

ASX RELEASE

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QUARTERLY REPORT

Third Quarter - Period Ending 30 June 2009

Phosphate Assay Batch 6: Further Strong Drilling Results From Highland Plains & Project Update

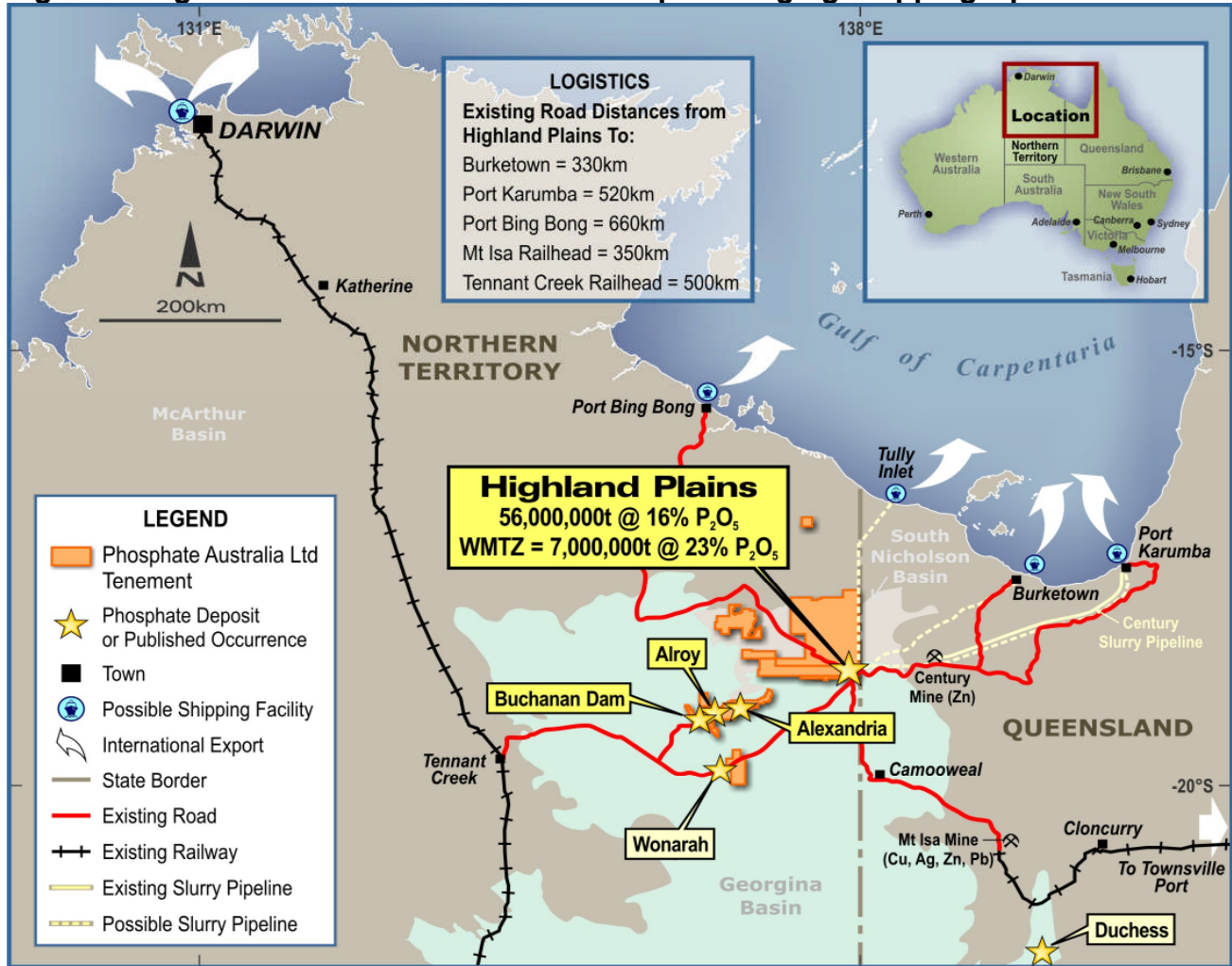
Highlights:

