

ASX RELEASE

2 April 2012

ASX Code: POZ



Anglo American Farm In Agreement for Musgrave Project (WA) Secured

Phosphate Australia Limited ("POZ") has negotiated a A\$3 million, four year farm-in agreement for its Musgrave Project in Western Australia with Anglo American Exploration (Australia) Pty Ltd ("Anglo American"), a wholly owned subsidiary of Anglo American Plc, one of the world's largest mining groups. This agreement has now settled and covers the three core tenements within the Musgrave Project area near the WA border with the NT and SA: E69/2862, E69/2863 and E69/2864 (Figure 1).

The key terms of the Agreement are:

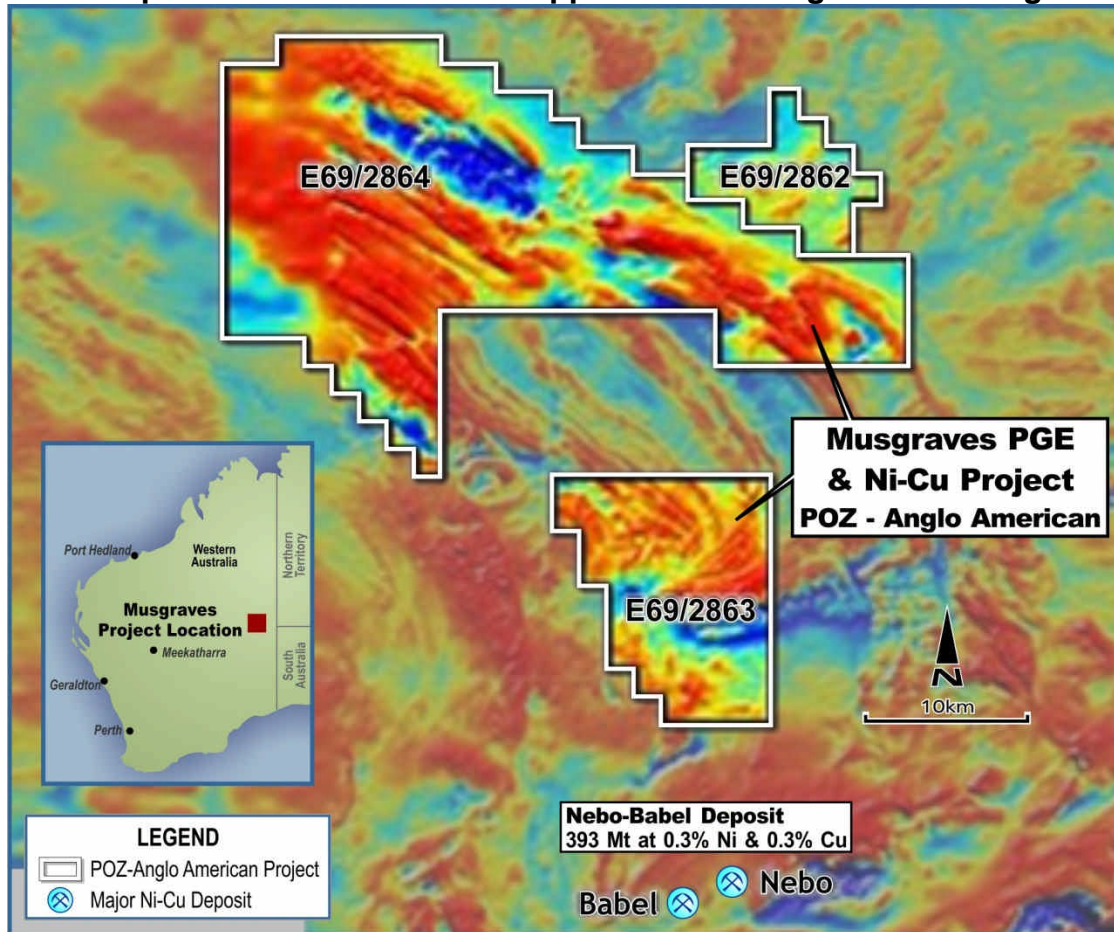
1. Reimbursement from Anglo American to POZ of \$50,000 for prior expenditure.
2. Anglo American to complete a SPECTREM airborne electro-magnetic survey over greater than 80% of the tenement areas with a minimum line spacing of 500 metres.
3. Under the terms of the Agreement, Anglo American will have four years to meet the earn-in requirements at which point Anglo American will earn a 70% interest in the tenements and a Joint Venture will be formed.
4. In order to meet the earn-in requirements, Anglo American must spend a minimum expenditure of \$3 million dollars including the reimbursement of prior expenditure and completion of the SPECTREM survey.
5. Prior to vesting of the 70% interest, Anglo American are also required to complete a minimum of 5,000m of drilling on the tenements.
6. POZ will be free-carried by Anglo American through any subsequent exploration and evaluation phases within the Joint Venture tenements until the completion of a Bankable Feasibility Study.

