

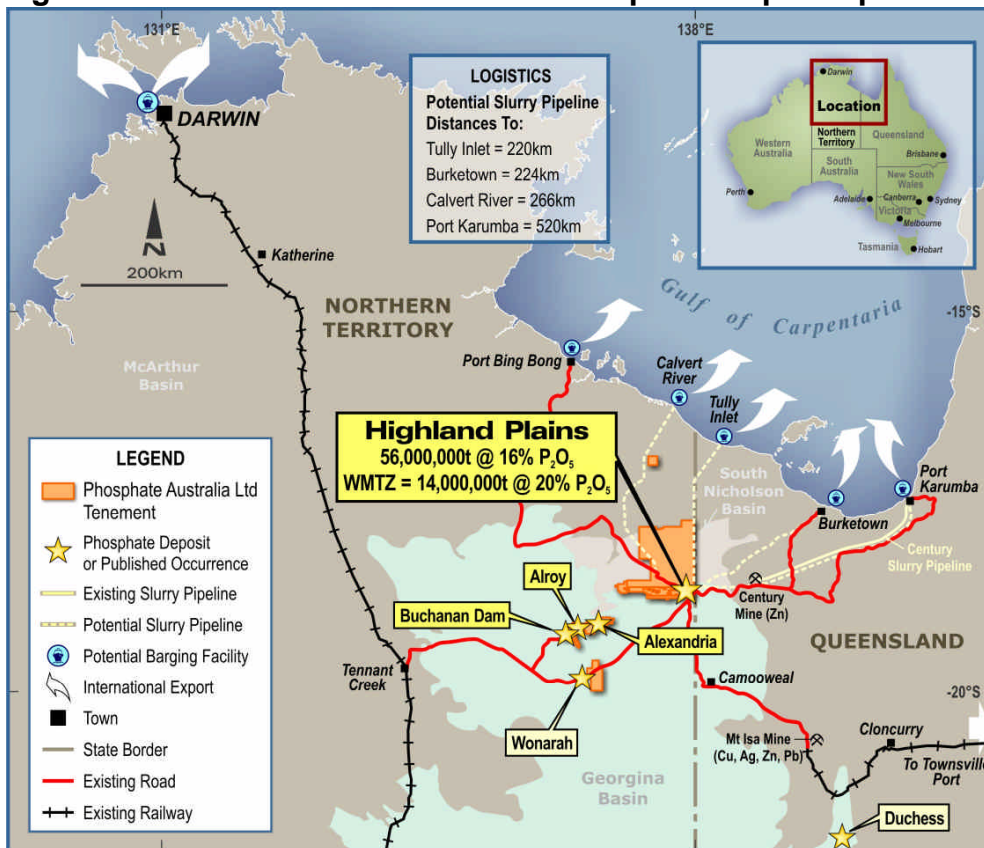
QUARTERLY REPORT

Period Ending 30 June 2011

Highlights:

- Highland Plains Phosphate Project (NT): Continuing to target potential strategic partners for development
- NT Iron Ore Project: One tonne metallurgical sample taken for testing by interested third party
- Iroquois Manganese Project (WA): Aboriginal Clearance Survey completed, Mines Department clearances pending prior to drilling
- Musgrave Project (WA): Platinum Group Element (PGE) assays at surface of up to 3.4 g/t (70% platinum), tens of kilometres of strike potential

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Highland Plains Phosphate Project Update (NT)

Highland Plains has a JORC compliant Inferred Resource of 56 Mt at 16% P₂O₅. The project is 100% owned by POZ and the Company is currently targeting the production and sale of up to 3 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 continues to target a strategic partner to assist in developing the Highland Plains project. Despite interest from a number of parties a transaction that would benefit shareholders has not, as yet, been forthcoming. As a result of this, the Board has decided to only incur project expenditure as required by the Northern Territory Department of Resources – Minerals and Energy in order to keep the tenements in good standing.

Phosphate Australia will continue to work to identify potential fertiliser industry partners for the project and is still engaged with a number of groups. The Board remains optimistic that a way forward will be found to develop the project.

2.0 Iron Ore Project – Metallurgical Sampling (NT)

Results of the Iron Ore sampling and mapping program on the Company's 100% owned Nicholson Iron Project in the NT (and which tenements surround the Highland Plains phosphate project location), were released to the ASX on 10 August 2010.

New areas of iron mineralisation were discovered and sampled on this trip and the discovery of outcropping, high-grade (>60% Fe) iron mineralisation, in only the second small mapping program, highlights the potential of the project area which contains 1400 km² of prospective geology.

