
New Manganese Project in WA Acquired

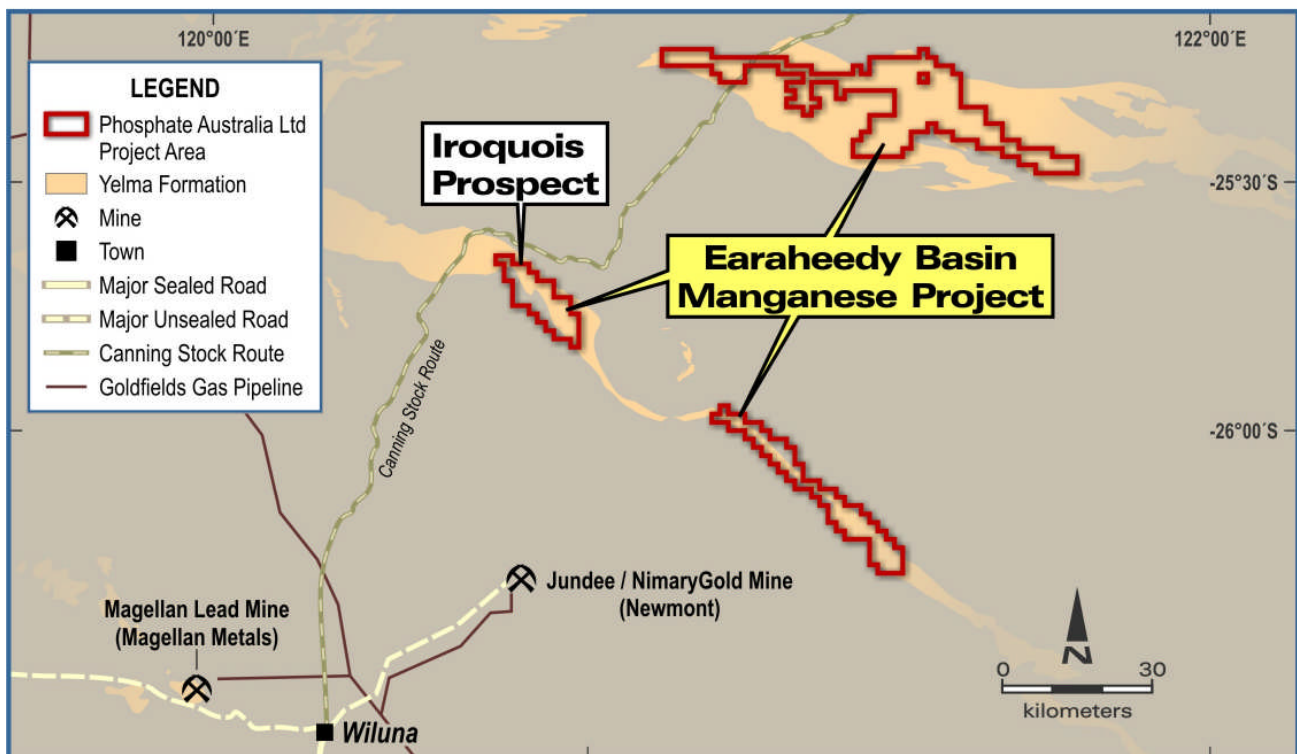
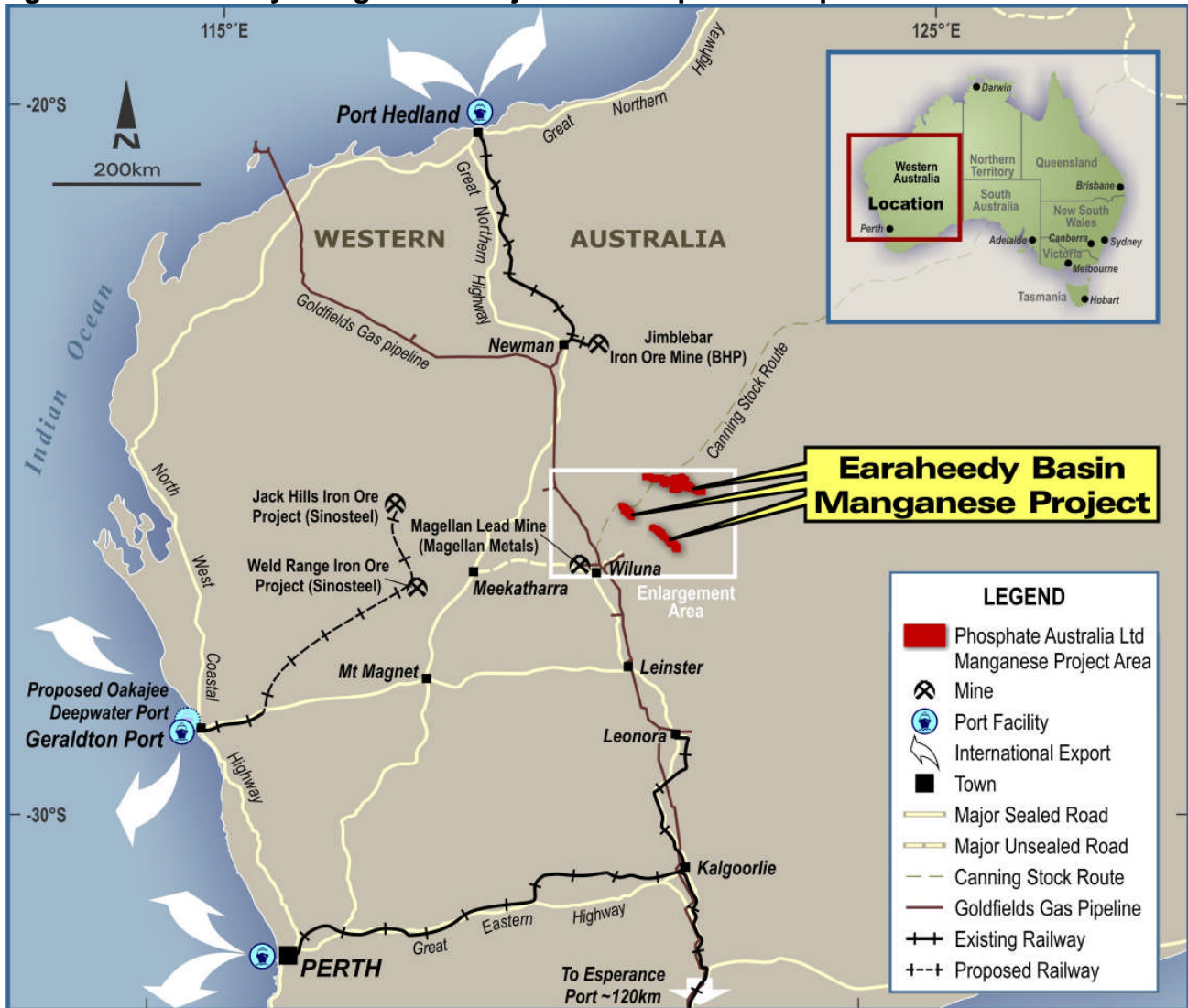
6m @ 34% Mn from 34m in historic drilling. EM survey flown.

