

## ASX RELEASE

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ASX Code: POZ



# A\$814,000 Share Placement and Letter of Intent over POZ's Nicholson Iron Project in NT

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## Highlights

- **Share Placement – Phosphate Australia Limited (POZ) has placed 11 million ordinary shares for a consideration of 7.4 cents per share for a total raising of \$814,000.**
- **Letter of Intent has been signed for a Joint Venture on the Nicholson Iron Project in the Northern Territory.**

### 1.0 Placement of Shares

Phosphate Australia Limited (POZ) has placed 11 million ordinary shares for a consideration of 7.4 cents per share for a total raising of \$814,000.

The shares have been placed with Lodestone Equities Limited (Lodestone), an Isle of Man based company controlled by Mr Gordon Toll. These shares have been issued within the Company's 15% share issue capacity pursuant the ASX Listing Rules and in accordance with the 'excluded offer' provisions of The Corporations Act.

The funds will be used for general working capital including the company's gold project in Western Australia and phosphate project in the NT.

### 2.0 Letter of Intent for Joint Venture over 70% of the Iron Rights on the Nicholson Iron Project

In a separate transaction to the placement announced above, POZ and Lodestone have signed a Letter of Intent in which POZ has granted Lodestone a period of exclusivity to negotiate a joint venture agreement covering POZ's 100% controlled Nicholson iron project (fig 1) in the Northern Territory (NT). There is no guarantee this joint venture will be settled, but the Letter of Intent contains the following terms:

- Lodestone to pay POZ A\$1.0 million upon entering into the JV agreement in exchange for an option over 70% of the iron rights over the Nicholson iron project consisting of tenements EL25068, EL28152, EL28153, EL28157, EL(A)26604, EL(A)26645, EL(A)26646, EL(A)26649, EL(A)26650, EL(A)26648 and EL(A)28220.
- The option can be exercised by Lodestone within 3 years with the payment of A\$3 million to POZ.

- During the three year period Lodestone shall spend a minimum of A\$3 million on iron ore exploration on the tenements and will sole fund that exploration.
- Upon exercise of the option, Lodestone to be entitled to 70% of the iron rights by way of an unincorporated joint-venture and POZ will have a 30% interest in the iron rights free carried, until completion of a Definitive Feasibility Study (DFS).
- POZ may elect to convert its 30% free carried interest to a 2% Free On Board (FOB) gross royalty at any time.
- The rights of both parties under the joint venture shall be transferrable.
- POZ will retain all rights to any other minerals on the Nicholson iron project tenements. The area of POZ's 100% owned Highland Plains phosphate deposit is excluded from the agreement covered under the Letter of Intent.

### **3.0 Mr Gordon Toll and Lodestone**

Mr Gordon Toll has a controlling interest in the company, Lodestone Equities Limited, which has taken the recent share placement in POZ. Mr Toll has a BE Hons (Mining) and MSc. (Business) and 44 years experience in mining. He has raised or helped to raise more than \$5 billion for mining and associated infrastructure projects in the past decade. His experience includes.

- Founder and former Chairman of Ferrous Resources Ltd (a Brazilian company) and Chairman of Fortescue Minerals Group Limited during the critical engineering and funding of that company's initial US\$3.3billion development of its Pilbara iron ore interests.
- Deputy Chairman of Ivanhoe Mines including responsibility for one of the largest copper discoveries of the past two decades.
- Rio Tinto - Group Mining Executive.
- Atlantic Richfield - direct line management of coal mining and associated infrastructure developments in Indonesia and Venezuela.
- Texasgulf Sulphur - Manager of Mining, International.
- Key line management positions with predecessor of BHP Iron Ore in the late 60's and first half of the 70's.

POZ is very pleased to have Mr Toll's knowledge and expertise to assist in moving the Nicholson iron project forward.

### **4.0 Nicholson Iron Project (Northern Territory)**

The Nicholson iron project tenements have areas of known iron occurrences and are prospective for Clinton style oolitic iron mineralisation. Geological mapping by the Northern Territory Geological Survey (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 in the early 1960s by BHP and others. Results for 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 (reported in Queensland Government Mining Journal, Spring 2008).

Beneficiation of this style of iron mineralisation can be favourable as it is considerably softer than standard banded iron formations.

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

The Company's tenements in the South Nicholson Basin are virtually un-explored for iron ore and have considerable potential for Constance Range type iron ore discoveries.

POZ has conducted initial helicopter reconnaissance and mapping work and has confirmed the presence of multiple iron rich bodies with sampled grades up to 63.7% Fe (5.1% SiO<sub>2</sub>, 1.79%Al<sub>2</sub>O<sub>3</sub> and 0.04% P).

Detailed reports on POZ iron ore sampling of the Nicholson iron project can be found in POZ ASX releases dated 9 June 2010, 29 July 2010 and 10 August 2010.

## 5.0 Summary

The Board is pleased with the successful share placement which will assist with working capital requirements over the next year.

POZ looks forward to completing the joint venture agreement with Lodestone over the vast Nicholson project area. This agreement will provide significant capital to mature exploration and development over the project.

Jim Richards  
Chairman

Andrew James  
Managing Director

*References: Harms, J.E. 1965, Iron ore deposits of Constance Range in Geology of Australian Ore Deposits, pp264-269, AusIMM.*

*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 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.*



Figure 1: Nicholson Iron Project Proposed JV Area and Tenements