The Company's tenements are prospective for Clinton-style oolitic iron mineralisation. Geological mapping by the NTGS has identified outcrop and sub-crop of iron-bearing formations on the Company's tenements that lie within the South Nicholson Group.

A one tonne sample iron mineralisation has recently been collected by a Company geologist from one of the mineralised sites and sent for metallurgical testing. This testing is being paid for by an interested third party and results are expected in the next quarter.

3.0 Earahedy Basin Manganese Project – Iroquois Prospect (WA)

An Aboriginal clearance survey over specific drill targets at Iroquois was recently completed and final permitting from the WA Mines Department is expected in August after which the Iroquois drilling program will commence.

The Iroquois prospect (Figure 2) consists of one tenement (E69/2820) which covers 136 km² and has no outstanding private royalty commitments. The Iroquois prospect is a part of Phosphate Australia's larger Earahedy manganese project which consists of a total of three tenement applications (973 km²) specifically targeting the Yelma Formation of the Earahedy Basin.

The best intersection from historic drilling on the Iroquois prospect (now held by Phosphate Australia) is **6 m @ 34.1% Mn and 4.2% Pb from 34 m in drill hole TRC4** (Figure 3). This historic intersection comprises part of the follow up drilling program.

Figure 2: Earraheedy Basin Manganese Project and Iroquois Prospect

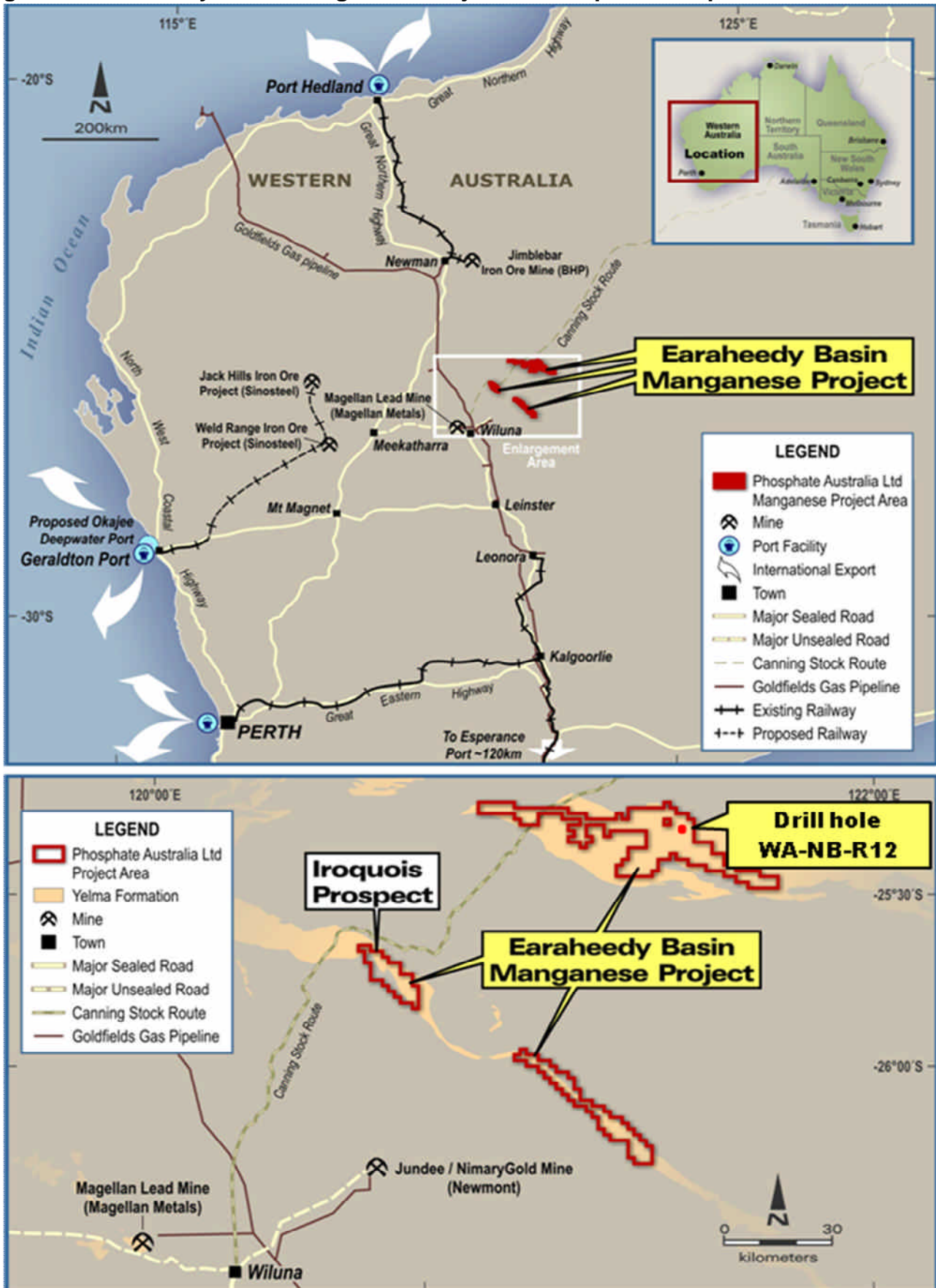
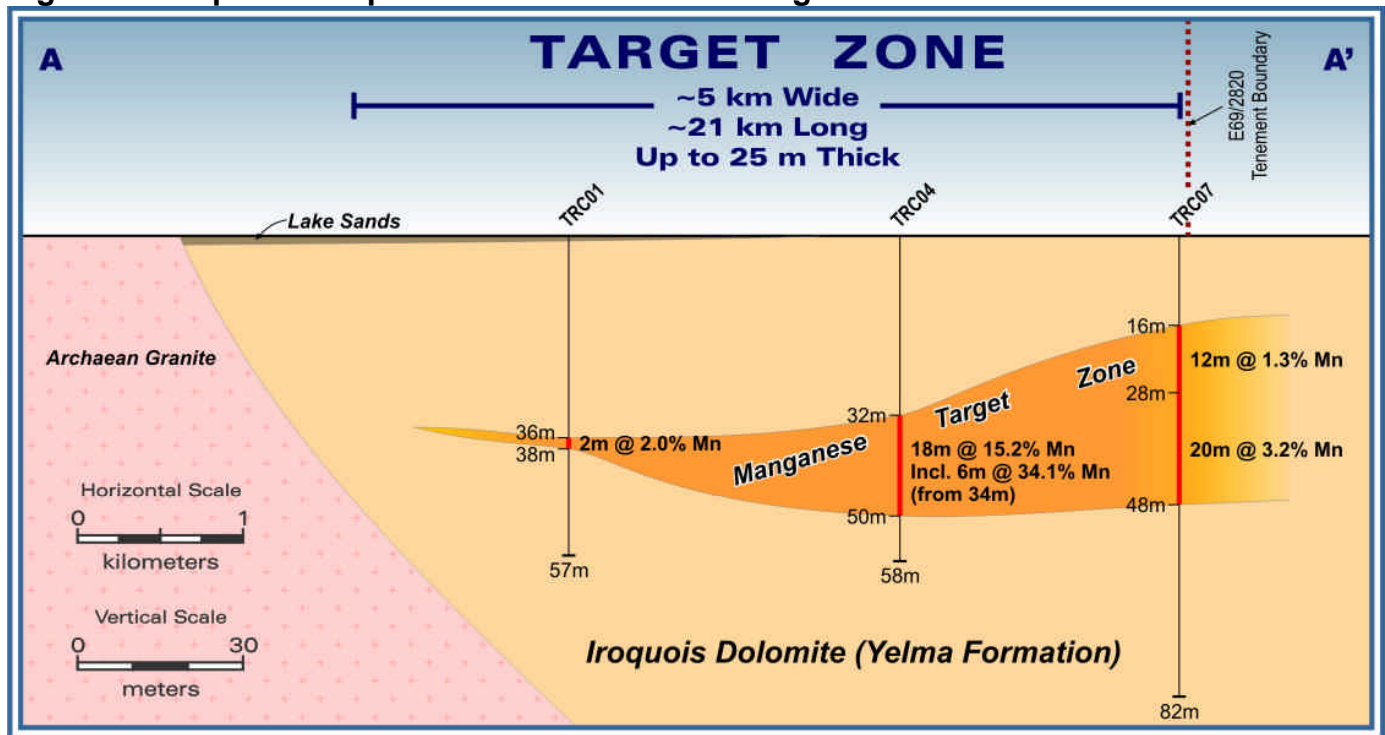


Figure 3: Iroquois Prospect: Cross Section and Target Zone


Further research has shown historic drilling performed by Western Mining Corporation from the area now covered by the Company's exploration tenement, E69/2876, includes an intersection from drill hole WA-NB-R12 with a 2 m interval that was analysed for mineralogy using X-ray diffraction. Results from this analysis indicate that the 2 m intersection consisted of 66% pyrolusite (a manganese ore mineral - MnO_2). This is equivalent to 41% Mn.

