

QUARTERLY REPORT

Period Ending 31 March 2011

Highlights:

- **Project discussions continuing with domestic and international fertiliser industry participants.**
- **Memorandum of Understanding signed with China National Electric Engineering Company on possible future binding agreement on engineering, procurement and construction services for Highland Plains.**
- **Agreement signed with Mineral Resources Limited subsidiary, PMI, to exclusively explore and develop manganese deposits within POZ's Robinson River project in NT.**
- **Rock phosphate prices continued to firm in three months to 31 March.**
- **Iroquois Manganese Prospect (WA) airborne electromagnetic survey data processed to delineate drill targets.**

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Highland Plains Phosphate Project (NT) Review

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.

Rock phosphate prices have continued to increase over the previous quarter. Most recent data indicates that OCP (the state-owned producer of Morocco) is achieving in excess of US\$160/t Free On Board (FOB) for the benchmark product of around 31% P₂O₅ to markets in Europe and Brazil. Since the end of the quarter, higher grade rock phosphate product from Jordan (32 to 34% P₂O₅) has been sold into the Indian market at around US\$200/t Cost And Freight (CFR).

The Company is currently in discussions with a transport group providing innovative shipping solutions. As part of this process, the Board revisited the scoping-level estimate for the operating cost at Highland Plains. Based on the work to date, it is felt that the current A\$85/t estimate is reasonably conservative with a real opportunity to reduce marine handling OPEX as well as potentially reduce the CAPEX requirements.

The substantial appreciation in the Australian dollar (approximately 17% against the US dollar since February 2010 when the initial scoping estimates were prepared) also is expected to reduce project CAPEX. Based on only the scoping level studies received to date, however, it is not appropriate to quantitatively model the Net Present Value impact on the project of the combined substantial appreciation in the rock phosphate price and Australian dollar. Based on the Board's rock phosphate market assessment and reports received to date, however, the Company is confident in continuing with the Project through to pre-feasibility studies.

Critical work to be finalised during the next stage of studies will be to drill out Highland Plains to a JORC Indicated Resource category, complete metallurgical pilot testing, build on the base-line environmental studies, further hydrogeological investigations and advance the slurry pipeline and marine facility site selection investigations.

Field work for the 2011 season has been delayed by one of the wettest northern wet seasons on record and further supports the decision to concentrate on the slurry pipeline opportunity. Helicopter reconnaissance has confirmed that Company's Highland Plains camp remains in good shape despite the 2011 monsoonal conditions.

Phosphate Australia Limited continued discussions with a number of international participants in the fertiliser industry. The aim is to secure a strategic partner to assist with the advancement of the pre-feasibility studies on the Highland Plains phosphate project. The Company's strategic partner process is ongoing and there can be no assurance that a binding proposal will emerge.

As part of this process, Board members again made a number of overseas trips during the quarter and participated in technical data transfers under a series of Confidentiality Agreements.

Memorandum of Understanding signed with China National Electric Engineering Company

A Memorandum of Understanding was signed during the quarter with China National Electric Engineering Company (CNEEC) to work towards establishing a binding agreement for CNEEC's provision of engineering, procurement and construction (EPC) services to the project. CNEEC has particular expertise in power plant design and construction but also has extensive experience in port facility and pipeline design and construction.

CNEEC is based in Beijing in the People's Republic of China. Its 2010 revenue was US\$456 million, most of it earned internationally, and it has been listed by research organisation ENR USA in the top 225 international contractors for the years in which the survey has been held.

A key milestone under a final agreement will be the completion of a bankable feasibility study by POZ. Once Phosphate Australia has completed this and subject to certain conditions, CNEEC will assist the Company in securing Chinese finance.

2.0 NT Iron Ore Project Sampling and Mapping Program

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

The aim of this program was to identify and site potential drill targets. New areas of iron mineralisation were discovered and sampled on this trip. This sampling program was conducted on granted permit EL25068. Importantly, numerous other iron ore targets also exist to the north on other permit applications held by POZ on Aboriginal Freehold Land (refer to section 4.0) and the overall size potential of this iron project is large.

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 have areas of known iron occurrences and 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.

Further on-ground mapping and sampling for the iron ore project is planned for 2011. The extensive northern wet season has precluded any work in the year to date.

3.0 Northern Land Council Negotiations

The permits north of the Highland Plains permit (EL25068) lie on Aboriginal Land Rights (Northern Territory) Act (1976) freehold land. This area is prospective not only for iron but also phosphate outliers, uranium and base metals. Traditional Owners of this land, through the Northern Land Council ("NLC"), have control of the access and exploration of this area, generally known as the Nicholson Land Trust.

