

QUARTERLY REPORT
Period Ending 30 September 2011

Highlights:

- Core tenements granted at Tuckanarra (WA) gold project. Drilling expected to commence in mid-November once Government approvals have been finalised.
- Highland Plains Phosphate Project (NT): Ongoing discussions and data transfers taking place with potential Asian partner groups.
- NT Iron Ore Project: One tonne metallurgical sample with an average grade of 55.8% beneficiated to 59.1% Fe.
- Iroquois Manganese Project (WA): Drilling completed – awaiting assay results.
- Musgrave Project (WA): Joint venture discussions continuing.

Figure 1: Highland Plains Location with Rock Phosphate Export Options



1.0 Tuckanarra Gold Project

Phosphate Australia Limited (POZ) announced on 15th August 2011 (see ASX release of that day), the 100% acquisition of the Tuckanarra Gold Project in the Murchison Goldfield of Western Australia. During the quarter two of the core tenement have been granted over the Cable-Drogue-Bollard prospects. Drill holes have been planned and the appropriate applications have been made to the WA Mines Department.

It is anticipated that a maiden aircore drill campaign will commence at the Anchor-Cable-Bollard prospect in mid November, see Figures 1 and 2.

The Cable-Drogue-Bollard line of historic workings and open pits is a significant area of previous mining which was last worked in 1993 when the gold price was around US\$330/ounce. There are considerable amounts of known, shallow gold mineralisation surrounding these historic mines and this is the main target of the current aircore drilling program. This will lead into increased drilling activity early in 2012 with an initial resource estimate aimed for by May 2012.