Highlights:

- Acquisition of 100% interest in the 973km² Earaheedy Basin manganese project just north of Wiluna in WA's mid-west
- Previous 1990's drilling on the project included **6m @ 34.1% MnO₂ and 4.2% Pb from 34m** in drill hole TRC4
- Phosphate Australia has just completed an airborne electromagnetic (AEM) survey over Earaheedy's main manganese prospect – Iroquois
- Iroquois AEM results due January 2011 – expected to generate manganese targets for priority drilling
- Iroquois a very exciting exploration play due to:
 - Large target area of the prospect (21km x 5km)
 - The high grades and thicknesses demonstrated in hole TRC 4
 - Shallow depths of mineralisation, and
 - The considerable potential for bedded manganese deposits to yield very large tonnages
- Project acquisition gives Phosphate Australia dominant ground position specifically targeting the Yelma Formation of the Earaheedy Basin

Corporate priority remains, however, on developing the wholly-owned 56 Mt at 16% P₂O₅ (Inferred resource) Highland Plains phosphate project in the Northern Territory.

Figure 2: Earraheedy Manganese Project and Iroquois Prospect



1.0 Background

Phosphate Australia Limited (POZ) is pleased to announce the acquisition of 100% holding in the known and documented Earraheedy Basin manganese project, including the flagship Iroquois manganese prospect, in the mid-west of Western Australia.

An airborne electromagnetic (AEM) survey has just been completed over the Iroquois prospect by Phosphate Australia to generate manganese targets for drilling early next year. The results of this AEM survey are anticipated in January 2011.

The Iroquois prospect has been acquired through a WA Department of Mines tenement application by Phosphate Australia and consists of one tenement (E69/2820) which covers 136km² and has no outstanding private royalty commitments.

