

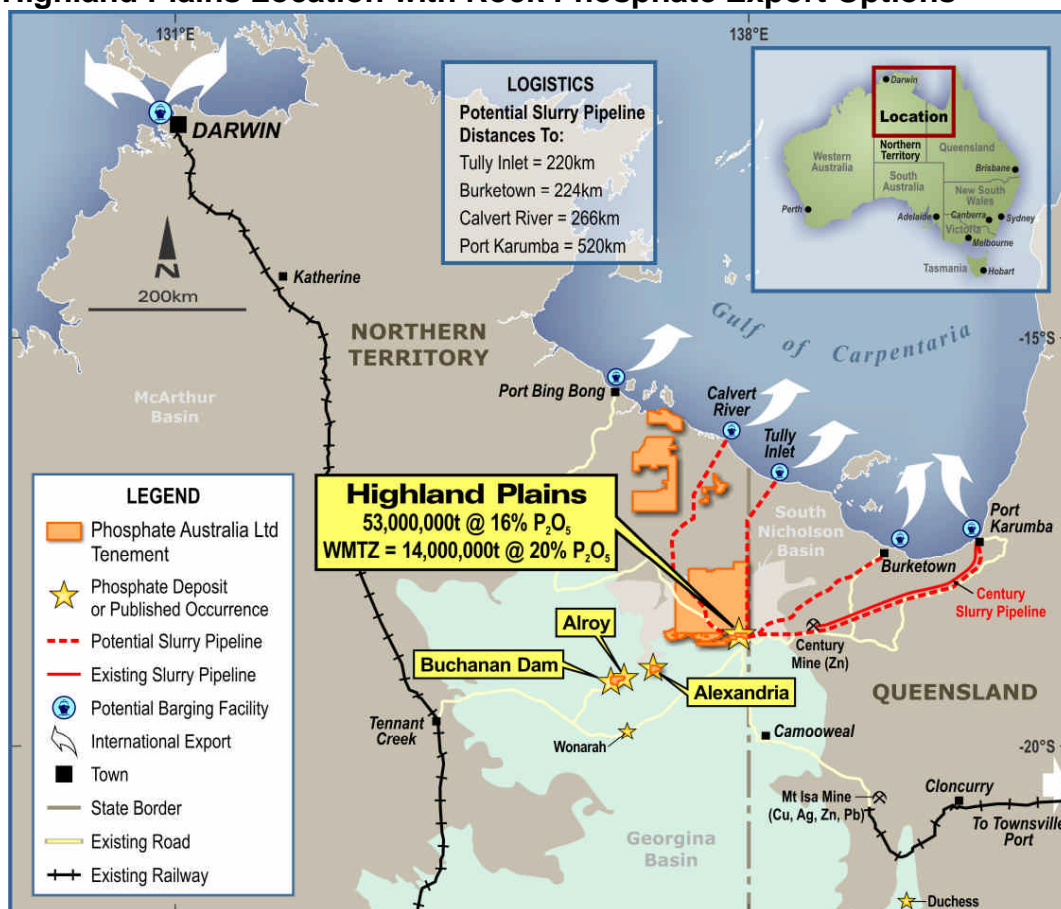
QUARTERLY REPORT

Period Ending 31 December 2011

Highlights:

- Phase 1 RC drilling program at Tuckanarra gold project completed - 16 holes for 1,635 m.
- Phase 2 aircore program at Tuckanarra gold project ongoing – 128 holes for 3,562 m completed to date.
- Highland Plains Phosphate Project (NT): Ongoing discussions and data transfers taking place with potential Asian partner groups. Site inspection conducted.
- Musgrave Project (WA): Joint venture arrangements being finalised.

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 3). 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 recently been completed. This program targeted shallow mineralised structures around the old Cable pit (Figure 4). Sixteen holes were completed for 1,635 metres. Full assays for Phase 1 are currently awaited and will be reported in early February.