- Phosphate Australia Limited (POZ) reports its Batch 6 drilling results from the Company's 100% owned Highland Plains Phosphate Project in the Northern Territory.
- Results include hole HRC085 with **16 metres at 22.5% P₂O₅ from 9 metres**, this includes **4 metres at 35.0% P₂O₅ from 9 metres**. The high grade component of this hole is particularly good with low levels of contaminants.
- Initial in-house Operating Expense (OPEX) estimates have also been made from desktop studies and indicate a favorable potential OPEX of A\$90/tonne of shipped rock phosphate concentrate. Although these numbers are preliminary, they do reflect the relatively shallow nature of the Highland Plains phosphate, and also its proximity to the Gulf of Carpentaria and potential barging operations.
- In-house Capital Expense (CAPEX) estimates have also been made from desktop studies and indicate a potential CAPEX of A\$105 million. Although these numbers are still early stage (especially regarding the beneficiation plant), they do reflect the relative simplicity of the proposed 500,000 tonne per annum operation.
- Initial timeline planning assumes a pre-feasibility study report to be delivered by June 2010, followed by engineering and design work. After an eight month construction period the project could be in production by late 2011.

Table 1: Drilling Assay Results - Highlights Batch 6

| Hole | From (m) | To (m) | Width (m) | P ₂ O ₅ % | Fe ₂ O ₃ % | Al ₂ O ₃ % | CaO % | MgO % | SiO ₂ % | CaO:P ₂ O ₅ Ratio |
|---------------|----------|--------|-----------|---------------------------------|----------------------------------|----------------------------------|-------|-------|--------------------|---|
| HRC070 | 20 | 35 | 15 | 20.5 | 3.7 | 4.0 | 26.6 | 0.2 | 39.0 | 1.34 |
| Includes | | | | | | | | | | |
| HRC070 | 25 | 35 | 10 | 24.5 | 3.7 | 3.4 | 32.8 | 0.2 | 28.8 | 1.34 |
| HRC070 | 25 | 30 | 5 | 31.3 | 0.9 | 2.0 | 41.8 | 0.1 | 19.4 | 1.33 |
| HRC077 | 5 | 19 | 14 | 24.1 | 3.4 | 3.5 | 32.6 | 0.1 | 29.4 | 1.35 |
| Includes | | | | | | | | | | |
| HRC077 | 9 | 13 | 4 | 31.4 | 4.1 | 2.1 | 42.4 | 0.1 | 13.8 | 1.35 |
| HRC085 | 9 | 25 | 16 | 22.5 | 1.3 | 3.4 | 30.4 | 0.1 | 36.9 | 1.35 |
| Includes | | | | | | | | | | |
| HRC085 | 16 | 20 | 4 | 35.0 | 1.1 | 2.9 | 47.3 | 0.1 | 8.7 | 1.35 |

Figure 1: Highland Plains Location and Transport/Barging/Shipping Options



1.0 Phase 2 RC Drilling Campaign and Batch 6 Assay Results

The Company’s 2009 Phase 2 follow up drilling campaign consisted of 72 RC holes drilled for 2594 metres. The campaign was completed on 28 May.

The Board of POZ is pleased by the latest results, with some of the holes being of exceptional quality. The shallow nature and thickness of the mineralisation is further reinforced.

Once all of the results have been received, POZ resource consultants (Cube Consulting Pty Ltd of Perth) will amend the resource model so that a better understanding of the resource from a mine planning perspective can be obtained, along with an updated resource estimate.

The second set of assay results for the Phase 2 drilling are shown in Table 1 below (Batch 6). Hole locations are in shown Appendix A.

