

**QUARTERLY REPORT**  
**Period Ending 31 December 2012**

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**Summary:**

**Tuckanarra Gold Project, WA:**

- Maiden indicated and inferred JORC resource at Tuckanarra: 2,020,000 tonnes at a grade of 1.55 g/t Au for 100,700 ounces of gold (See Appendix A).
- Drilling program commenced on 22nd January 2013 targeting untested on-strike extensions of the 3.91g/t Au open-cut mineralisation previously exploited at the Bottle Dump pit, the high grade Battery prospect and extensions to the laterite hosted gold mineralisation at Cable/Bollard.

**Nicholson Iron Project, NT:**

- Heads of Agreement signed for a Joint Venture on the Nicholson Iron Project in the Northern Territory.

**Highland Plains Phosphate Project, NT:**

- The Company continues exploration of commercial options for the Highland Plains Phosphate Project (Inferred Resource of 53 Mt at 16% P<sub>2</sub>O<sub>5</sub>) which includes the possibility of a trade sale.

**1.0 Tuckanarra Gold Project (WA)**

The Tuckanarra gold project lies within the West Australian Murchison goldfield (Figure 1) and has historic production of ~125,000 ounces. It was last mined in 1993 when the gold price was around US\$330 an ounce. Phosphate Australia Limited (POZ) owns the Tuckanarra gold project 100% with no private royalties.

As announced 27th December 2012, the Company completed a maiden indicated and inferred JORC resource at Tuckanarra totalling 2,020,000 tonnes @ 1.55 g/t Au for 100,700 ounces of gold. See Table 1 for resource details at the cut off grade of 0.25 g/t Au and Appendix A for resource details at higher cut off grades. The resource was calculated by Perth based independent mining industry consultants Ravensgate.

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**Table 1: Summary of Total Mineral Resources at Tuckanarra**

Resource Category	Cut Off (g/t)	Tonnes	Grade (g/t)	Ounces Au
Indicated	0.25	1,091,000	1.60	56,000
Inferred	0.25	929,000	1.50	44,700
Total	0.25	2,020,000	1.55	100,700

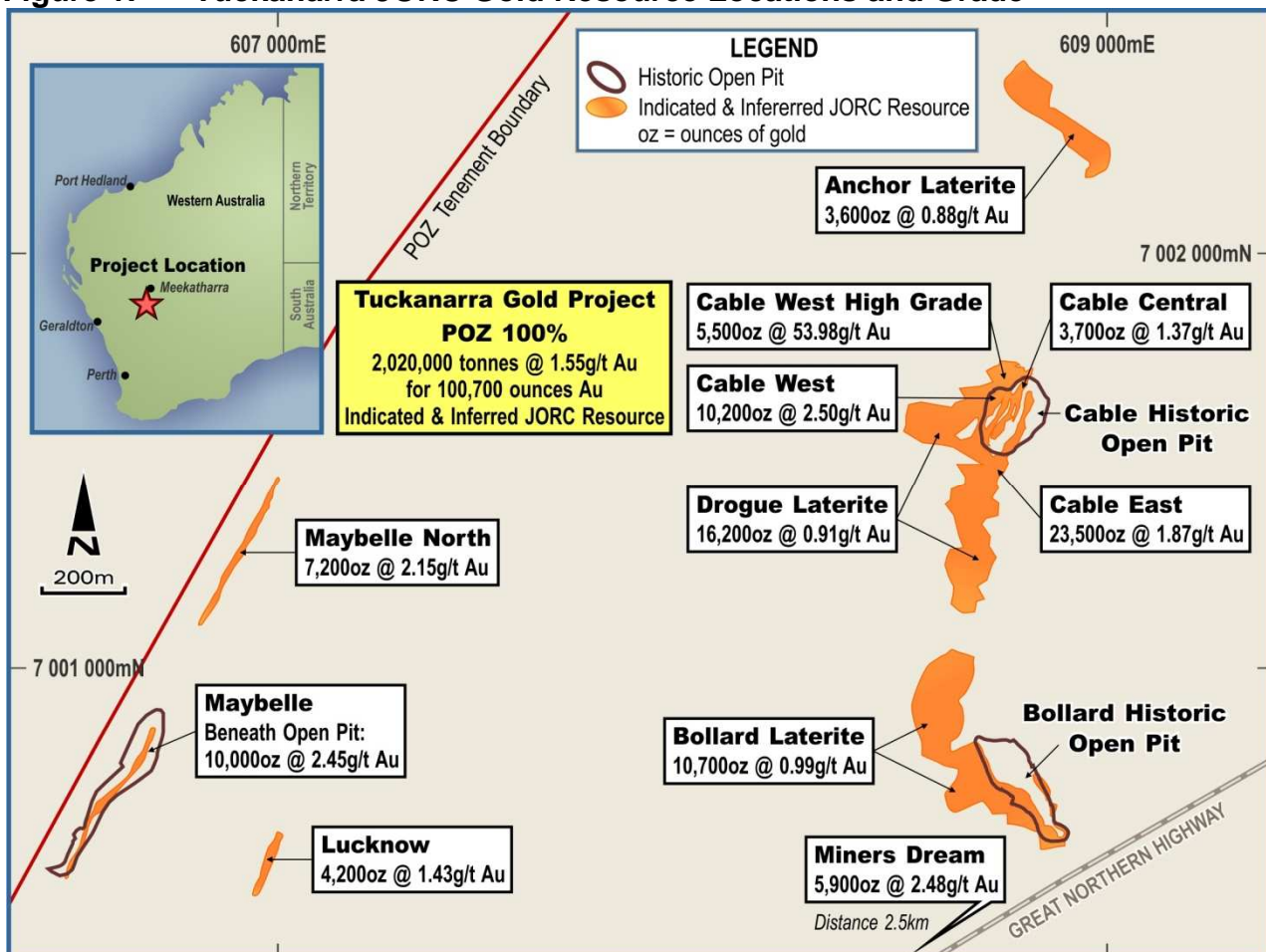
The Directors believe that the resource at Tuckanarra is commercially attractive due to:

