

Drilling Studies Indicate Large Water Supply Potential for Highland Plains Phosphate Project in the Northern Territory

Highlights:

- Outstanding results from initial ground water investigations at Highland Plains.
- Pump testing of the best bore (WB02) at approximately 15 litres/second from shallow depths indicates potential yields of at least 25 litres/second with the maximum rate not determined due to capacity limitations of the test pumping equipment.
- Results indicate the project area should have sufficient groundwater to support the production of one million tonnes per-annum of beneficiated rock phosphate.

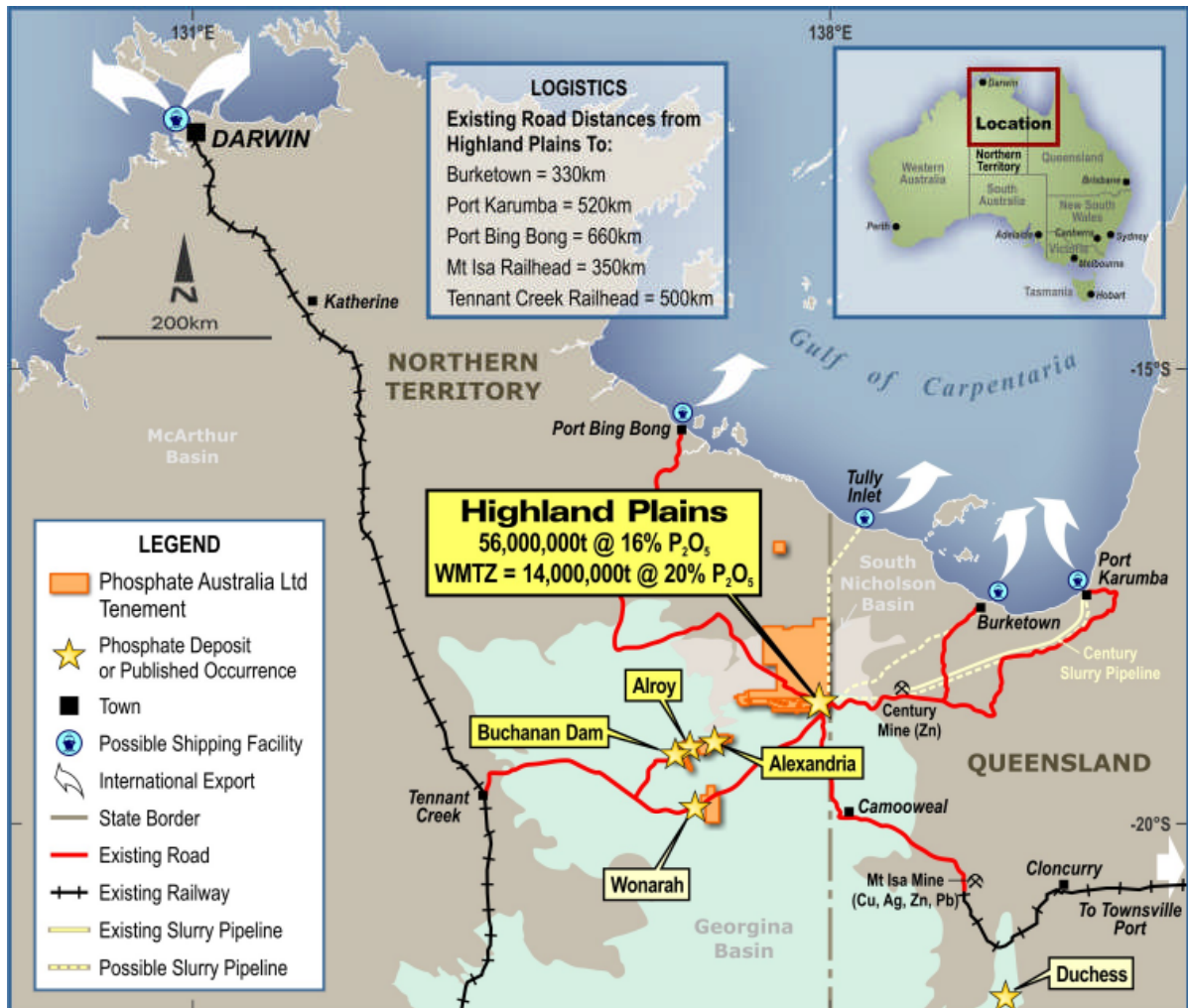


Figure 1: Highland Plains Location and Transport/Barging/Shipping Options.