The Iroquois prospect is a part of Phosphate Australia's larger Earraheedy manganese project which consists of a total of three tenement applications (973km²) specifically targeting the Yelma Formation of the Earraheedy basin (Figure 2).

2.0 Geology and Historic Work

The Earraheedy Basin is highly prospective for bedded manganese deposits similar in age and setting to the giant manganese orebodies of the Kalahari in Southern Africa.

Previous drilling in the Earraheedy Basin early in the 1990s by base metals explorer, RGC Exploration Limited (RGC), made multiple discoveries of bedded manganese, although RGC's focus appears to have been base metals.

The best intersection from this drilling was in the Iroquois prospect (which is now held by Phosphate Australia) and was **6m @ 34.1% MnO₂ and 4.2% Pb from 34m in drill hole TRC4**. This represents the very best drill intersection for manganese so far discovered anywhere in the Earraheedy Basin.

Importantly, this TRC4 intersection was made in the Iroquois Dolomite which is part of the lower Yelma Formation. Based upon this, other drilling information, mineral alteration and geology, the Company believes the Yelma Formation to be the most prospective formation for bedded manganese ore in the Earraheedy Basin. Phosphate Australia has now acquired 973km² of the Yelma Formation and has the dominant ground position in the Yelma of any manganese explorer.

The previous drilling by RGC outlined some prospective areas for follow up work. High grade manganese such as that found in hole TRC4 is the most obvious target. However, a number of other holes show large endowments of manganese which considerably elevates the prospectivity of the Yelma Formation as a whole.

Some previous drilling was also undertaken by Mines and Resources Australia Pty Ltd. This shallow aircore drilling is not deemed to have been deep enough to have intersected the prospective manganese horizon.