- Very high gold grades at Cable West High Grade (5,500 ounces at 53.98 g/t Au)
- Shallow resources at Cable-Bollard (Figure 2)
- Multiple other resources such as Maybelle, Maybelle North, Lucknow and Miners Dream providing subsequent mill feed and growth potential

The project is at an advanced stage with a fourth drilling program having commenced on 22<sup>nd</sup> January 2013. The new drilling will enable final resource modelling to be carried out followed by pit optimisation work.

The Initial metallurgical studies have indicated excellent recoveries (the full report is on the Company’s website) and the location of the project within a mining province which is undergoing renewed development opens up third party milling and commercialisation options.

**Figure 1: Tuckanarra JORC Gold Resource Locations and Grade**



## 1.1 Tuckanarra Aircore Drilling Program January 2013

A 1,500 metre aircore drilling program (#4) commenced at Tuckanarra on 22<sup>nd</sup> January 2013, this program is targeting the following:

- On-strike extensions of the 3.91g/t Au open-cut mineralisation previously exploited at the Bottle Dump Pit (Figure 2).
- Follow up of the new high-grade Battery discovery (next to Cable West) from the last drilling program (7.4 g/t Au over 2 metres from 21m).
- Extensions to the laterite-hosted gold mineralisation at Drogue and Cable.
- Infill drilling of selected gold zones to increase definition and status of the resource.

Drilling results will be announced after assays have been received and assessed.

**Figure 2: Bottle Dump Pit On Strike Drilling Target**



## 2.0 Nicholson Iron Project, (Northern Territory): Heads of Agreement

On 3<sup>rd</sup> January, POZ and Sydney based Company Jimpec Resources Pty Ltd (Jimpec) signed a Heads of Agreement in which POZ granted Jimpec a period of exclusivity to negotiate a Joint Venture Option Agreement (JVOA) covering POZ's 100% controlled Nicholson Iron Project in the Northern Territory (Fig 3). There is no guarantee this Joint Venture will be settled, but the Heads of Agreement contains the following terms:

- Jimpec to pay POZ \$50,000 for a 16 week period of exclusivity during which the JVOA is negotiated. (Subsequently this money has been paid to POZ).

- Jimpec can pay POZ A\$200,000 for an option over 80% of the iron rights over the Nicholson iron project consisting of tenements EL25068, EL28152, EL28153, EL28157, EL(A)26604, EL(A)26645, EL(A)26649, EL(A)26650, EL(A)26648 and EL(A)28220.
- The option can be exercised by Jimpec within 3 years by payment of A\$1.5 million to POZ, provided that Jimpec has spent a minimum of A\$1.5 million on iron ore exploration on the tenements during the period.
- Upon exercise of the option, Jimpec shall have acquired 80% of the iron rights and POZ will have a 20% interest in the iron rights free carried, until completion of a Definitive Feasibility Study (DFS).
- POZ may elect to convert its 20% free carried interest to a 2% Free On Board (FOB) mother ship gross royalty at any time.
- The rights of both parties under the joint venture shall be transferrable.
- POZ will retain all rights to any other minerals on the Nicholson iron project tenements. The area of POZ's 100% owned Highland Plains phosphate deposit is excluded from the agreement.

Jimpec is a Sydney based company with an experienced technical and management team whose knowledge includes extensive work in China.