Figure 2: Phase 1 RC drilling at Tuckanarra. POZ Chairman Jim Richards with Cable Pit in background.



A Phase 2 aircore drilling program is currently underway and should be completed by early February. This program is targeting up-dip extensions of mineralised structures, shallow laterite mineralisation in the vicinity of Cable-Drogue-Bollard and the Alifa exploration target situated under transported cover (Figure 5). This program will consist of approximately 5,000 metres of shallow aircore holes. As at 28 January, 128 holes for 3,562 metres had been completed.

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 Aug 2011) with no outstanding private royalties. Since that time, POZ has achieved the grant of the core tenements, clearances for drilling, completion of the phase 1 drilling program and commencement of the Phase 2 drilling program which is currently underway.

The Board of POZ is very pleased with the timely manner of this ongoing work program and the Company is on track to publish a maiden resource at Tuckanarra by May 2012.

Figure 3: Tuckanarra Gold Project Location

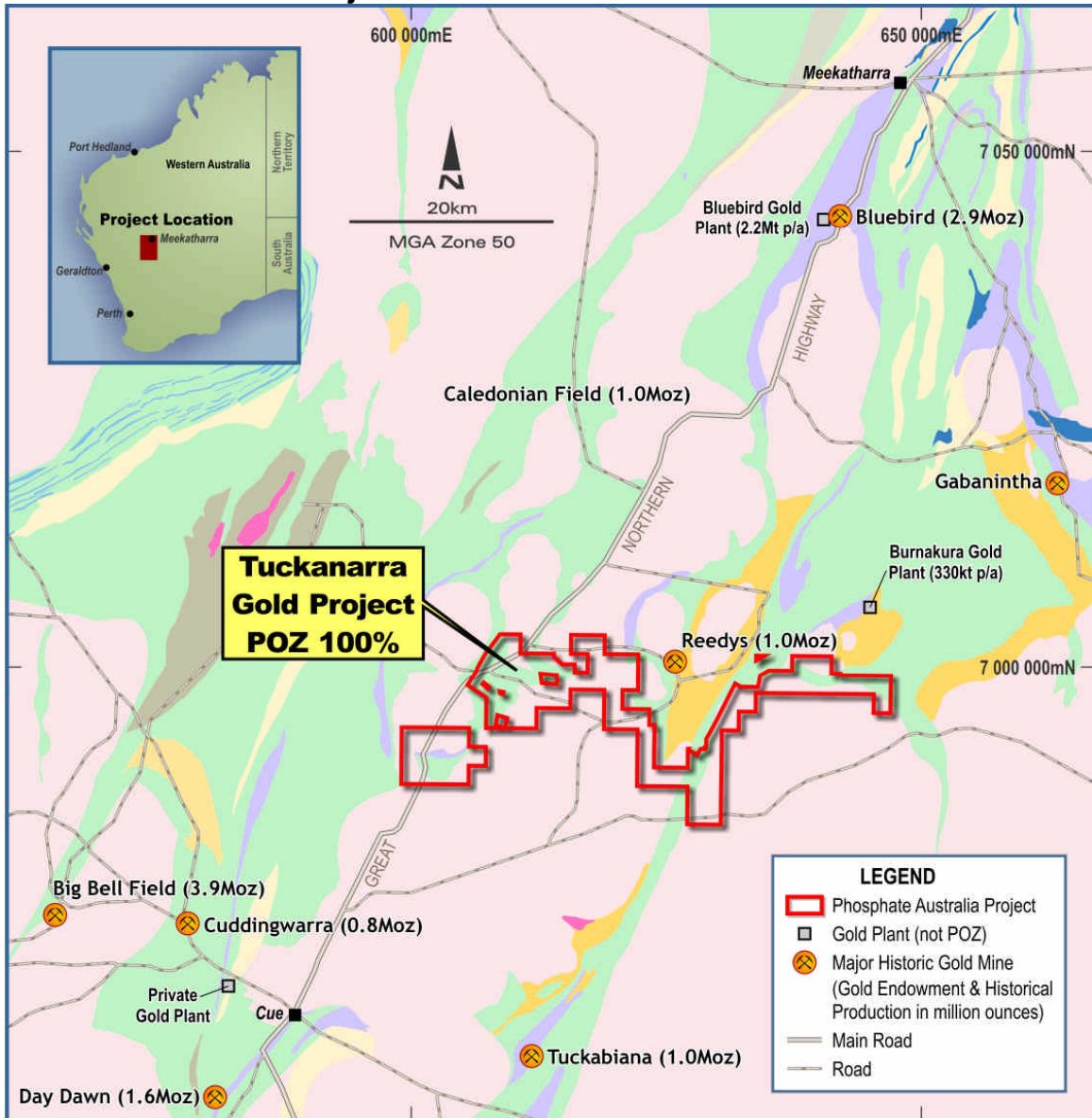
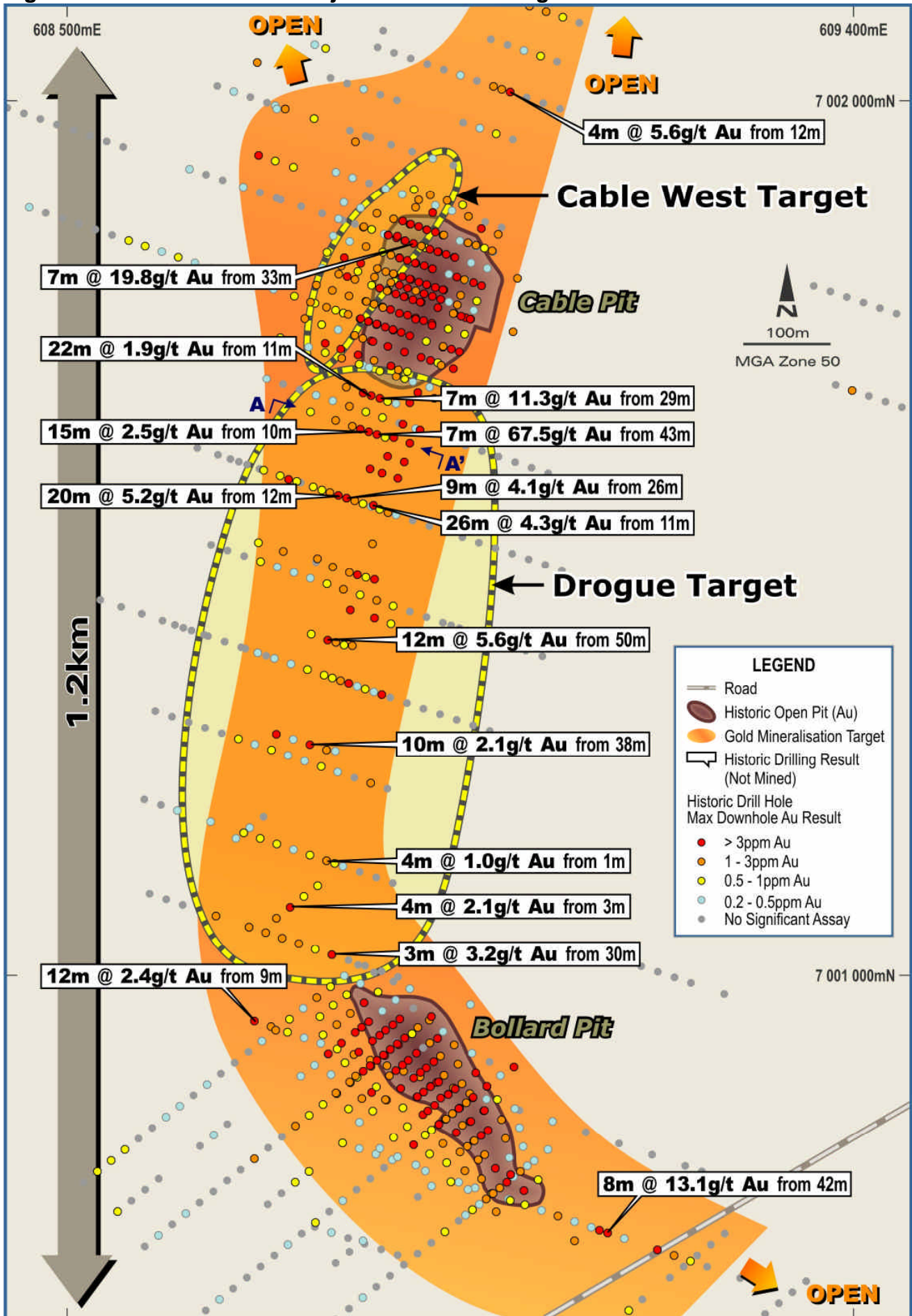
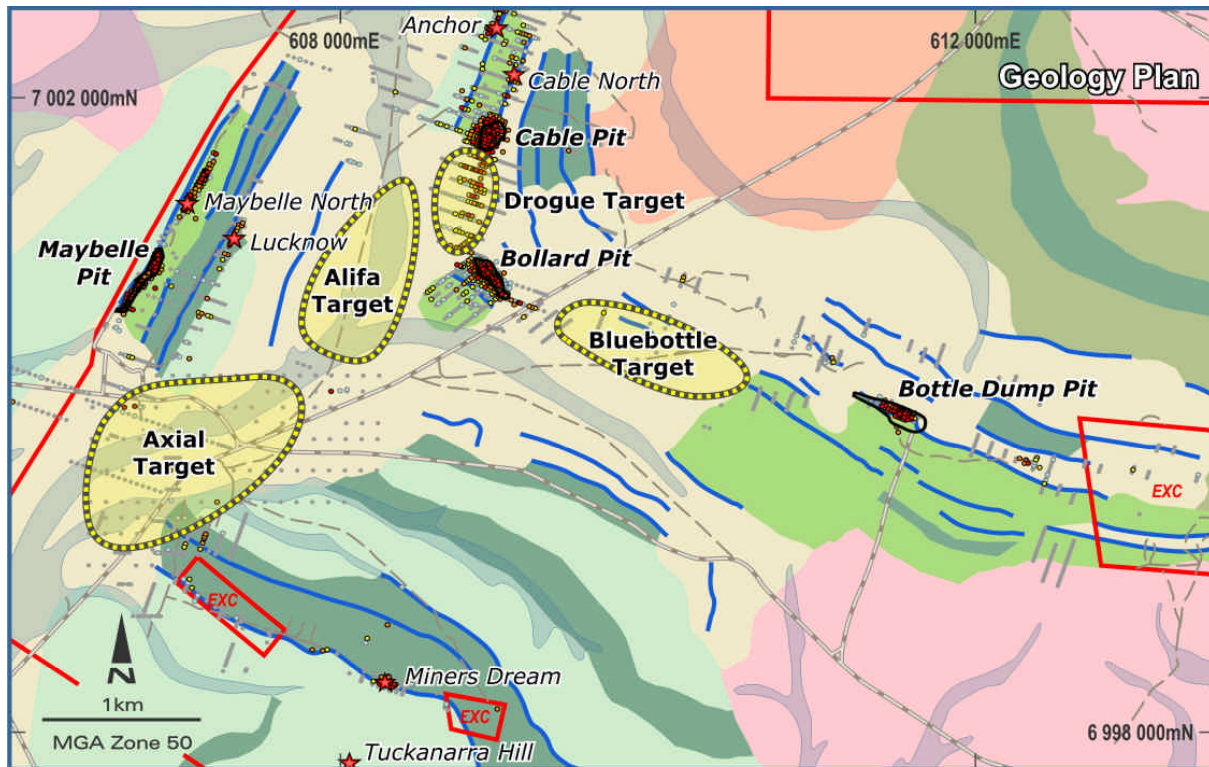