1.0 Highland Plains Water Requirements

Phosphate Australia Limited (ASX: "POZ") is pleased to advise that based on a 90% up-time for bores similar to WB02, it is expected that an initial five bore field should provide enough water to support a one million tonnes per annum mining operation of beneficiated rock phosphate at the Company's wholly owned Highland Plains phosphate project in the Northern Territory near the Queensland border.

2.0 Groundwater Drilling Investigation Results

This follows the final report from a groundwater bore test drilling program in September at Highland Plains located within EL 25068 and 230 km from the Gulf of Carpentaria.

Klohn Crippen Berger Ltd, the Company's independent hydro-geological consultants, coordinated the drilling program and interpreted the test data.

Four investigation bores were drilled in and around the area of the Highland Plains camp to assess the ground water resources that will be required to support any future mining and rock phosphate beneficiation operation.

Two bores were pump tested (WB02 and WB03), one bore was used as an observation bore during pump testing to measure drawdown (WB01) and two bores were suspended for future use (WB03 and WB04). Pump testing results were very positive for potential water production.

Table 1: Summary of Water Bore Drilling

Bore	Depth (m)	Easting	Northing	Comment
WB01	78	815065	7933059	Observation bore.
WB02	148	815079	7932795	Pump Tested. Completed for camp supply.
WB03	138	813520	7932888	Pump Tested. Suspended for future use.
WB04	102	815994	7935071	Test Bore. Suspended for future use.
Total	466			

2.1 Bore WB01

This bore was used for water drawdown observation purposes during pump testing.

2.2 Bore WB02

Bore WB02 is located approximately 270 metres to the south of WB01. This bore had encouraging indications of water inflow whilst drilling and was thus chosen for extended pump testing purposes. The bore was the subject of a 100 hour pumping test at 15 l/s (litres per second).

Standing water level drawdown during this test was 20 cm with no test influence recorded at the observation bore (WB01). Water levels recovered within 2 minutes of shutting the test down at which point in excess of 5,000 m³ had been extracted.

Owing to the better than expected bore performance it was not possible to “stress” the bore sufficiently to calculate absolute maximum yields but a minimum yield of 25 l/s is considered reasonable based on local experience and the bore performance.

A water sample from the 100 hour test was assayed with results indicating that the water is fit for human consumption and hence ideal for use in a beneficiation plant.

2.3 Bore WB03

Bore WB03, located 1500 m west of the camp was assessed as having a yield of 7 l/s. This bore has been suspended for future potential project use.

2.4 Bore WB04

The northern extent of the shallow aquifer was confirmed with this bore. As expected, with its location on the edge of the aquifer, the drilling airlift yield was lower at 1.1 l/s. The bore has now been suspended for future use.



Photo 1: Drilling and Pump Testing WB02.

3.0 Slurry Pipeline Study

With the encouragement from this water bore drilling, the Company is now initiating a study to assess the potential for a 3 million tonne per annum slurry pipeline option to the Gulf of Carpentaria. This option would allow for much lower transport and operating expenses and provide further flexibility with transport options.

4.0 Summary

The Board is very pleased with the results from the water bore drilling and testing. Water is an essential part of the beneficiation process and another milestone has now been achieved by the Company.

The path towards production and trucking to the Gulf of Carpentaria of one million tonnes per-annum of beneficiated rock phosphate is being actively pursued and has been assisted considerably by these latest results.

The 3 million tonne per annum slurry pipeline option now being studied adds further potential and depth to the Company's development alternatives.

ANDREW JAMES
Managing Director

Appendix A: Location of Water Bores