## 2.1 Background to the Nicholson Iron Project NT

The Nicholson Iron Project tenements have areas of known iron occurrences and are prospective for Clinton style oolitic iron mineralisation. Geological mapping by the Northern Territory Geological Survey (NTGS) has identified outcrop and sub-crop of iron-bearing formations on the Company's tenements that lie within the South Nicholson Group. NTGS mapping confirmed that one of these formations is equivalent to the host unit for the Constance Range iron ore deposits that lie just over the border in Queensland (fig 3).

Iron ore exploration was conducted in the Constance Range area in Queensland in the early 1960s by BHP and others. Results for this exploration are based upon historical data that was prepared before the introduction of the JORC Code and as such are not a resource. However, 250 million tonnes of iron mineralisation at a grade of 52% iron was reported by BHP from this period (reported in Queensland Government Mining Journal, Spring 2008).

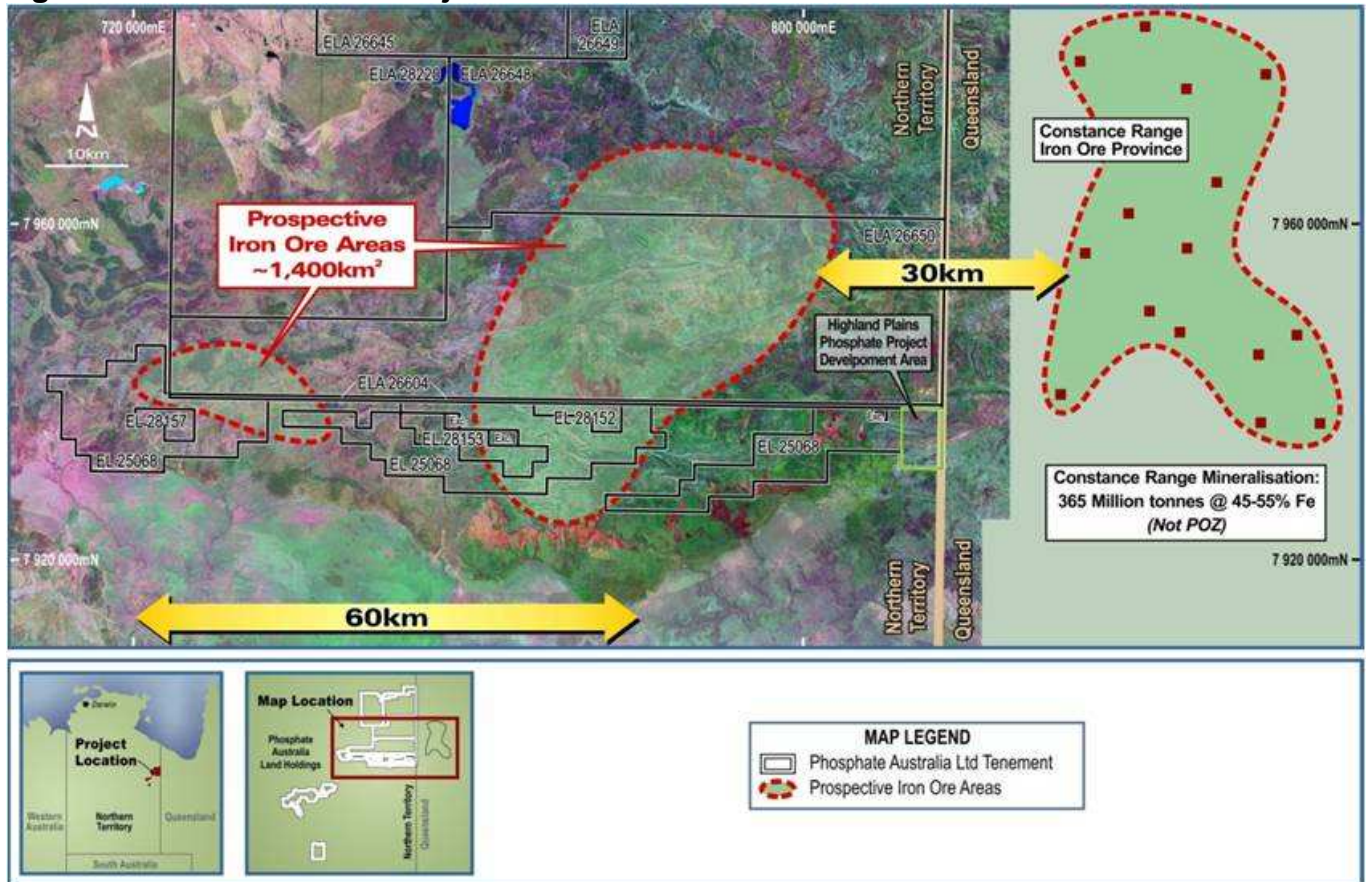
Beneficiating this style of iron mineralisation can be favourable as it is considerably softer than standard banded iron formations. Since the discontinuation of the Constance Range iron ore project in the early 1960s, iron ore industry economics have changed considerably. The stratiform oolitic ironstones for which POZ's Nicholson tenements are prospective are excellent iron ore exploration targets.