Figure 4: Tuckanarra Gold Project – Initial Drill targets



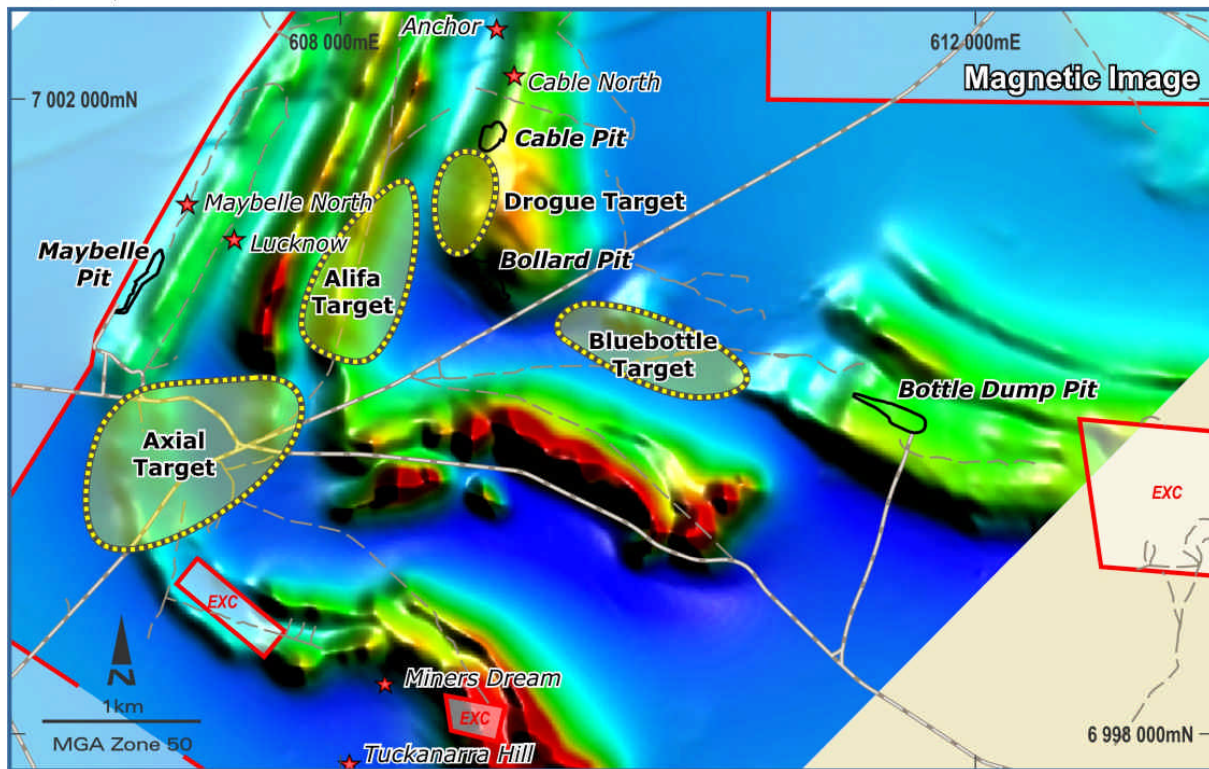
NB: Previous drilling results are uncut

Figure 5: Tuckanarra Prospect Locations



LEGEND

- | | | | |
|------------------------------|---------------------------|--------------|--|
| Phosphate Australia Tenement | Alluvial Drainage Channel | Dolerite | Historic Drill Hole Max Downhole Au Result |
| Excised (not POZ) | Transported Cover | Amphibolite | |
| Road / Track | Banded Iron | Granodiorite | |
| Historic Open Pit (Au) | Pillow Basalt | Monzogranite | |
| Target Area | High Mg Basalt | | |
| Prospect | | | <ul style="list-style-type: none"> > 5ppm Au 1 - 5ppm Au 0.5 - 1ppm Au 0.2 - 0.5ppm Au No Significant Assay |



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.