4.0 Robinson River Manganese Project (NT)

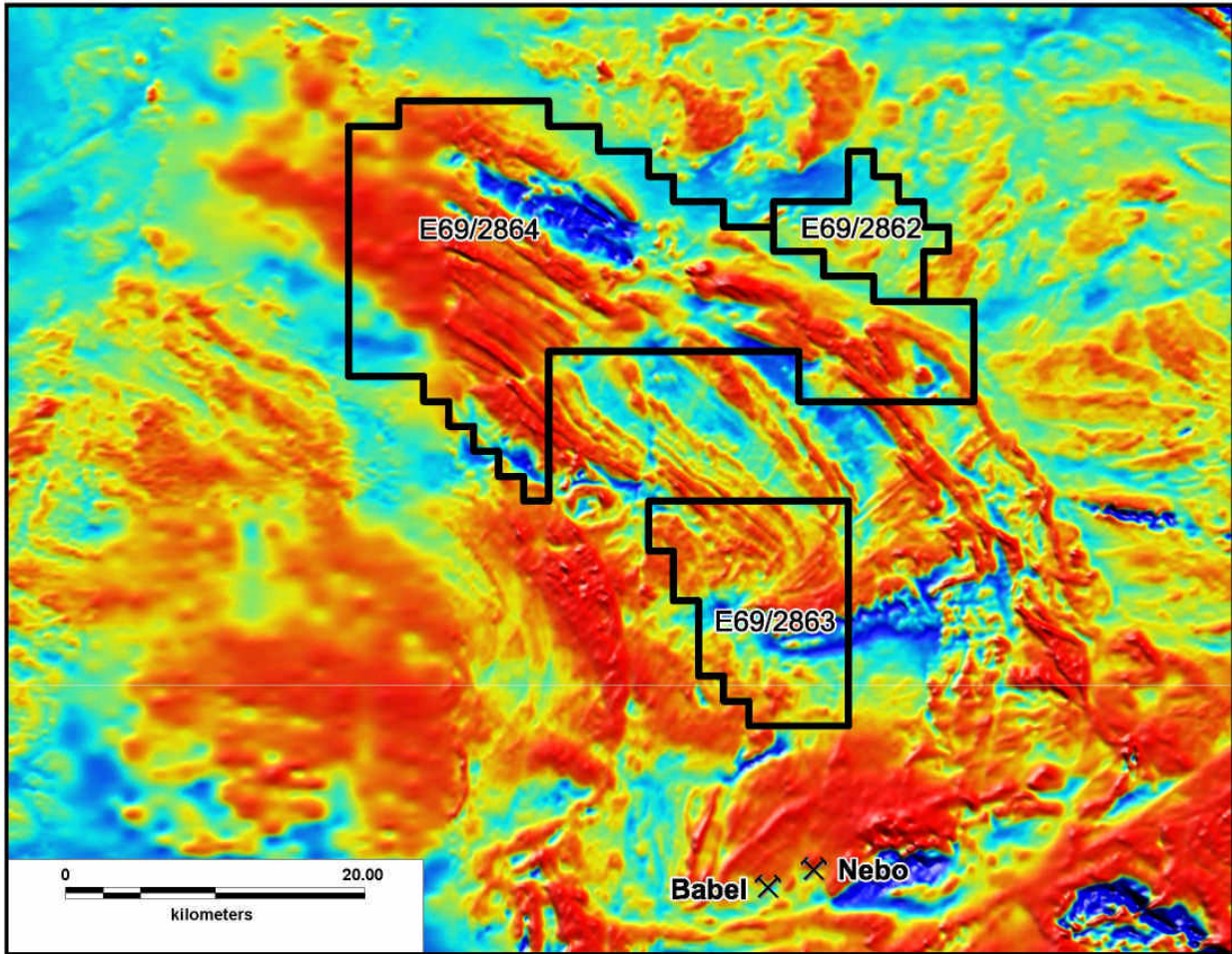
A farm-in agreement with Process Minerals International Pty Ltd (PMI), a wholly owned subsidiary of the ASX listed Mineral Resources Limited (MIN) covering the three permits comprising the Robinson River Manganese Project (NT ELAs 27854, 27855 and 27856) was announced in the previous quarter. An initial on-country meeting with Traditional Owners is now scheduled for the dry season of 2012.

