

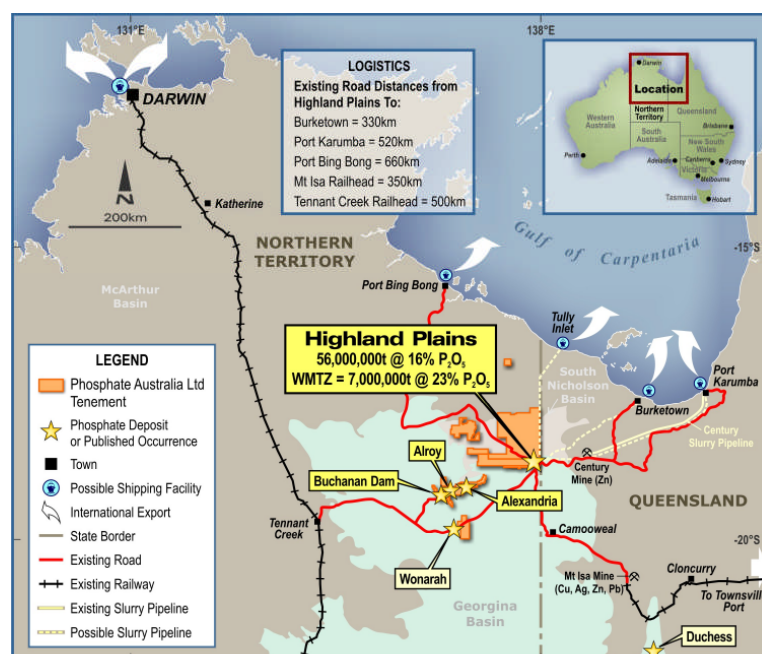
Highland Plains Phosphate Project Update

1.0 Pre-feasibility Studies

Phosphate Australia Limited (POZ) is pleased to announce the commencement of the following pre-feasibility studies for the ongoing development of the Company's 100% owned phosphate project at Highland Plains in the Northern Territory.

- Engineering consultants will be conducting road surveys in early October over the proposed road haulage routes from Highland Plains to the Gulf of Carpentaria. Results from the survey will be used to refine the Company's early CAPEX and OPEX estimates.
- Drilling for groundwater studies will commence with the mobilisation of a rig to site on 28 September. A series of large diameter water bores will be drilled, cased and pump tested to confirm the deliverability of the local aquifer and its ability to support a mine and beneficiation plant. The bores will be completed for future use with the installation of pumping equipment. The hydrogeology report will be a key component of the final pre-feasibility study.
- Environmental consultants will be mobilising at the end of September to Highland Plains to conduct a full on-ground fauna and flora survey to support the application for a mining license. A weather monitoring station will be installed at the camp as part of this study.

Figure 1: Highland Plains Project Location



2.0 Update on Current Studies

2.1 Upcoming Drilling Results

The final results from the Phase 2 RC resource drilling campaign should be received shortly. These results will then be compiled and reported to the ASX.

With these new results, the Company's resource consultants will update the ore body model to refine the grade and tonnage estimates at Highland Plains. Importantly, this will allow a better definition of the resource over the Western Mine Target Zone (WMTZ) based on the 100m drill hole spacing.

This updated resource model will then be used to define initial open pit plans based on early CAPEX and OPEX estimates. The initial open pit plans will in turn allow more detailed estimates to be made on projected stripping ratios, mining grades and optimum rock movement rates. This process will be ongoing as the Company continues to refine the project financial model.

2.2 Metallurgical Studies

Metallurgical studies are well underway in Adelaide with the PQ sized core acquired in the May drilling campaign having been processed into a series of large composite samples. These composite samples are currently undergoing a series of detailed floatation tests.

Concurrently with the float testing, selected core samples are being scrubbed and screened to remove chert nodules which comprise a large proportion of the free silica in the Highland Plains phosphorites. Removal of chert, prior to fine grinding, will significantly improve the efficiency and phosphate recovery of the floatation process.

The Board is keenly expediting these two sets of important and exciting metallurgical studies and is looking forward to reporting initial results.

3.0 Conclusion

The Company's recent fund raising has given the Board increased confidence in being able to aggressively pursue the studies that will underpin the successful assessment of the Highland Plains phosphate resource and allow for its rapid development.

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 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.