POZ Managing Director Andrew James has spent a significant amount of time in Asia during the last quarter, as was the case for the previous quarter, and has conducted a number of meetings with different parties who have shown potential interest in forming a strategic partnership with POZ to develop the Highland Plains phosphate project.

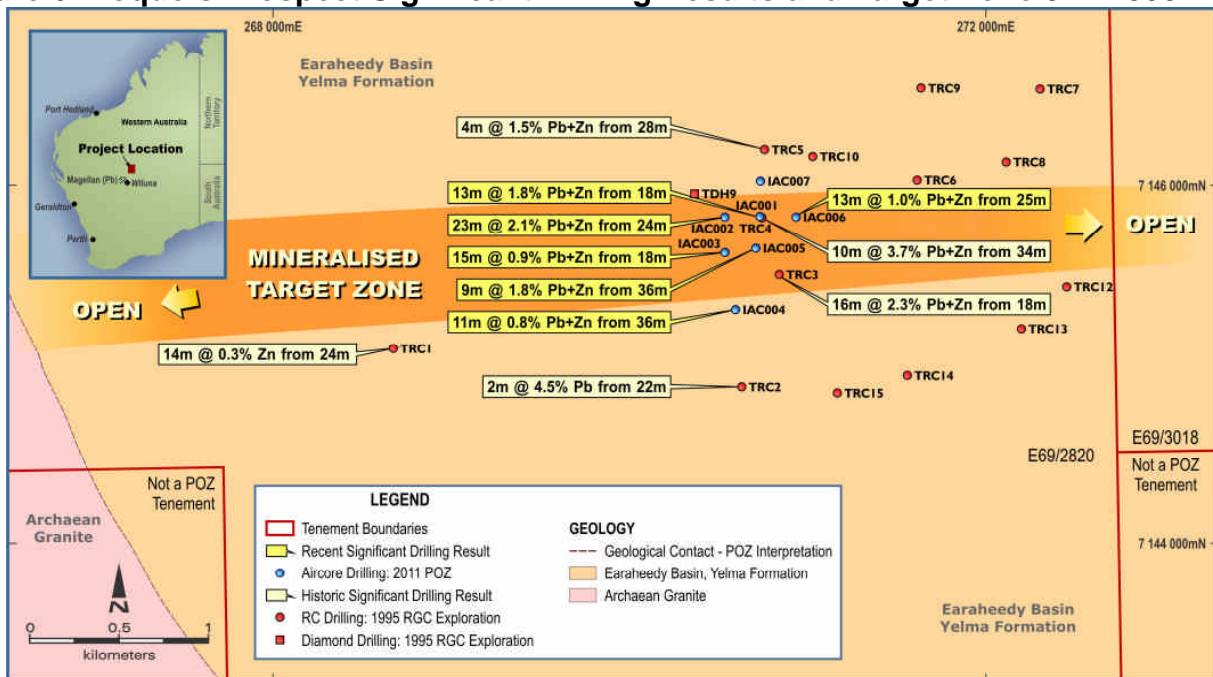
As a result of this promotional and marketing activity the Company is examining in detail a number of options for taking the project forward in conjunction with potential joint venture partners. As part of this process, beneficiated rock phosphate samples have been dispatched overseas and the Company has responded to technical due-diligence requests. In mid-January, a helicopter-supported inspection of the Highland Plains project was undertaken as part of a technical audit of the project by an interested party.

There can be no guarantee of being able finalise joint arrangements for Highland Plains on terms acceptable to the Company but the Board is highly encouraged by progress made over the last Quarter.

3.0 Earahedy Basin Manganese Project – Iroquois Prospect (WA)

Assay results for the Company’s maiden drilling program on the Iroquois manganese prospect in Western Australia were received during the Quarter and released to the market on 7 November.