Table 2: Batch 6 Assay Results

| Hole | From (m) | To (m) | Width (m) | P ₂ O ₅ % | Fe ₂ O ₃ % | Al ₂ O ₃ % | CaO % | MgO % | SiO ₂ % | CaO:P ₂ O ₅ Ratio |
|----------|--|--------|-----------|---------------------------------|----------------------------------|----------------------------------|-------|-------|--------------------|---|
| HRC023C | 17 | 20 | 3 | 22.7 | 9.0 | 6.5 | 29.3 | 0.2 | 24.4 | 1.29 |
| HRC067 | 20 | 23 | 3 | 10.0 | 0.8 | 4.6 | 13.7 | 0.2 | 65.7 | 1.36 |
| HRC067 | 27 | 30 | 3 | 24.0 | 0.9 | 3.2 | 32.5 | 0.2 | 33.9 | 1.36 |
| HRC067 | 36 | 38 | 2 | 13.3 | 24.1 | 4.7 | 18.5 | 0.4 | 25.8 | 1.39 |
| HRC068 | 21 | 32 | 11 | 10.0 | 26.3 | 3.0 | 13.7 | 0.3 | 33.2 | 1.36 |
| HRC069 | 8 | 19 | 11 | 10.7 | 2.6 | 3.4 | 14.3 | 0.2 | 62.3 | 1.34 |
| HRC069 | 30 | 33 | 3 | 14.6 | 13.1 | 5.5 | 20.0 | 0.5 | 34.1 | 1.37 |
| HRC070 | 4 | 8 | 4 | 15.4 | 1.1 | 7.0 | 20.3 | 0.4 | 49.5 | 1.32 |
| HRC070 | 20 | 35 | 15 | 20.5 | 3.7 | 4.0 | 26.6 | 0.2 | 39.0 | 1.34 |
| Includes | | | | | | | | | | |
| HRC070 | 25 | 35 | 10 | 24.5 | 3.7 | 3.4 | 32.8 | 0.2 | 28.8 | 1.34 |
| HRC070 | 25 | 30 | 5 | 31.3 | 0.9 | 2.0 | 41.8 | 0.1 | 19.4 | 1.33 |
| HRC071 | 20 | 39 | 19 | 10.0 | 13.8 | 4.3 | 13.6 | 0.3 | 49.5 | 1.36 |
| Includes | | | | | | | | | | |
| HRC071 | 30 | 32 | 2 | 18.0 | 5.6 | 4.1 | 24.4 | 0.3 | 40.9 | 1.36 |
| HRC071 | Hole ends in significant mineralisation - 10.9% P ₂ O ₅ at 39m | | | | | | | | | |
| HRC073 | 26 | 31 | 5 | 23.4 | 1.8 | 5.2 | 31.3 | 0.2 | 31.1 | 1.34 |
| Includes | | | | | | | | | | |
| HRC073 | 29 | 31 | 2 | 31.4 | 3.3 | 3.9 | 41.8 | 0.2 | 12.0 | 1.33 |