Figure 2: Tuckanarra Gold Project Location

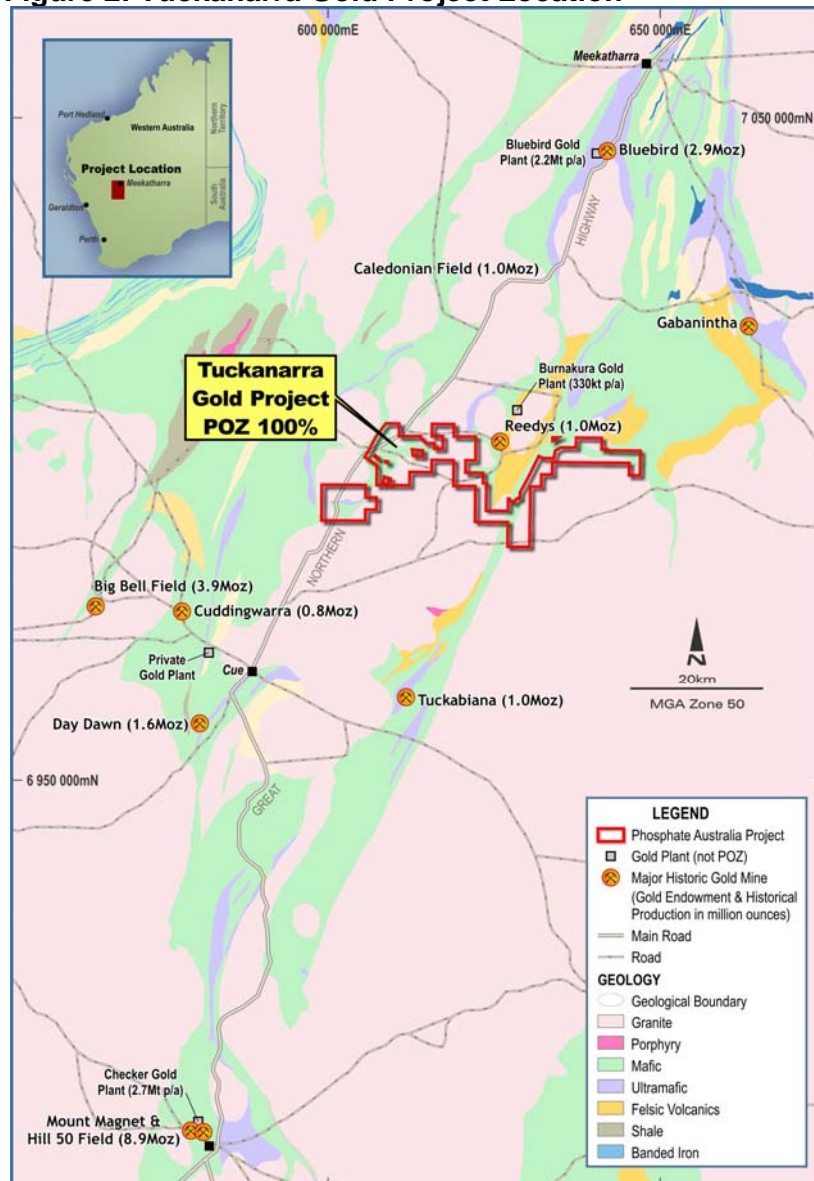
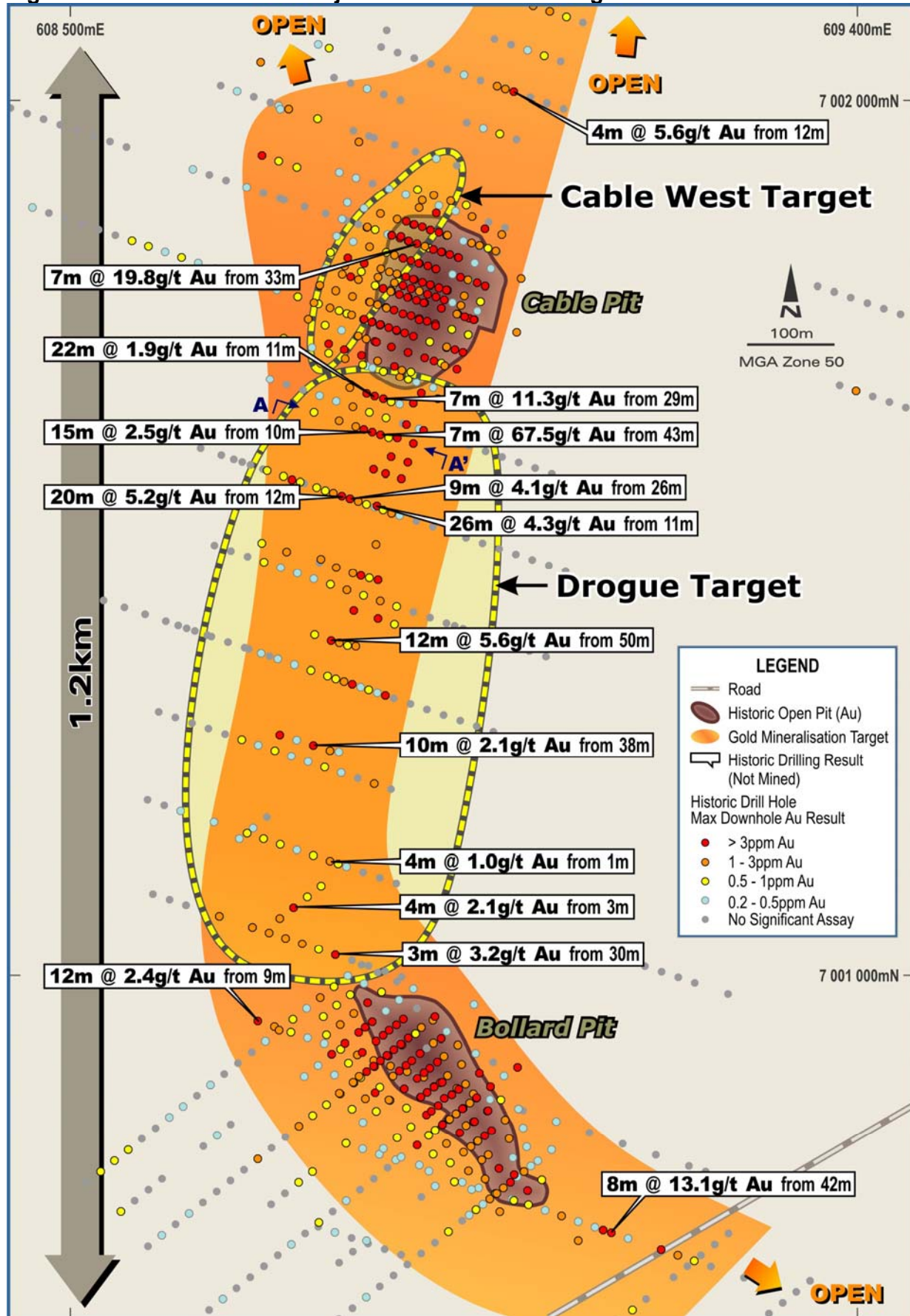