Figure 6: Iroquois Prospect Significant Drilling Results and Target Zone 5kmx500m



The Company took advantage of a rig which was mobilising into the region to complete a short program of drilling around the historic hole, TRC 4, drilled in the 1990s by base metals

explorer, RGC Exploration Limited. This hole returned an intersection of 6 m @ 34.1% Mn and 4.2% Pb from 34 m.

Drilling conditions were not ideal for an air core rig, but seven holes were drilled for 282 m within a 500 m radius of TRC 4. The drilling also tested an anomalous feature detected during the Company's previously flown airborne electro-magnetic survey.

The best POZ drilling assay result was 23 metres at 2.1% Pb+Zn from 24 metres. This result included 4 metres at 4.9% Pb+Zn. Significant lead and zinc (Pb+Zn) mineralisation was found in four of the seven drill holes. No potentially commercial manganese mineralisation was recorded.

The poor ground conditions in the area meant several holes had to be abandoned and it is therefore significant that all of the POZ holes ended in anomalous Pb-Zn mineralisation. The Company believes that the prospect will need to be more thoroughly drilled with a larger rig. From this initial drilling, a large target zone has now been identified of approximately 5 km long by 500 metres wide. This corridor is prospective for large MVT style lead-zinc orebodies.

The Company is currently reviewing its options to explore the region further.

5.0 Musgrave Project (WA)

POZ has three 100% controlled tenement applications in the area and is currently in final discussions with third parties regarding a potential joint venture on these tenements.

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.

POZ geologists have taken a small number of rock chip samples from an occurrence of massive, outcropping platinum group element (PGE) enriched magnetite on one of the Company's tenements. The rock chips assayed up to 3.4g/t PGE. For full assay results see the last quarterly report.

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.

6.0 Summary and Outlook

The Board is looking forward to the results of the drilling campaign at the Tuckanarra gold project, and the release of a maiden gold resource. Tuckanarra, with its shallow, oxidised mineralisation, good historic grades and proximity to existing gold plants has the potential to launch POZ as a regional player in the Murchison goldfield.

The Company has made steady progress in its search for a strategic partner at Highland Plains and remains hopeful that it will be able to enter into a commercial arrangement to advance this project for the benefit of shareholders.

At the end of the quarter Phosphate Australia had approximately \$2.95 million on hand.

JIM RICHARDS
Chairman

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

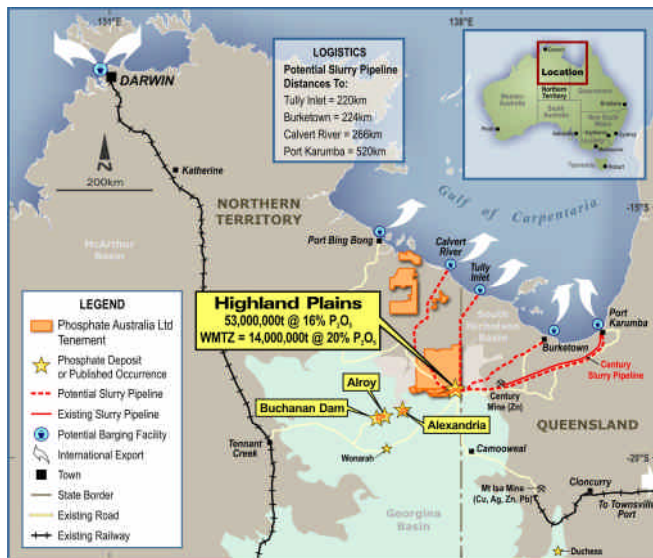
ASX Code: **POZ**

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 30 January 2012

| | |
|----------------------------|----------------------|
| Ordinary Shares on Issue: | 109.9 million |
| Top 20 Shareholders: | 62.4 million (56.8%) |
| Unquoted Options on Issue: | 26.4 million |
| Share Price: | A\$0.06 |
| Undiluted Market Cap: | A\$6.6 million |
| Number of Shareholders: | 1114 |
| Cash Balance: | \$2.95 million |

Board of Directors

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

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