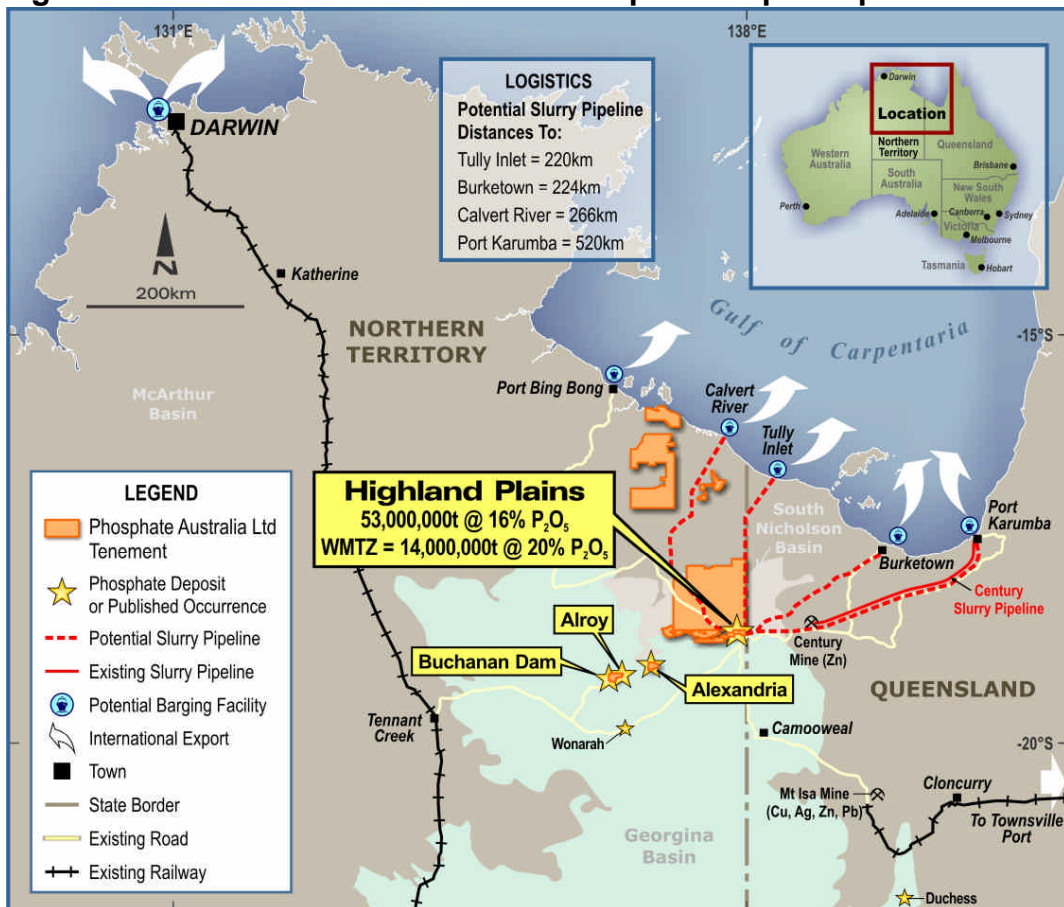
QUARTERLY REPORT

Period Ending 31 March 2012

Highlights:

- Results from first two phases of drilling at Tuckanarra gold project assessed and released. Phase 3 drilling planned for mid-May.
- Highland Plains Phosphate Project (NT): Due-diligence investigations taking place with potential partner groups. Detailed discussions on potential terms underway.
- Musgrave Project (WA): Joint venture arrangements finalised with Anglo American. Airborne electro-magnetic survey over the project area has been completed.

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Tuckanarra Gold Project

The Tuckanarra gold project lies within the prolific West Australian Murchison goldfield (Figure 2). The project has historic production of ~125,000 ounces and was last mined in 1993 when the gold price was around \$330 an ounce. The Board believes the project has considerable potential for further discoveries of shallow high grade gold mineralisation.

A Phase 1 RC drilling program has been completed. This program targeted shallow mineralised structures around the old Cable pit (Figure 3). Sixteen holes were completed for 1,635 metres. Full assays for Phase 1 were released on 14 February 2012 and included 20 metres at 2.1 g/t from 70 metres at the Cable East vein indicating a continuous, well mineralised structure up to 13 metres true width with a current strike length of approximately 500 metres which is open at depth.