| HRC075 | No significant phosphate mineralisation: Hole drilled on edge of WMTZ | | | | | | | | | |
| HRC076 | 13 | 26 | 13 | 11.1 | 7.3 | 4.8 | 14.6 | 0.3 | 53.2 | 1.31 |
| Includes | | | | | | | | | | |
| HRC076 | 17 | 19 | 2 | 18.0 | 2.7 | 5.6 | 23.8 | 0.3 | 42.4 | 1.32 |
| HRC077 | 5 | 19 | 14 | 24.1 | 3.4 | 3.5 | 32.6 | 0.1 | 29.4 | 1.35 |
| Includes | | | | | | | | | | |
| HRC077 | 9 | 13 | 4 | 31.4 | 4.1 | 2.1 | 42.4 | 0.1 | 13.8 | 1.35 |
| HRC078 | 10 | 15 | 5 | 11.1 | 1.4 | 4.2 | 14.9 | 0.2 | 62.0 | 1.35 |
| HRC078 | 23 | 25 | 2 | 32.1 | 5.1 | 2.2 | 43.1 | 0.1 | 10.8 | 1.34 |
| HRC079 | 26 | 29 | 3 | 14.4 | 22.4 | 3.0 | 19.6 | 0.2 | 25.4 | 1.36 |
| HRC080 | 25 | 37 | 12 | 11.8 | 9.0 | 4.8 | 15.6 | 0.3 | 48.9 | 1.34 |
| Includes | | | | | | | | | | |
| HRC080 | 25 | 29 | 4 | 15.2 | 1.4 | 5.0 | 19.7 | 0.2 | 52.5 | 1.28 |
| HRC082 | 7 | 14 | 7 | 9.9 | 10.4 | 5.3 | 13.0 | 0.3 | 51.3 | 1.29 |
| HRC083 | 12 | 22 | 10 | 15.8 | 2.3 | 4.3 | 21.1 | 0.2 | 49.2 | 1.34 |
| HRC084 | 9 | 27 | 18 | 8.0 | 2.9 | 5.0 | 10.7 | 0.3 | 66.4 | 1.34 |
| Includes | | | | | | | | | | |
| HRC084 | 9 | 11 | 2 | 14.2 | 1.6 | 5.2 | 18.9 | 0.2 | 52.7 | 1.34 |
| HRC085 | 9 | 25 | 16 | 22.5 | 1.3 | 3.4 | 30.4 | 0.1 | 36.9 | 1.35 |
| Includes | | | | | | | | | | |
| HRC085 | 16 | 20 | 4 | 35.0 | 1.1 | 2.9 | 47.3 | 0.1 | 8.7 | 1.35 |
| HRC086 | 23 | 27 | 4 | 19.2 | 0.6 | 3.0 | 25.9 | 0.1 | 46.1 | 1.35 |
| HRC086 | 35 | 39 | 4 | 14.2 | 0.7 | 3.0 | 19.1 | 0.1 | 57.9 | 1.3 |
| HRC086 | Hole ends in significant mineralisation - 19.6% P ₂ O ₅ at 39m | | | | | | | | | |