Figure 2: Iroquois Prospect Plan: Geology, Drilling and AEM Survey

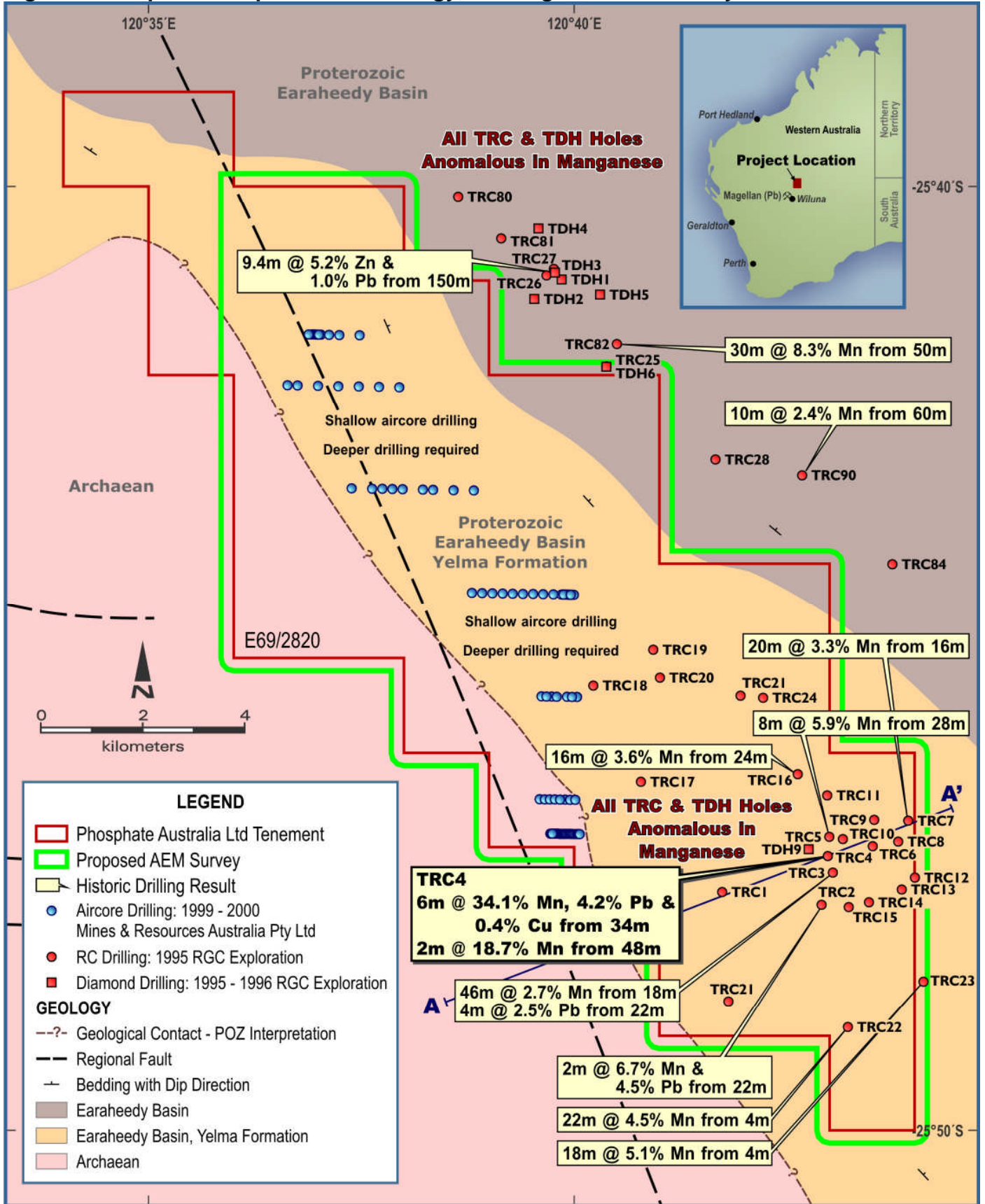
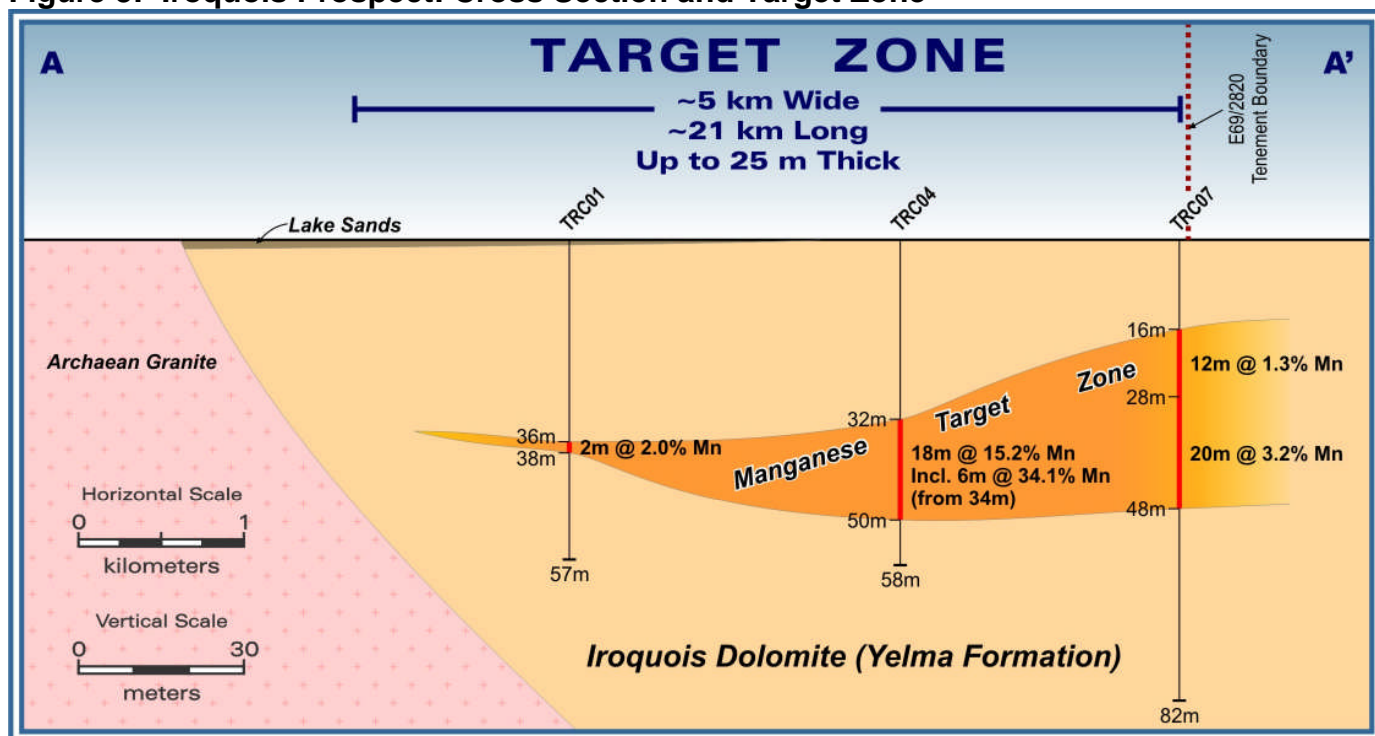