5.0 Musgrave Project (WA)

During the quarter Company Directors took part in a Geological Survey of Western Australia (GSWA) organised field trip through the Musgrave area of Western Australia. Phosphate Australia has three 100% controlled tenement applications in the area (refer to Figure 4). 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. The trip provided the opportunity for the Company to spend time with GSWA geologists who have been working in the area and to get a better understanding of the prospectivity of the Company tenements.

Figure 4: Phosphate Australia tenement applications on regional aeromagnetic map



During the trip the group visited an occurrence of massive, outcropping platinum group element (PGE) enriched magnetite on the Company’s tenements. PGE rich magnetite seams such as this occur as discrete layers within the igneous intrusive complex and can be traced as continuous seams for 10’s of kilometres, providing significant tonnage potential. Thicknesses of these seams can vary from a few metres to 15 metres or more. Laboratory testing gave a specific gravity of 4.32 for the one sample tested.

Four samples from the magnetite outcrop were sampled and assayed and returned the values below:

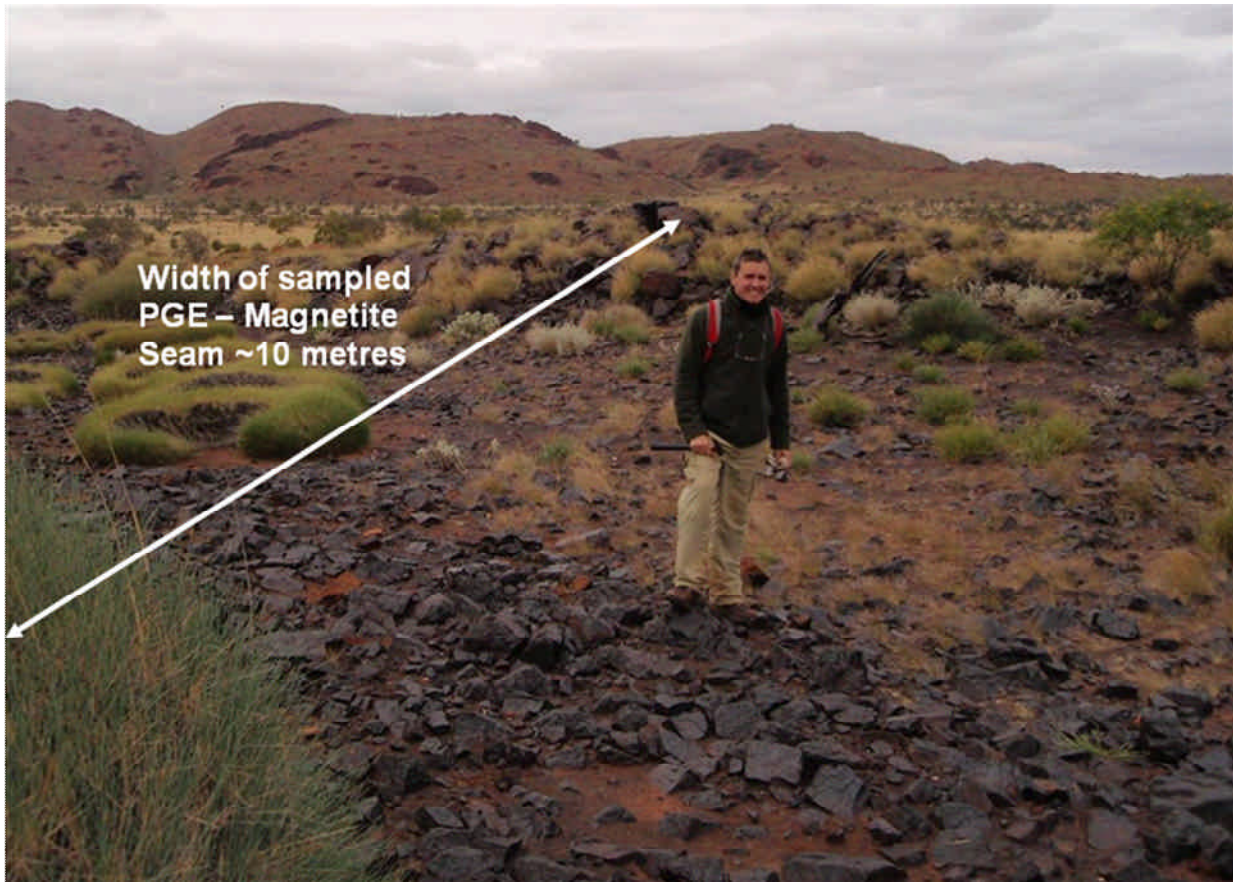
Table 1: Musgrave PGE - Layered Intrusive Magnetite Samples