Phase 2 aircore drilling (215 holes for 5,070 metres) results were released on 19 March 2012 and included 12 metres at 3.3 g/t from 16 m to the end of hole on the Cable East vein and; 3 metres at 36.4 g/t from 25 metres to end of hole and 5 metres at 6.8 g/t from 14 metres (composite sample) on the Cable West vein. One metre split results over intervals that were previously composited are currently being quality controlled and will be released once assessed by POZ geologists.

Tuckanarra is extremely well situated, being centrally located within the Murchison goldfield with the Great Northern Highway running through the project area. Nearby existing gold plants include Burnakura (40 km by haul road), Bluebird (on highway), Cue (40 km on highway) and Tuckabiana (planned mill 65 km on highway and haul road) opening up possibilities for nearby toll treatment.

The project was acquired 100% by POZ in August 2011 (see ASX release dated 15 August 2011) with no outstanding private royalties. Since that time, POZ has achieved the grant of the core tenements, clearances for drilling and the completion of two phases of drilling. A third phase of RC drilling is now planned for mid-May when a rig becomes available.

Metallurgical testwork on samples from Tuckanarra is underway comprising gravity gold recovery, cyanide leach bottle rolls and heap leach testing. Results from this work will be incorporated in resource modelling studies as the Company assesses opportunities to quickly monetise the Tuckanarra asset.