The three tenements have been granted and under the terms of the Agreement, Anglo American will lead the negotiations with the Ngaanyatjaraku Land Council ("NLC") to finalise an Access Agreement to access the tenements, which are located within Aboriginal Reserve lands.

It is expected that initial results from the SPECTREM survey will be available around mid-May.

The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions that hosts magnetite layers which are prospective for PGE (platinum group elements), vanadium and magmatic nickel sulphide deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel and 0.3% copper), to the south of POZ's tenements, remains the most significant discovery in the region to date.

Figure 1: Phosphate Australia tenement applications on regional aeromagnetic map



Platinum group element rich magnetite seams occur as discrete layers within the igneous intrusive complexes and are obvious features on the aeromagnetic image in the northern part of E69/2863 and western part of E69/2864. These features can be traced as continuous seams for tens 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 by POZ.

Four samples from the magnetite outcrop were sampled by POZ and assayed returning the values below:

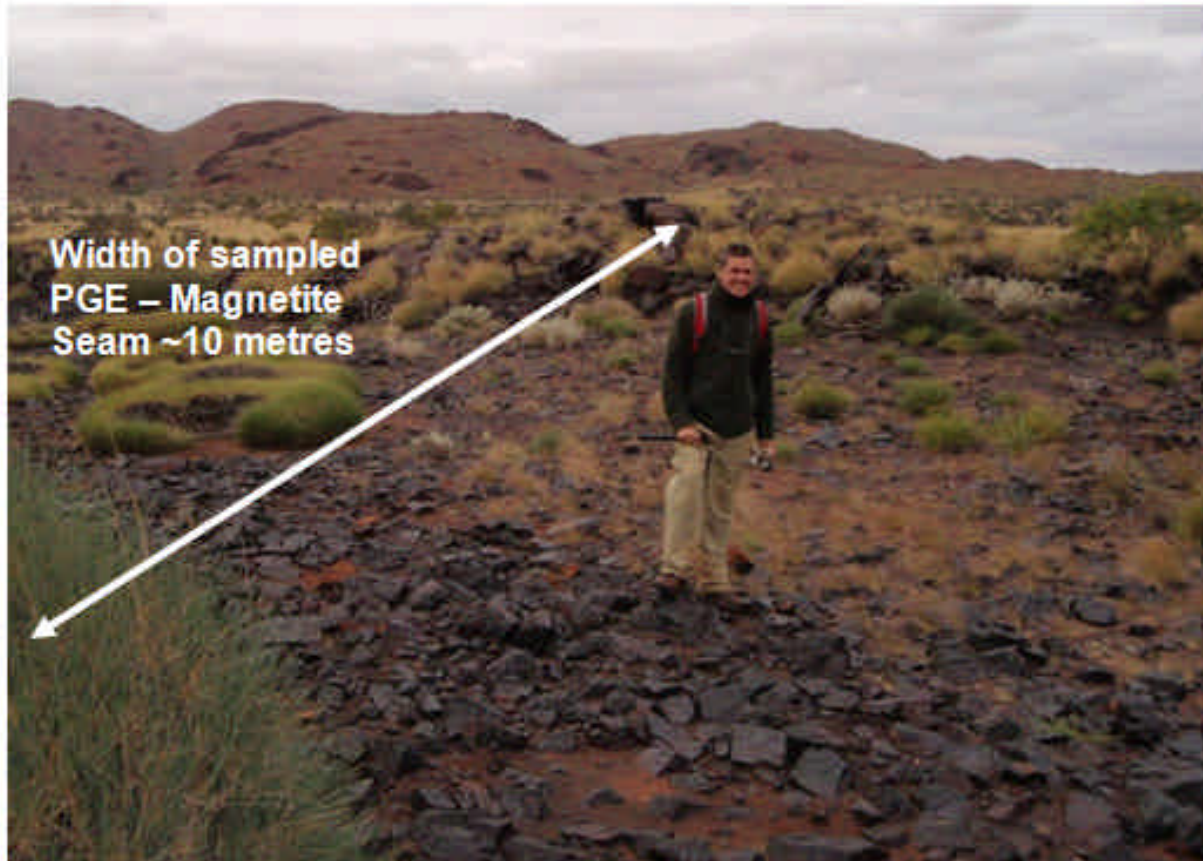
Table 1: Musgrave PGE - Layered Intrusive Magnetite Samples

	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 main target of the SPECTREM survey will be Nebo-Babel or Voisey's Bay style nickel-copper sulphide deposits. The Board is extremely pleased to be working with Anglo American, an exploration team with the proven technical skills and existing logistical support required to work in the remote Musgrave area, and looks forward to receiving the first results of exploration in the June quarter.

Phosphate Australia Chairman, Jim Richards, pictured standing on massive outcropping PGE rich magnetite on tenements now included in the Company's farm-in with Anglo American



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 Jim 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 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.