Phosphate Australia is currently negotiating with the NLC to access this large under-explored area. Phosphate Australia has presented the NLC with its proposed terms for access. The NLC has now responded and the Company is preparing its response. It is likely that further meetings in Darwin with the NLC and “on-country” with the Traditional Owners will be required to finalise any agreement.

4.0 Earahedy Basin Manganese Project (WA) – Iroquois Prospect

The Iroquois prospect (Figure 2) has been acquired through a WA Department of Mines tenement application by Phosphate Australia and 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. With the payment of the GST component of the annual rent to the WA Department of Mines, POZ expects that the permit will be formally granted by the end of April.

With receipt of the final processed data from the airborne electromagnetic survey flown in November 2010, the Company is planning a reconnaissance drilling program over the Iroquois prospect as well as a regional program within E69/2820 to test a number of manganese targets.

The Company is currently working with Central Desert Native Title Services to organise a heritage clearance survey and hopes to be in position to drill at Iroquois late in the second quarter.

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).

Figure 3: Iroquois Prospect: Cross Section and Target Zone

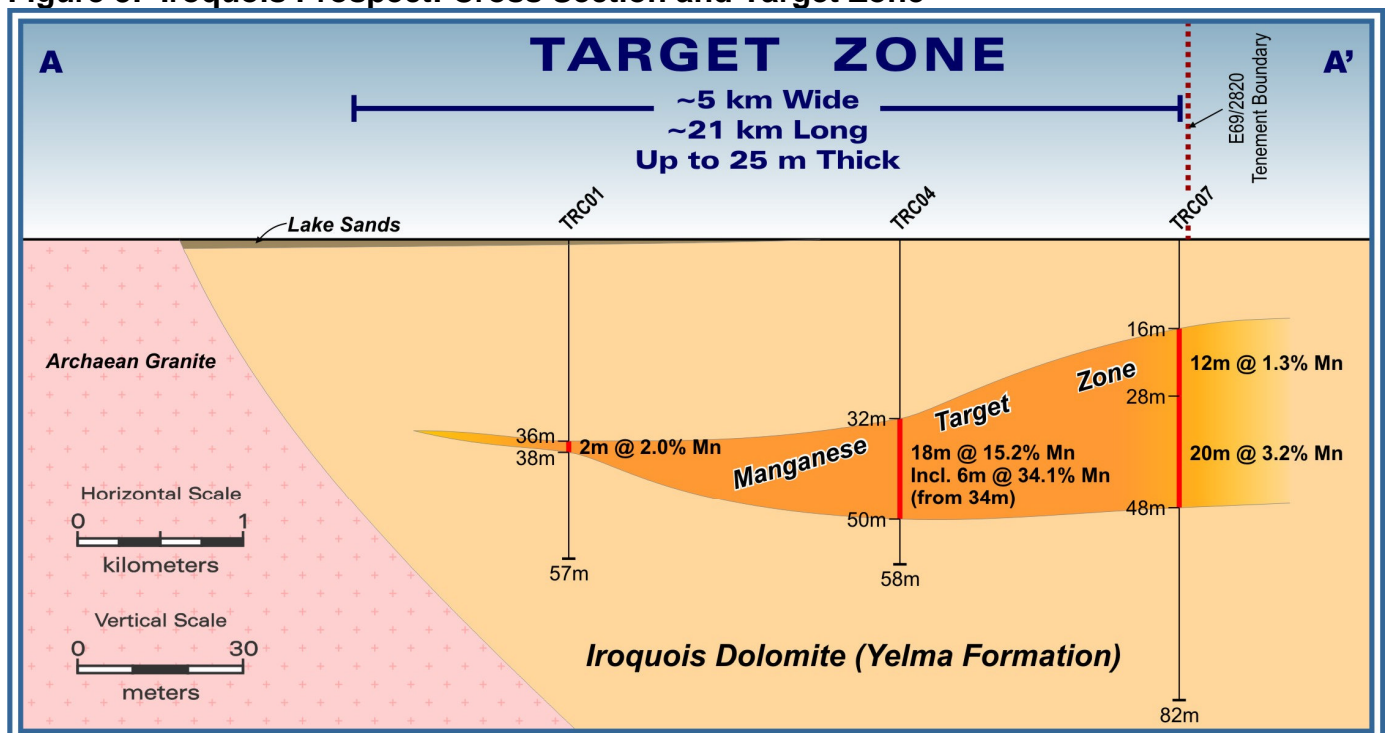
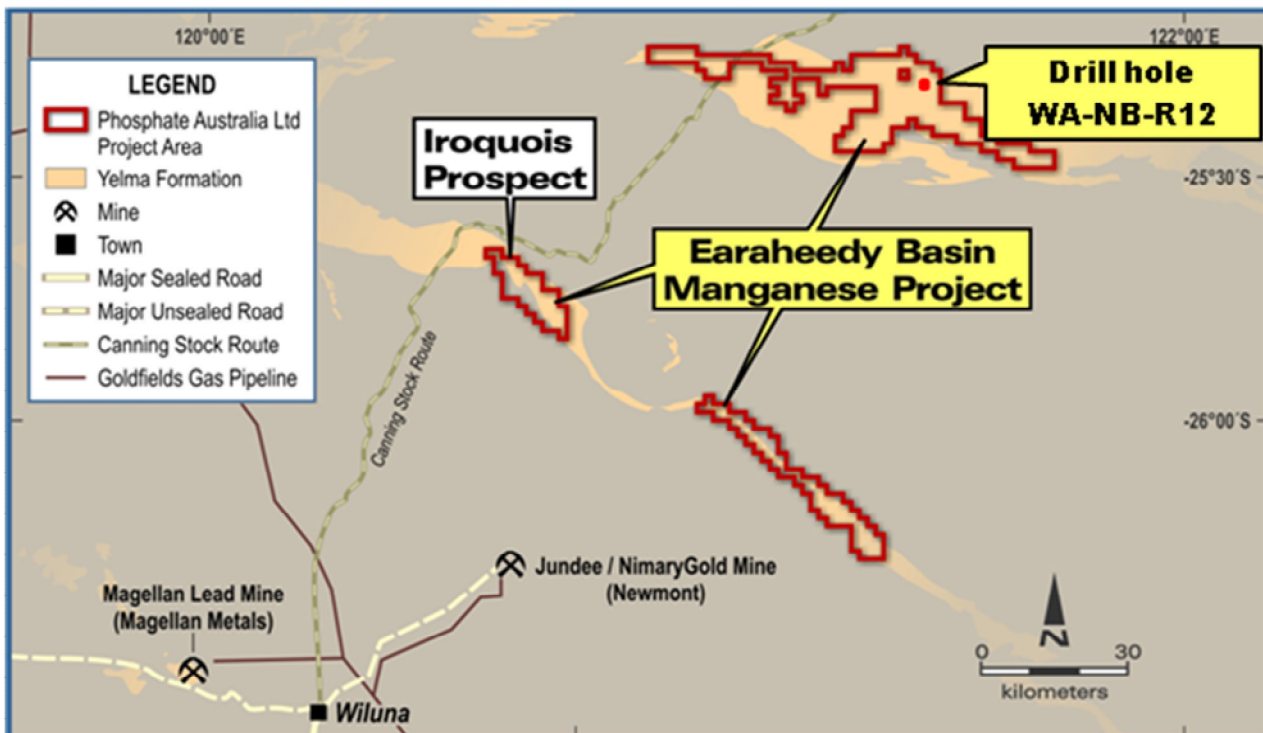
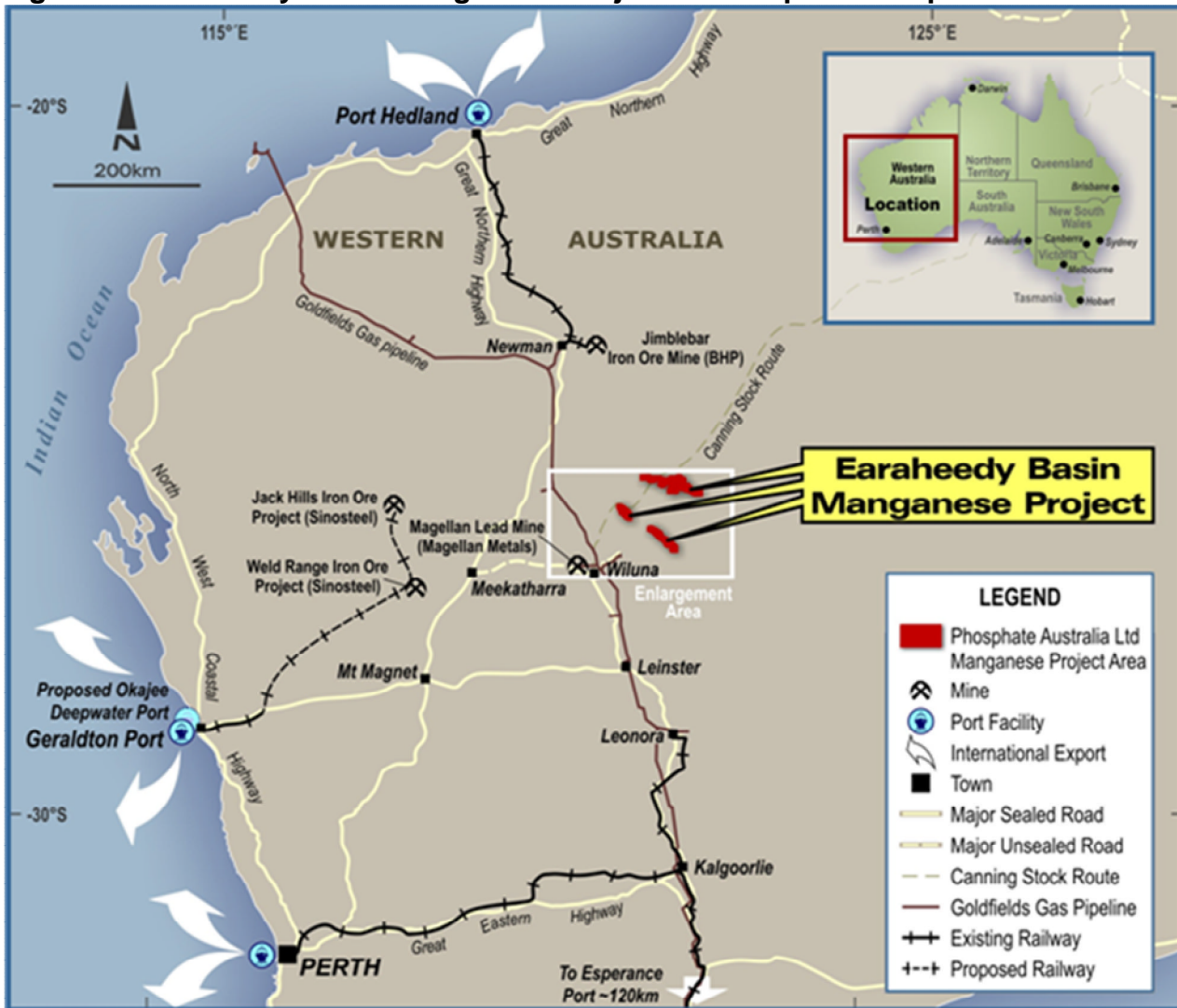