Figure 2: Tuckanarra Gold Project Location

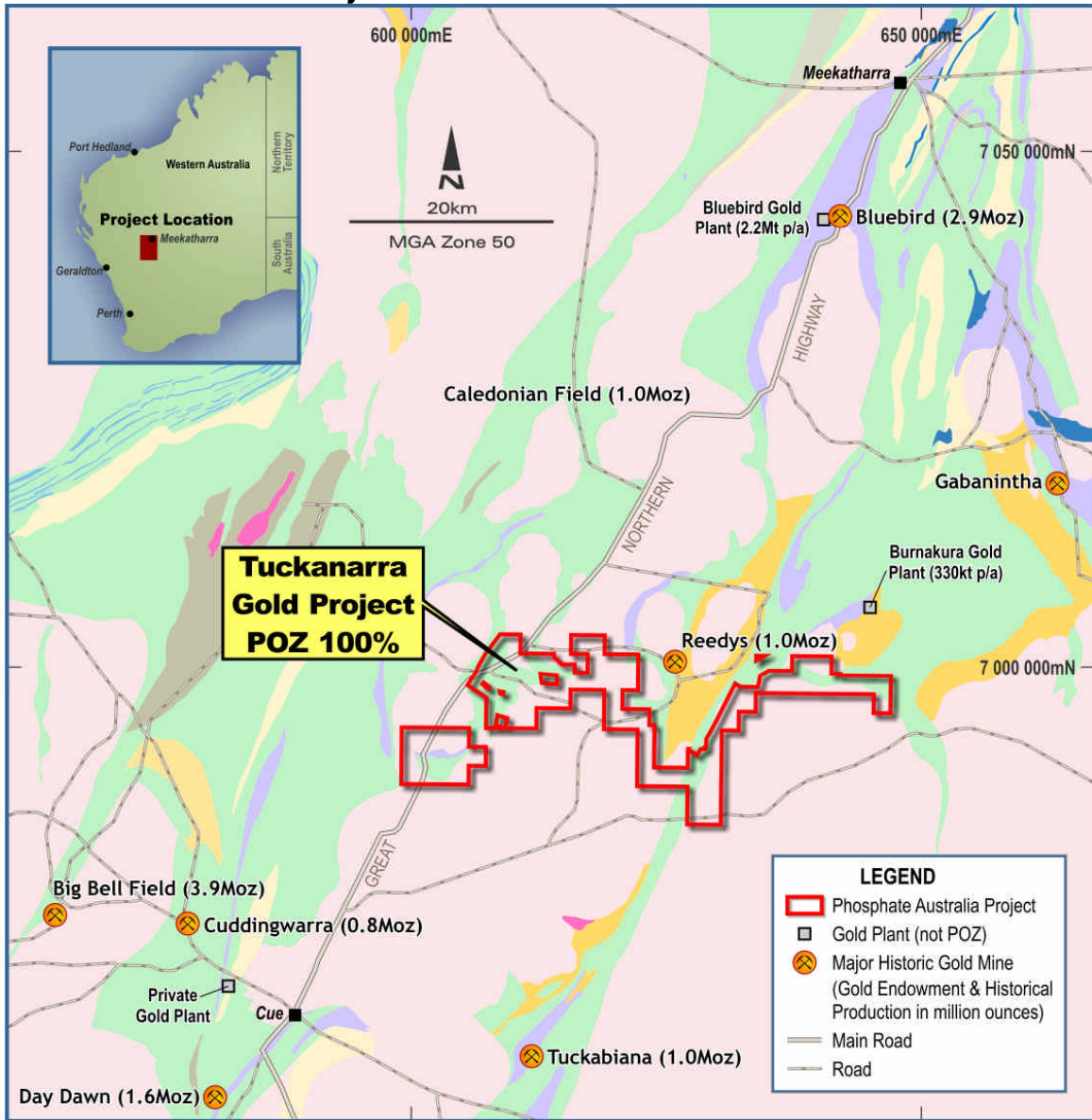
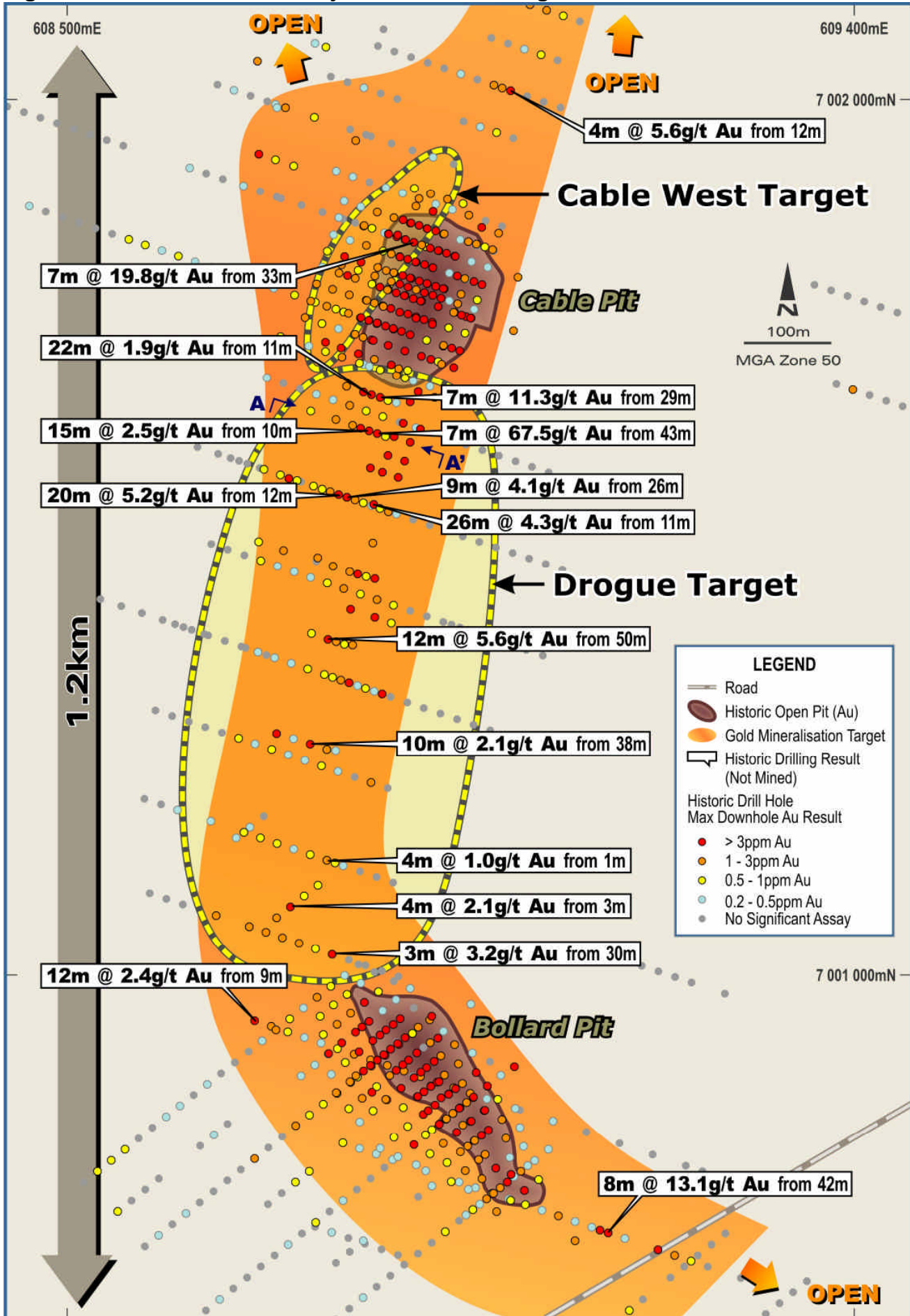


Figure 3: Tuckanarra Gold Project – Initial Drill targets



NB: Previous drilling results are uncut

2.0 Highland Plains Phosphate Project Update (Northern Territory)

Highland Plains has a JORC compliant Inferred Resource of 53 Mt at 16% P₂O₅. The project is 100% owned by POZ and the Company is currently targeting the production and sale of up to 2 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 has been working to attract a Strategic Financial Partner (“SFP”) in the project for over a year and has had numerous early-stage discussions and data exchanges with predominantly Asian-based groups. In the last six months the pace and intensity of these discussions has accelerated leading to due-diligence visits to the project site and other locations important to the success of the export project.