Figure 3: Iroquois Prospect: Cross Section and Target Zone



The large target area of the Iroquois prospect (21km x 5km), the high grades and thicknesses demonstrated in hole TRC 4, the shallow depths of mineralisation and the considerable potential for these bedded manganese deposits to yield large tonnages make for a very exciting exploration play. Assay results from the historic RGC drill intersections now on Phosphate Australia ground, include:

Table 1: Historic RC Drilling Intersections From RGC (now POZ ground)

Hole #	From (m)	Interval (m)	MnO ₂	Comment
TRC 4	34	6	34.1	Includes 6m @ 4.2%Pb
TRC 2	22	2	6.7	
TRC 3	18	46	2.7	Includes 4m @ 2.5%Pb
TRC 7	16	20	3.3	
TRC 16	24	16	3.6	
TRC 22	4	22	4.5	Very shallow

Assay on 2m composites from historic RGC drilling Report# A42560

It is important to note that the nearby Magellan lead mine (operated by Ivernia) is also hosted by outliers of the Yelma Formation and this further enhances the prospectivity of this formation. The Magellan mine was also discovered by RGC (in 1991), it is now a major operating mine targeting production of 85,000 tonnes of contained lead in concentrate for 2011.

Phosphate Australia's Iroquois prospect is also highly prospective for lead mineralisation and hole TRC 4 also has 6m @ 4.2% Pb from 34m.

3.0 Proposed Early 2011 Drilling Program

The target zone for bedded manganese deposits on the Iroquois prospect is ~105km² in area and has been covered by the Company's AEM survey (Figure 2). The aim of the AEM survey is to find areas of anomalously high electrical conductivity which could represent buried and potentially commercial manganese or base metal deposits.

POZ is applying for the required government and heritage permitting and is aiming for the Company's first drilling campaign on the project early in 2011.

4.0 Manganese Pricing Information

Worldwide production of manganese ore was approximately 35 million tonnes (Mt) in 2009 at an average grade of 31%. More than 80% of manganese is used in the production of steel. Manganese prices are generally quoted on a dry metric tonne unit (dmtu) basis where a unit is 10 kg of contained manganese per tonne of ore.

Recent spot data for ore landed in China gives a price of around US\$7/dmtu or US\$294/t for beneficiated manganese ore at 42% Mn. Manganese prices peaked at over US\$16/dmtu in 2008. All Australian manganese mines currently beneficiate their ore.

5.0 Conclusion

The Company has been fortunate in recognising and acquiring the Earraheedy manganese project and in particular, its Iroquois manganese prospect. Historic drilling results of 6m at 34% manganese show high grade manganese mineralisation is present at shallow depths and in significant thicknesses. Other manganese mines in Australia have operating grades considerably lower than 34% Mn.

The Board believes the Iroquois prospect represents an outstanding opportunity for the Company to add to its project portfolio. We look forward to drilling this project early next year.

The Company maintains an interest in new projects, providing they are able to be acquired at very low cost through ground pegging. However, the Company's main focus remains on advancing and developing the high quality Highland Plains phosphate project in the Northern Territory and to this end, the process of finding a strategic partner is ongoing.

Jim Richards
Chairman

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.

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.

The company also has interests in a number of other projects including the highly prospective Earahedy manganese prospect in Western Australia.

Capital Structure Snapshot 6 December 2010

Ordinary Shares on Issue: 108.9 million
Top 20 Shareholders: 68.2 million (63%)

Unquoted Options on Issue: 25.5 million

Share Price: A\$0.12
Undiluted Market Cap: A\$13 million

Number of Shareholders: 1,094

Board of Directors

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

Principal Office

Ground Floor, 41-47 Colin Street
West Perth WA 6005

Phone: +61-8-9422-9555
Fax: +61-8-9422-9599
E-Mail: info@phosphateaustralia.com.au
Website: www.phosphateaustralia.com.au

Mailing Address

PO Box 590
Victoria Park WA 6979

Registered Office

Suite 4, 6 Richardson Street
West Perth WA 6005

Share Registry

Link Market Services
Ground Floor, 178 St Georges Terrace
Perth WA 6000

Shareholder Enquiries: 1300 554 474