Figure 2: Earraheedy Basin Manganese Project and Iroquois Prospect

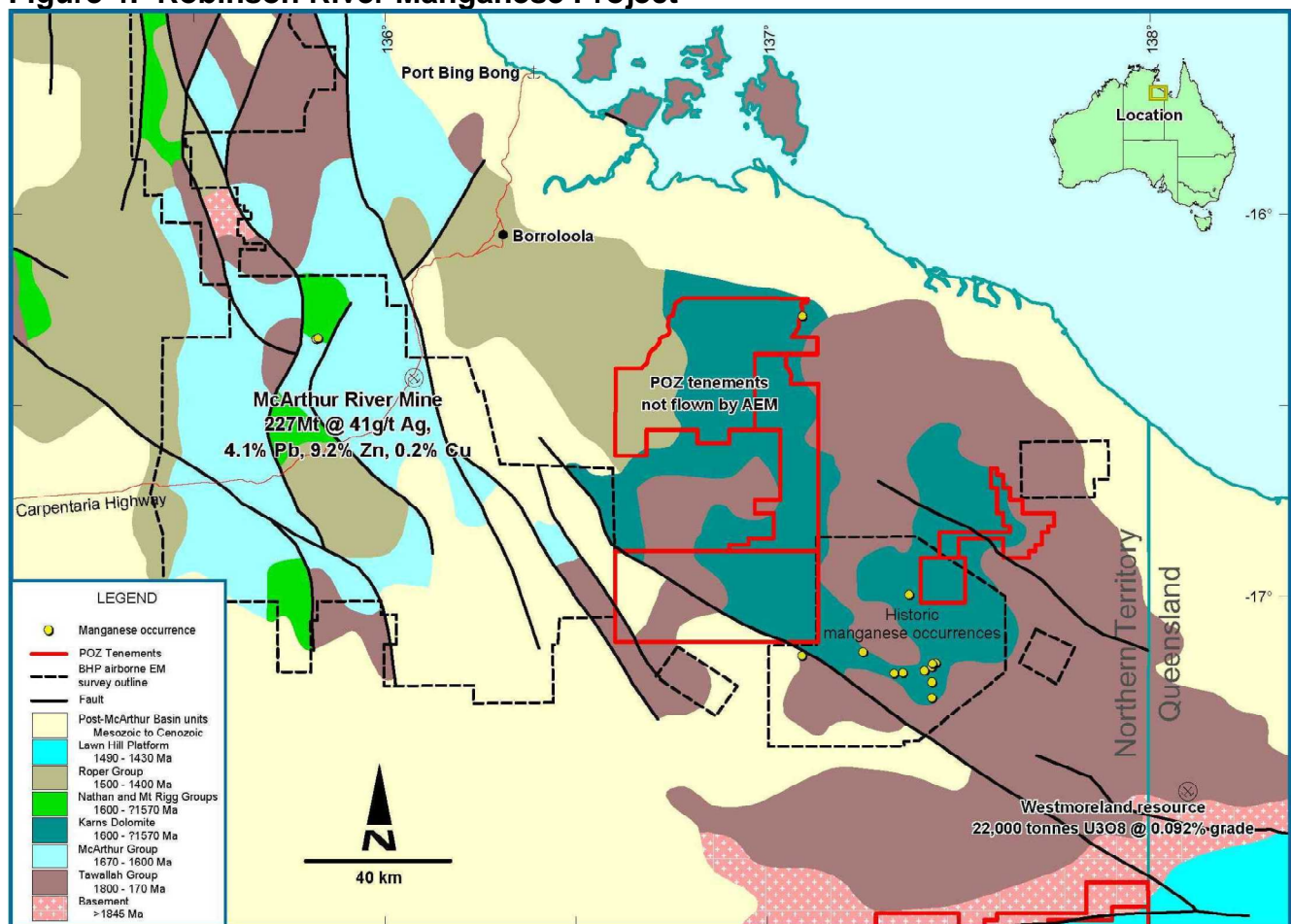


Further research has shown historic drilling performed by Western Mining Corporation from the area now covered by the Company's exploration tenement, E69/2876, includes an intersection from drill hole WA-NB-R12 with a 2 m interval that was analysed for mineralogy using X-ray diffraction. Results from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

5.0 Robinson River Manganese Project (NT)

Late in the quarter, POZ negotiated a farm-in agreement with Process Minerals International Pty Ltd (PMI), a wholly owned subsidiary of the ASX listed Mineral Resources Limited (MIN). This agreement has now been signed and covers the three permits comprising the Robinson River Manganese Project (NT ELAs 27854, 27855 and 27856). Refer to Figure 4.

Figure 4: Robinson River Manganese Project



Under the farm-in agreement, PMI will have the exclusive right to explore for and develop manganese deposits within the permits. If, on the basis of its exploration program, PMI exercises its Option to have the manganese rights assigned to it and commences operations, Phosphate Australia will receive a royalty on any manganese sales under a formula agreement relating to a benchmark manganese price.

POZ will be responsible for the administration and permit rent over the initial three year period of the agreement which commences from the granting of the permits. PMI will fly an airborne electromagnetic (AEM) survey within 12 months of the permits being granted and be responsible for the minimum expenditure required to keep the permits in good standing

with the NT Department of Primary Industry, Fisheries and Resources. POZ retains the right to concurrently explore for, and potentially develop, all other mineral commodities.

Adjoining areas have previously been explored by BHP utilising AEM surveys while exploring for Groote Eylandt style manganese deposits. The permits lie on Aboriginal freehold land and Phosphate Australia looks forward to working in conjunction with the NLC and Garawa Land Trust Owners, towards the grant of these permits.

Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of minerals for export.

6.0 Summary and Outlook

POZ is primarily focused on the Highland Plains phosphate project but has an interest in new project areas and applications. Since the 2010 December quarterly report, the Company has applied for tenements in Western Australia and South Australia while evaluating potential potash exploration projects. These provide low cost, potentially high impact opportunities for the exploration team.

With the exploration season now underway the Company looks forward to the continuing field evaluation of its projects in conjunction with the on-going process to progress Highland Plains.

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 Andrew James, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richards is a Director of POZ. Mr James 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 James 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, 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 27 April 2011

Ordinary Shares on Issue: 108.9 million
Top 20 Shareholders: 65.2 million (60%)

Unquoted Options on Issue: 25.4 million

Share Price: A\$0.125
Undiluted Market Cap: A\$14 million

Number of Shareholders: 1203

Cash Balance: \$4.2 million

Board of Directors

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

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