As part of this joint-venture process, the Company has facilitated meetings with government authorities in the Northern Territory for potential SFPs and wishes to thank the various organisations and individuals involved for their continuing assistance.

In parallel with the various due-diligence investigations into Highland Plains taking place, detailed discussions to agree on potential commercial terms are underway. There can be no guarantee of being able finalise joint venture arrangements for Highland Plains on terms acceptable to the Company but the Board continues to be encouraged by progress made over the last Quarter.

3.0 Musgrave Project (WA)

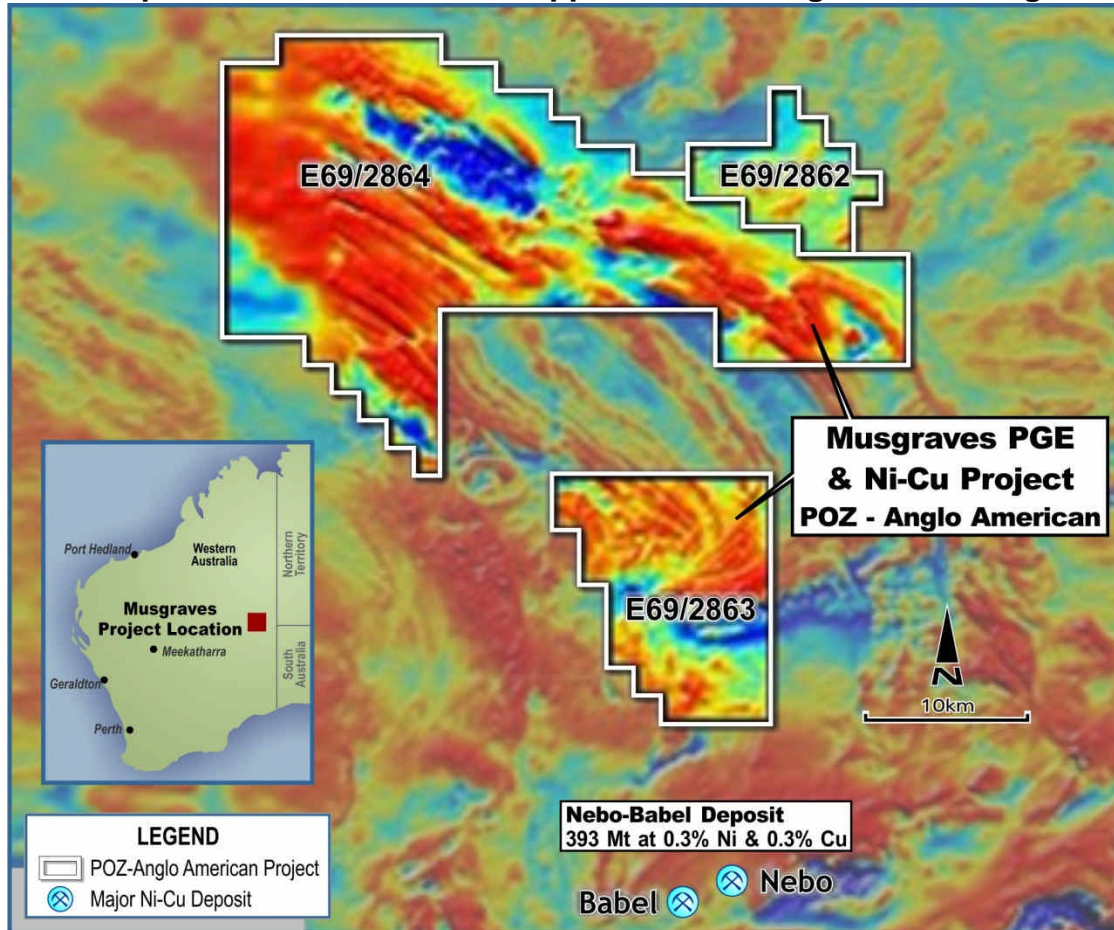
Post the end of the Quarter and, as announced on 2 April 2012, the Company has negotiated a A\$3 million, four year farm-in agreement for its Musgrave Project in Western Australia with Anglo American Exploration (Australia) Pty Ltd (“Anglo American”), a wholly owned subsidiary of Anglo American Plc, one of the world’s largest mining groups. This agreement covers the three core tenements within the Musgrave Project area near the WA border with the NT and SA: E69/2862, E69/2863 and E69/2864 (Figure 4).

