

QUARTERLY REPORT**Second Quarter - Period Ending 31 December
2008**

**Assay Batch 3: Continuing High Grade Phosphate Drilling
Assay Results At Highland Plains**

1.0 Highlights

Phosphate Australia Limited (POZ) is pleased to report its batch 3 drilling results from the Company's 100% owned Highland Plains Phosphate Project in the Northern Territory.

The best intersection was from aircore hole HAC027 which included **4 metres at 26.7% P₂O₅** from 7 metres as below:

Table 1: Drill Highlights Batch 3

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
HRC027	7	11	4	26.7	5.4	3.0	35.0	0.2	24.3	1.31
HAC044	6	25	19	15.0	3.2	4.1	19.6	0.2	51.8	1.31
Includes										
HAC044	8	12	4	24.5	0.8	3.5	32.4	0.1	33.5	1.32

All assays by XRF, assays are uncut. All holes were vertical aircore or RC.

Also in Table 1 above, Hole HAC044, provides an exceptionally persistent intersection of phosphate. The unusual **19 metres at 15.0% P₂O₅** from a shallow 6 metres depth (including **4 metres at 24.5% P₂O₅**) indicates the potential for vertical continuity of mineralisation at Highland Plains.

2.0 Assay Results – Batch 3

Batch 3 results continue to show the persistent and quality mineralisation at Highland Plains and the POZ Board are very pleased with the ongoing progress.

Initial assay results have been received for a further 16 holes (reported in Table 2). As with the results from Batches 1 & 2, a number of the holes were drilled into areas of unmineralised Proterozoic material. This is required as a part of the resource definition drilling to define the mineralised boundary and these holes were not mineralised – as expected.

To date the assay results from a total of 41 RC/aircore holes have been reported. Assay results from the remaining 16 RC/aircore holes are still outstanding and these results will be reported once they become available. It is not planned to assay the diamond drilling core as yet as the core needs to first be fully assessed for metallurgical, density and other work.

Table 2: Aircore/RC Drilling Results – Batch 3

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
HRC027	6	12	6	21.9	8.5	3.9	28.6	0.2	30.9	1.29
Includes										
HRC027	7	11	4	26.7	5.4	3.0	35.0	0.2	24.3	1.31
HRC028	20	30	10	18.4	7.1	4.6	24.4	0.3	38.5	1.32
Includes										
HRC028	23	28	5	23.6	3.8	4.4	31.8	0.2	29.3	1.34
HRC029	11	24	13	10.4	8.8	6.0	13.7	0.4	52.7	1.32
Includes										
HRC029	21	22	1	28.5	2.4	3.2	38.7	0.2	21.2	1.36
HAC030	9	19	10	12.2	5.4	5.6	16.4	0.4	53.3	1.35
Includes										
HAC030	9	10	1	22.7	2.4	4.6	30.5	0.3	34.4	1.34
HAC035	15	17	2	12.0	9.6	5.1	15.3	0.3	50.4	1.27
HRC036	15	25	10	18.9	1.5	3.9	24.7	0.2	44.1	1.31
Includes										
HRC036	21	22	1	25.5	2.5	3.7	33.7	0.2	29.3	1.32
HRC037	26	32	6	16.1	2.5	3.9	21.1	0.2	50.1	1.31
Includes										
HRC037	30	32	2	23.1	3.4	3.6	30.9	0.3	32.7	1.34
HRC039	12	14	2	10.1	4.9	6.5	13.1	0.4	57.5	1.29
HAC044	6	25	19	15.0	3.2	4.1	19.6	0.2	51.8	1.31
Includes										
HAC044	8	12	4	24.5	0.8	3.5	32.4	0.1	33.5	1.32
HRC047	8	9	1	16.9	0.8	7.1	22.5	0.6	45.0	1.33
HRC047	14	15	1	10.9	1.1	4.0	14.5	0.2	61.1	1.33
HRC047	16	19	3	10.0	0.5	2.7	13.1	0.1	67.9	1.31
HAC056	18	19	1	11.1	3.3	4.2	14.8	0.4	60.6	1.33
HAC056	21	22	1	14.4	2.1	5.7	19.4	0.4	50.7	1.35
HAC008, HAC009, HAC026, HAC052 were all shallow holes drilled close to the edge of the embayment to define the edge of the mineralisation and interpreted to be in Proterozoic basement. As expected, these holes were not mineralised.										
HAC045 was only drilled to 7 m and was stopped just above the mineralisation observed in adjacent holes (Figure 1) due to drilling complications. This hole will be re-drilled in the next program.										

All assays by XRF; assays are uncut. All holes were vertical aircore or RC. All holes for which assay results have been received are included.

A full collar file with hole depths was included in the POZ ASX release dated 16 December 2008.

Summary and Look Ahead

The last quarter has been a busy one with our field team getting as much drilling and survey work completed as possible before the onset of what has turned out to be an early and extensive wet season in the Gulf of Carpentaria.