| Hole | From (m) | To (m) | Width (m) | P2O5 % | Fe2O3 % | Al2O3 % | CaO % | MgO % | SiO2 % | CaO:P2O5 Ratio |
|---------------|--|--------|-----------|-------------|---------|---------|-------|-------|--------|----------------|
| HRC087 | 10 | 21 | 11 | 10.3 | 1.0 | 4.6 | 13.9 | 0.2 | 63.3 | 1.34 |
| Includes | | | | | | | | | | |
| HRC087 | 11 | 14 | 3 | 14.6 | 0.7 | 4.9 | 19.7 | 0.2 | 53.0 | 1.35 |
| HRC088 | 9 | 19 | 10 | 19.9 | 1.0 | 3.7 | 26.9 | 0.2 | 41.8 | 1.36 |
| HRC089 | 13 | 21 | 8 | 17.3 | 5.9 | 5.0 | 23.5 | 0.3 | 41.5 | 1.36 |
| Includes | | | | | | | | | | |
| HRC089 | 13 | 17 | 4 | 24.2 | 1.0 | 4.3 | 32.9 | 0.1 | 32.9 | 1.36 |
| HRC090 | 7 | 16 | 9 | 9.2 | 9.3 | 6.7 | 12.4 | 0.3 | 52.4 | 1.34 |
| Includes | | | | | | | | | | |
| HRC090 | 7 | 9 | 2 | 13.4 | 1.3 | 4.3 | 18.2 | 0.2 | 55.8 | 1.36 |
| HRC091 | 6 | 15 | 9 | 12.1 | 0.7 | 5.3 | 16.5 | 0.3 | 58.7 | 1.36 |
| HRC091 | 22 | 24 | 2 | 12.8 | 4.2 | 8.1 | 17.4 | 0.7 | 47.5 | 1.36 |
| HRC093 | No significant phosphate mineralisation: Hole drilled outside of resource area | | | | | | | | | |
| HRC094 | No significant phosphate mineralisation: Hole drilled on edge of resource area | | | | | | | | | |
| HRC095 | No significant phosphate mineralisation: Hole drilled outside of resource area | | | | | | | | | |
| HRC096 | 26 | 28 | 2 | 16.1 | 2.1 | 3.9 | 21.6 | 0.3 | 50.3 | 1.34 |
| HRC096 | 32 | 45 | 13 | 17.8 | 8.0 | 3.6 | 24.2 | 0.3 | 36.6 | 1.36 |
| Includes | | | | | | | | | | |
| HRC096 | 32 | 36 | 4 | 21.6 | 5.3 | 2.8 | 29.0 | 0.2 | 34.5 | 1.34 |
| HRC097 | 13 | 15 | 2 | 15.2 | 5.6 | 6.1 | 19.2 | 0.3 | 46.0 | 1.24 |
| HRC097 | 30 | 38 | 8 | 15.6 | 6.3 | 3.8 | 22.0 | 0.9 | 40.3 | 1.42 |
| HRC097 | Note - sample 33-34m missing, average taken for the intersection above | | | | | | | | | |
| HRC097 | Hole ends in significant mineralisation - 12.8% P ₂ O ₅ at 38m | | | | | | | | | |
| HRC098 | 32 | 43 | 11 | 18.4 | 3.8 | 2.9 | 24.6 | 0.2 | 44.1 | 1.34 |
| Includes | | | | | | | | | | |
| HRC098 | 32 | 37 | 5 | 27.5 | 4.0 | 2.5 | 36.8 | 0.2 | 22.5 | 1.34 |
| HRC098 | Hole ends in significant mineralisation - 10.1% P ₂ O ₅ at 43m | | | | | | | | | |
| HRC099 | 28 | 45 | 17 | 11.4 | 5.2 | 3.5 | 15.6 | 0.3 | 57.3 | 1.37 |
| Includes | | | | | | | | | | |
| HRC099 | 29 | 35 | 6 | 15.5 | 6.4 | 3.0 | 21.0 | 0.2 | 47.4 | 1.36 |
| HRC099 | Hole ends in significant mineralisation - 8.4% P ₂ O ₅ at 45m | | | | | | | | | |
| HRC100 | 25 | 28 | 3 | 12.8 | 8.6 | 3.8 | 17.5 | 0.3 | 48.4 | 1.37 |
| HRC100 | 36 | 38 | 2 | 21.2 | 7.7 | 2.5 | 29.7 | 0.2 | 30.1 | 1.41 |
| HRC107 | 25 | 27 | 2 | 11.2 | 0.9 | 5.1 | 15.3 | 0.2 | 63.2 | 1.37 |
| HRC107 | Hole ends at 31m before reaching basement rocks | | | | | | | | | |
| HRC114 | 9 | 11 | 2 | 17.3 | 2.8 | 4.5 | 23.3 | 0.2 | 46.4 | 1.34 |
| HRC114 | 15 | 20 | 5 | 15.7 | 7.7 | 5.0 | 20.8 | 0.2 | 44.2 | 1.33 |