The key terms of the Agreement are:

1. Reimbursement from Anglo American to POZ of \$50,000 for prior expenditure.
2. Anglo American to complete a SPECTREM airborne electro-magnetic survey over greater than 80% of the tenement areas with a minimum line spacing of 500 metres.
3. Under the terms of the Agreement, Anglo American will have four years to meet the earn-in requirements at which point Anglo American will earn a 70% interest in the tenements and a Joint Venture will be formed.
4. In order to meet the earn-in requirements, Anglo American must spend a minimum expenditure of \$3 million dollars including the reimbursement of prior expenditure and completion of the SPECTREM survey.

5. Prior to vesting of the 70% interest, Anglo American are also required to complete a minimum of 5,000m of drilling on the tenements.
6. POZ will be free-carried by Anglo American through any subsequent exploration and evaluation phases within the Joint Venture tenements until the completion of a Bankable Feasibility Study.

Figure 4: Phosphate Australia tenement applications on regional aeromagnetic map



The three tenements have been granted and under the terms of the Agreement, Anglo American will lead the negotiations with the Ngaanyatjaraku Land Council (“NLC”) to finalise an Access Agreement to access the tenements, which are located within Aboriginal Reserve lands.

The SPECTREM airborne electro-magnetic survey over the project area has been completed and processed results are expected to be received before the end of the June Quarter.

The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel and 0.3% copper) remains the most significant discovery in the region to date.

4.0 Summary and Outlook

The focus of the Company in the June Quarter will be to finalise potential terms for the Highland Plains phosphate project with potential SFPs and negotiate joint venture agreements once, and if, due-diligence investigations are successfully completed. The Board continues to stress that there can be no guarantee of being able to finalise joint venture arrangements for Highland Plains on terms acceptable to the Company but the proximity of the project to the coast, the exploration acreage that the Company would bring to the potential joint-venture and the quantity and quality of technical work that the Company has conducted, continues to attract interest by established fertiliser market participants.

The next round of drilling at Tuckanarra will allow the Company to advance resource modelling, metallurgical studies and mine planning with the aim being to generate a mineable gold resource as rapidly as possible. The receipt of the Musgrave airborne electromagnetic survey will be an exciting first step in the exploration process by the Anglo-American operated joint-venture.

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 James 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.

Phosphate Australia at a Glance

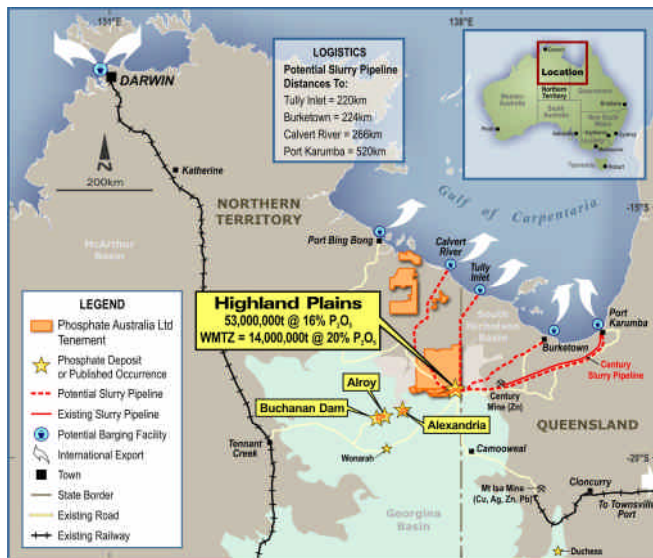
ASX Code: **POZ**

Phosphate Australia Limited is a rock phosphate development company targeting the production and sale of up to 2,000,000 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 53 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 27 April 2012

Ordinary Shares on Issue:	109.9 million
Top 20 Shareholders:	64.4 million (58.6%)
Unquoted Options on Issue:	26.4 million
Share Price:	A\$0.095
Undiluted Market Cap:	A\$10.4 million
Number of Shareholders:	1102
Cash Balance:	\$2.3 million

Board of Directors

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

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