This hard work at Highland Plains last year is now paying off, with positive assay results having now been received for the first three batches of samples. Assay results from the remaining 16 RC/aircore holes are still outstanding and these results will be reported once they become available.

Once all of the assay results have been received, the Company's resource consultants will assess the JORC compliant resource potential of the Highland Plains Project.

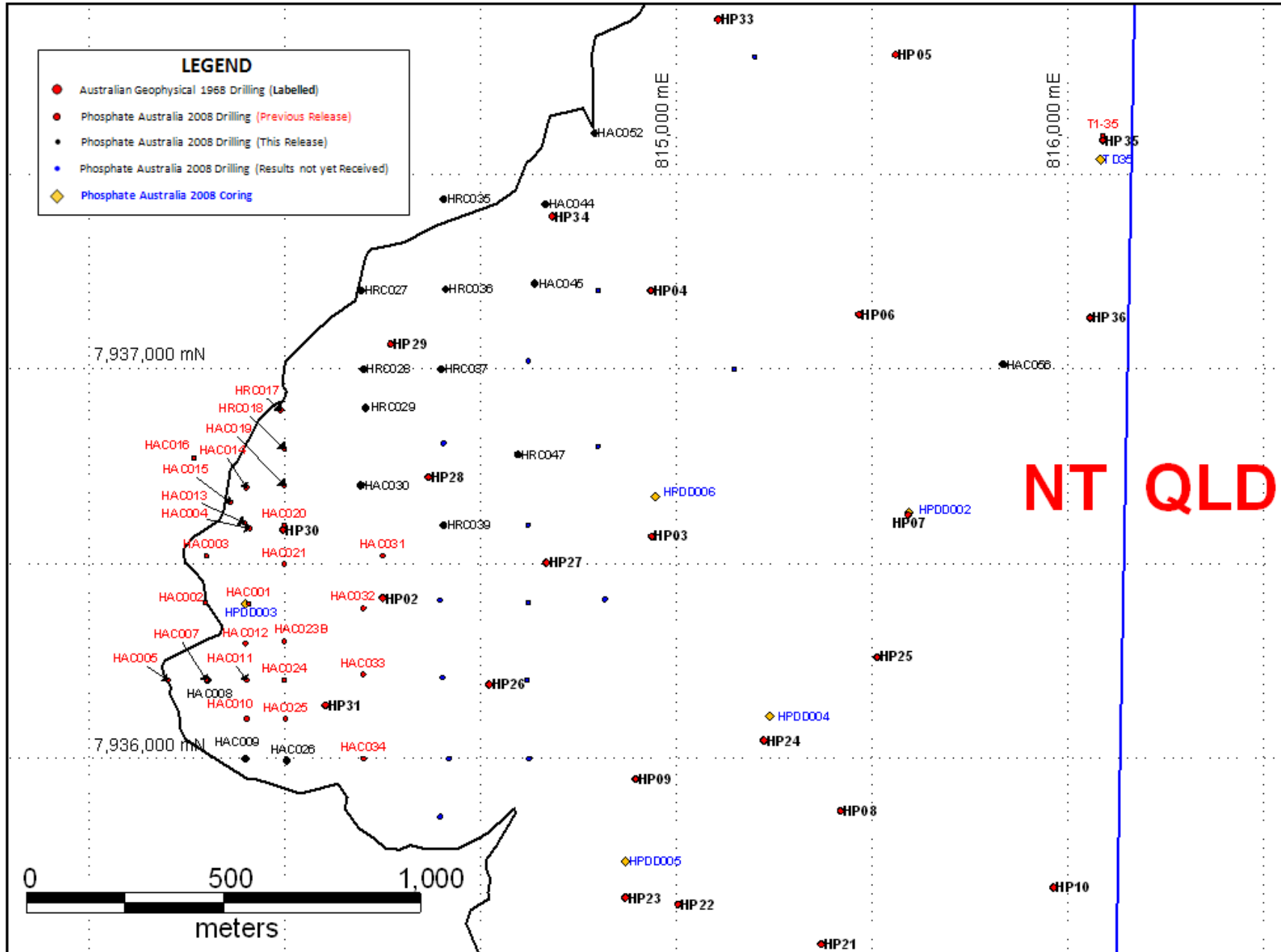
POZ anticipates re-commencing field operations in March to April this year (depending on ground conditions). Work in the first quarter of 2009 will include preparations for a substantial drilling program and logistics / transport studies based on a potential rock phosphate mining operation at Highland Plains. The Company is in a strong financial position with \$6.6 million cash on hand as at the end of the December quarter.

MR ANDREW JAMES
Managing Director

Traditional Owners with POZ Board Members, clockwise from bottom left: Jack Hogan, Noel Hogan, Lisa Wells, Andrew James, Gavin Hogan, Raylene King, Topsy Green, Iris Hogan and Jim Richards. Not present is Noella Hogan who was on site having been employed by POZ



Figure 1: Drillhole Collar Plan of Highland Plains Project



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.