NB: All assays by XRF; assays are uncut.

All holes were vertical RC and drilled dry except where drilling conditions required, then water was injected and aircore returns used.

All holes for which assay results have been received to cut off date are included.

Contaminants can vary widely within the above intersections. The mineralisation can be modeled according to metallurgical input requirements and mined accordingly to diminish contaminants (especially iron).

2.0 Initial Operating Expense (OPEX) Estimates

POZ is targeting an initial Phase 1 startup operation with production and sale of 500,000 tonnes per annum of premium grade (beneficiated) rock phosphate with low contaminants.

For this production rate, in-house Operating Expense (OPEX) estimates have been produced from desktop studies and show an extremely favorable potential OPEX of A\$90/tonne phosphate (FOB vessel in Gulf of Carpentaria).

Although these numbers are still early stage, they do reflect the relatively shallow nature of the Highland Plains phosphate and also its proximity to the Gulf of Carpentaria and potential barging operations.

Table 3: OPEX estimates for 500,000 tonnes per annum premium grade shipped product

| Activity | A\$/Tonne | Comment |
|-----------------------|-----------|---|
| Mining | 10* | See comment below |
| Beneficiation | 25 | Ongoing metallurgical studies to refine this estimate |
| Transport | 40 | Trucking to barge site on the Gulf of Carpentaria |
| Barge Loading | 5 | |
| Offshore Ship Loading | 5 | In Gulf of Carpentaria |
| Administration | 5 | |
| Total | 90 | |

* For every tonne shipped, more than one tonne would be mined due to metallurgical losses. The dollar per tonne cost for mining quoted above is based on the tonnage of shipped product. The cost per tonne actually mined would be less. Due to the surficial nature of the initially targeted mineralisation and assumed ease of mining (no drilling and blasting have been allowed for), mining costs have been estimated as low.

NB: More precise estimates for mine stripping and beneficiation costs are awaiting further resource updates and ongoing metallurgical testwork study results. The numbers above reflect initial mining cost estimates for the shallowest areas of mineralisation.

3.0 Initial Capital Expense (CAPEX) estimates

It is important to stress that for export, the proposed Phase 1 operation is a relatively simple and low CAPEX barging operation, with trans-shipment to Super Handymax sized vessels offshore in the Gulf of Carpentaria. Dredging has not been included but may be required depending on the results of a hydrographic survey. As for the OPEX estimates, more precise CAPEX forecasts require updates to the resource model and the results of metallurgical testing.

Table 4: CAPEX estimates for 500,000 tonnes per annum premium grade shipped product

| Activity | A\$ Million | Comment |
|-----------------------------------|--------------------|--------------------------------|
| Mine Construction | 15 | For shallowest ore |
| Beneficiation Plant | 35 | Awaiting metallurgical studies |
| Road Upgrades | 10 | Awaiting full road survey |
| Storage Shed and Loading Facility | 15 | |
| 2x Barges & tug | 20 | |
| Contingency | 10 | |
| Total | 105 | |

NB: trucking by contractors.

4.0 Timelines – Potential For Production by End 2011

The initial OPEX and CAPEX estimates, although still only early desktop costings, do give POZ a great deal of confidence that the Project has considerable potential as a commercial venture and that all efforts should be made to advance the Project studies as rapidly as possible.

To that end, initial timeline and planning estimates assume a pre-feasibility study report to be completed by June 2010, followed by engineering and design work. After an eight month construction period the project could be in production by late 2011.

5.0 Summary and Look Ahead

Results and progress for the quarter have been good and drilling assays continue to confirm the Board's confidence in the Highland Plains asset. The OPEX and CAPEX numbers in this report indicate that the project has considerable commercial potential.

POZ will continue to fast track the Highland Plains Project. Current and ongoing work to expedite this includes:

- Reporting on final assay results for the Phase 2 drilling program.
- Update current JORC resource with the latest drilling results.
- On-going pre-feasibility studies for transport and infrastructure options including trucking, roads, barging etc.
- Environmental studies.
- Progress permitting for Highland Plains as required.
- Ongoing metallurgical flotation testwork on existing samples targeting a high grade, low silica phosphate product.
- Promote the Company as a potential near term, low OPEX, low CAPEX, phosphate producer.

The Company is in a strong financial position with approximately \$5.1 million cash on hand as at the end of the June quarter.

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 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.

Appendix A: Highland Plains Batch 6 Drilling Results Locations