The Company's tenements in the South Nicholson Basin are virtually un-explored for iron ore and have considerable potential for Constance Range type iron ore discoveries. POZ has conducted initial helicopter reconnaissance and mapping work and has confirmed the presence of multiple iron rich bodies with sampled grades up to 63.7% Fe (5.1% SiO<sub>2</sub>, 1.79% Al<sub>2</sub>O<sub>3</sub> and 0.04% P).



Detailed reports on POZ iron ore sampling of the Nicholson iron project can be found in POZ ASX releases dated 9 June 2010, 29 July 2010 and 10 August 2010.

**Figure 3: Nicholson Iron Project Area and Tenements**



### 3.0 Highland Plains Phosphate Project Update (Northern Territory)

The Highland Plains Phosphate Project has a JORC compliant Inferred Resource of 53 million tonnes at 16% P<sub>2</sub>O<sub>5</sub>. Substantial amounts of drilling and scoping study work have been done at Highland Plains with proposed solutions for beneficiation to higher grades and product transport logistics. The project is 100% owned by POZ.

The Board is actively exploring commercial options for Highland Plains which includes the possibility of a trade sale.

### 5.0 Summary and Outlook

Progress at the Tuckanarra Gold Project in WA continues strongly with the recent announcement of the maiden resource. Assay results from the latest round of drilling (January 2013) will be announced once they are available and assessed; these assays will be put into expanding the resource model prior to pit optimisation work. The Company continues to build and progress this 100% owned gold project.

The Board is pleased to have received material interest in the Nicholson Iron Project in the NT and hope to sign a Joint Venture Option Agreement over this Project within the next four months. The Company also looks forward to moving ahead the projects at Highland Plains (phosphate) and the Musgraves (Ni-PGE-Cu) Joint Venture with Anglo American in WA.

The Company moves into 2013 with a cash balance of \$1.7 million (31st December).

Jim Richards  
Executive Chairman

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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.

The new and updated resource estimations for the Tuckanarra Gold Project Area deposits, including the Anchor, Bollard, Cable, Drogue, Maybelle, Maybelle North and Miners Dream deposits, were also carried out by Mr Craig Harvey utilizing resource drilling data sets provided by Phosphate Australia Limited. Mr Harvey is a Principal Consultant with Ravensgate Mining Industry Consultants and is also a Member of the Geological Society of Southern Africa. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken 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 Harvey also consents to the inclusion in the report of the resource estimation matters for these deposits based on the reporting information in the form and context in which it appears.

**Appendix A: Tuckanarra Gold Project, Total Mineral Resources, Indicated & Inferred**

All Material	Category	Cut-Off	Volume ('000)	Tonnes ('000)	Grade (g/t)	Ounces ('000)
	Indicated	-	467	1,095	1.59	56,000
		<b>0.25</b>	<b>465</b>	<b>1,091</b>	<b>1.60</b>	<b>56,000</b>
		0.50	442	1,040	1.65	55,300
		0.75	339	813	1.94	50,600
		<b>1.00</b>	243	597	2.32	44,600
		1.25	179	449	2.72	39,300
		1.50	133	338	3.17	34,400
		1.75	101	260	3.63	30,300
		2.00	81	209	4.06	27,300
		2.25	65	169	4.52	24,500
		2.50	53	138	5.00	22,200
	Inferred	-	408	931	1.49	44,700
<b>0.25</b>		<b>407</b>	<b>929</b>	<b>1.50</b>	<b>44,700</b>	
0.50		403	921	1.51	44,600	
0.75		341	792	1.65	41,900	
<b>1.00</b>		236	566	1.96	35,600	
1.25		169	417	2.26	30,300	
1.50		125	315	2.55	25,800	
1.75		94	241	2.84	22,000	
2.00		74	190	3.10	18,900	
2.25		62	157	3.30	16,700	
2.50		51	129	3.50	14,500	
Total	-	874	2,026	1.55	100,700	
	<b>0.25</b>	<b>872</b>	<b>2,020</b>	<b>1.55</b>	<b>100,700</b>	
	0.50	845	1,961	1.58	99,900	
	0.75	680	1,605	1.79	92,500	
	<b>1.00</b>	<b>479</b>	<b>1,163</b>	<b>2.15</b>	<b>80,200</b>	
	1.25	348	865	2.50	69,600	
	1.50	258	653	2.87	60,200	
	1.75	196	501	3.25	52,300	
	2.00	155	399	3.60	46,100	
	2.25	127	326	3.93	41,200	
	2.50	104	267	4.27	36,700	

Both RC and aircore drilling from POZ and historical drilling data from previous explorers was incorporated into the resource model.