Figure 3: Tuckanarra Gold Project – November Drill targets



NB: Previous drilling results are uncut

2.0 Highland Plains Phosphate Project Update (Northern Territory)

Highland Plains phosphate project 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.

POZ Managing Director Mr Andrew James has spent a significant amount of time in Asia during the past quarter and has conducted a number of meetings with different parties who have shown potential interest in forming a strategic partnership with POZ to develop the Highland Plains phosphate project.

The Company will continue to vigorously follow up potential strategic partners in order to progress the project for the benefit of POZ shareholders.

3.0 Iron Ore Project – Metallurgical Sampling (Northern Territory)

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

The project area has considerable potential with an area of 1,400 km² prospective for Clinton-style oolitic iron mineralisation. Last quarter a one tonne metallurgical sample was collected by Company geologists from one of the mineralised sites.

Results from the metallurgical testing of this one tonne sample are shown below.

Table 1: Nicholson Iron – One tonne Bulk Sample Headgrade

Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
55.6	10.2	6.7	0.040	3.0

Assay by Spectrolab Pty Ltd XRF

Table 2: Nicholson Iron – Beneficiation Results

Test # Size Fraction	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI	Recovery %
#1 - +34 to -1000 um	59.3	7.5	5.1	0.032	2.3	40
#2 - +34 to -212 um	59.1	7.4	5.2	0.034	2.4	55

Assay by XRF, performed by Spectrolab Pty Ltd

Metallurgical test separation of the iron sample was via a wet gravity spiral technique. The work was performed to gain an initial understanding of the upgrade potential of iron sourced from the Nicholson Basin.

These results are most encouraging with the low level of phosphorus being especially pleasing. No attempt has been made to optimise the metallurgical test work at this very early stage.

The Company continues to assess the most optimal way to progress the Nicholson Iron Project including discussions with potential joint venture parties.

4.0 Earraheedy Basin Manganese Project – Iroquois Prospect (WA)

Phosphate Australia Limited has recently completed the Company's maiden drilling program on the Iroquois manganese prospect in Western Australia. The Company took advantage of a rig which was mobilising into the region to complete a short program of drilling around the historic hole, TRC 4, drilled in the 1990s by base metals explorer, RGC Exploration Limited. This historical hole returned an intersection of 6 m @ 34.1% Mn and 4.2% Pb from 34m.

Drilling conditions were not ideal for an air core rig, but seven holes were drilled for 282 m within a 500m radius of TRC 4. The drilling also tested an anomalous feature detected during the Company's previously flown airborne electro-magnetic survey.

POZ is currently awaiting assays.

5.0 Musgrave Project (WA)

POZ has three 100% controlled tenement applications in the area and has been approached for a joint venture on these tenements. This deal is currently being assessed by POZ Directors.