| | Fe | TiO2 | V2O5 | Pt | Pd | Rh | Ir | Au | PGE + Au |
|---------|------|------|------|------|-----|-----|-----|-----|----------|
| | % | % | % | ppb | ppb | ppb | ppb | ppb | g/t |
| MR01 | 46.5 | 23.9 | 1.25 | 2075 | 780 | 41 | 16 | 58 | 2.97 |
| MR02 | 46.9 | 22.9 | 1.21 | 2443 | 863 | 38 | 16 | 76 | 3.44 |
| MR03 | 47.2 | 23.7 | 1.29 | 960 | 306 | 70 | 18 | 21 | 1.38 |
| MR05 | 45.2 | 27.1 | 1.11 | 1280 | 492 | 27 | 12 | 186 | 2.00 |
| Average | 46.5 | 24.4 | 1.22 | 1690 | 610 | 44 | 16 | 85 | 2.44 |

Fe, TiO2 and V2O5 by fused disk preparation for XRF analysis - analysed by XRF Spectrometry. Pt, Pd, Au, Rh, Ir by 25g lead collection fire assay in new pots - analysed by Inductively Coupled Plasma Mass Spectrometry. Other platinum group elements (Os and Ru) not detected.

The Board believes that the vanadium and platinum group element (PGE) results are interesting and is currently considering ways in which to progress this project.

Figure 5: Phosphate Australia Chairman, Jim Richards, standing on massive outcropping PGE rich magnetite on the Company's 100% controlled Musgrave application.



6.0 Other Projects

The Company continues to conduct low cost, reconnaissance exploration on its extensive portfolio of exploration acreage. During the quarter, mapping and sampling was carried out on the Pine Creek (NT) iron project immediately to the east of Territory Resources' iron ore mine. Field work did not indicate any outcropping iron mineralisation and the permit will be relinquished.

A preliminary trip has been undertaken to the Company's Muccan molybdenum-copper project, north east of Marble bar (WA) (tenement applications E45/3835, E45/3836, E45/38738, E45/3840, E45/3842). A number of soil and rock samples has been taken over occurrences previously mapped by the GSWA. Results will be released once received and analysed by the Company.

7.0 Summary and Outlook

Although the Company has not yet found a strategic partner to assist in the development of the Highland Plains phosphate project, the Board believes the project to have considerable merit and will continue with discussions to find a partner.

In the interim, the Company is in an excellent position to acquire a significant new project and is currently assessing several opportunities.

At the end of the quarter Phosphate Australia had approximately \$3.88 million on hand including an approved but outstanding ATO Research and Development claim.

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

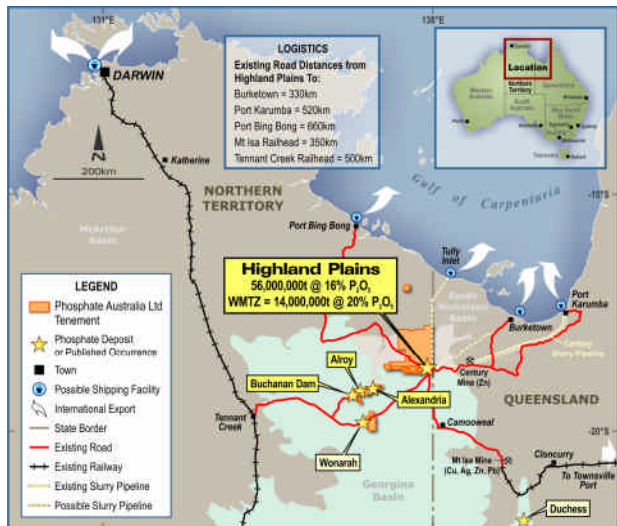
ASX Code: **POZ**

Phosphate Australia Limited is a rock phosphate development company targeting the production and sale of up to 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, Alloy 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 28 July 2011

| | |
|----------------------------|----------------------|
| Ordinary Shares on Issue: | 108.9 million |
| Top 20 Shareholders: | 65.5 million (60.1%) |
| Unquoted Options on Issue: | 25.45 million |
| Share Price: | A\$0.092 |
| Undiluted Market Cap: | A\$10 million |
| Number of Shareholders: | 1161 |
| Cash Balance: | \$3.88 million |

Board of Directors

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

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