The Musgrave region is a remote, under explored geological province characterised by a series of layered mafic intrusions prospective for mineralised magnetite layers (platinum group elements and vanadium) and cumulate nickel deposits. The BHP Billiton Ltd controlled Nebo-Babel deposit (393 Mt at 0.3% nickel and 0.3% copper) remains the most significant discovery in the region to date.

POZ geologists have taken a small number of rock chip samples from an occurrence of massive, outcropping platinum group element (PGE) enriched magnetite on one the Company's tenements. The rock chips assayed up to 3.4g/t PGE. For full assay results see the last quarterly report.

PGE rich magnetite seams such as this occur as discrete layers within the igneous intrusive complex and 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.

6.0 Other Projects

Results from reconnaissance exploration undertaken over the Company's Muccan molybdenum-copper project, northeast of Marble Bar (WA) (tenement applications E45/3835, E45/3836, E45/38738, E45/3840, E45/3842) were generally disappointing. A number of soil and rock samples were taken over occurrences previously mapped by the GSWA and were not anomalous.

A previously located copper occurrence was sampled with a single rock chip which returned 6.1% Cu, 144 ppb Au and 21 ppm Ag. Trace element analysis of As, Bi, Hg and Sb indicate the potential for an epithermal system. The original five permit applications have been withdrawn and a smaller application lodged over the copper occurrence. The Company is planning to complete a geochemical soil survey over the prospect in 2012.

7.0 Summary and Outlook

The Board is looking forward to the upcoming drilling campaign at the Tuckanarra gold project, and is excited by the potential of that project. Tuckanarra, with its shallow, fully oxidised mineralisation, good historic grades and proximity to existing gold plants has the potential to launch POZ as a regional player in the Murchison goldfield.

In the past quarter POZ has also conducted a drilling program at the Iroquois lead manganese project and anticipates reporting the results of this drilling in the next month. The Company continues its dialogue in Asia with potential partners over the Highland Plains project.

At the end of the quarter Phosphate Australia had approximately \$3.4 million on hand.

JIM RICHARDS
Chairman

ANDREW JAMES
Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr James 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 a 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 Information in this report that relates to the Highland Plains phosphate project Mineral Resources is based on information compiled by Rick Adams and Ted Hansen who are members of the Australasian Institute of Mining and Metallurgy (AusIMM). Rick Adams and Ted Hansen are directors of Cube Consulting Pty Ltd. and have 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 December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Rick Adams and Ted Hansen consent to the inclusion in this report of the Information, in the form and context in which it appears.

Phosphate Australia at a Glance

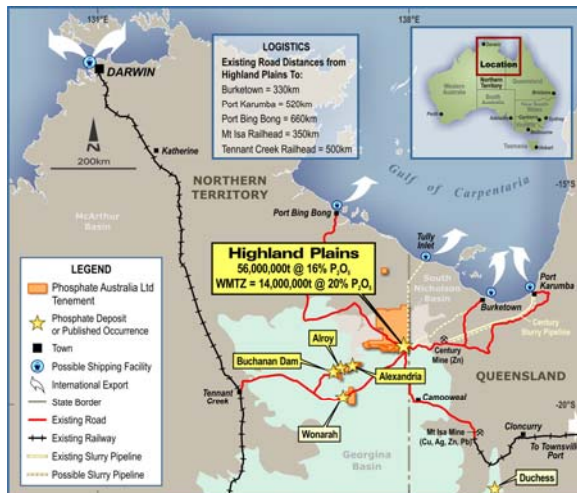
ASX Code: **POZ**

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 28 Oct 2011

Ordinary Shares on Issue: 109.9 million
Top 20 Shareholders: 61.7 million (56.2%)

Unquoted Options on Issue: 25.45 million

Share Price: A\$0.065
Undiluted Market Cap: A\$7.1 million

Number of Shareholders: 1133

Cash Balance: \$3.4 million

Board of Directors

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

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