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For Immediate Release

News Release

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Phosphate Holdings, Inc., Reports First Quarter 2011 Financial Results

MADISON, Miss. (May 12, 2011) Phosphate Holdings, Inc. (OTC: PHOS), today reported a first quarter 2011 net income of $16,000, compared to net income of $2.6 million for the same period in 2010. The Company achieved operating income of $53,000 for the first quarter of 2011, compared to operating income of $4.2 million for the prior-year period. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter of 2011 were $3.8 million, compared to EBITDA of $7.2 million for the first quarter of 2010.

Net sales for the first quarter of 2011 were $77.6 million, a 29 percent increase over net sales of $60.1 million for the first quarter of 2010. The average sales price per short ton of DAP for the first quarter of 2011 was $539, which represents a 1 percent increase over the fourth quarter of 2010 average sales price per short ton of DAP, which was $534, and a 30 percent increase over the first quarter of 2010, which was $415. During the first quarter of 2011, the Company sold 140,968 short tons of DAP, with 81,606 short tons moving into domestic markets.

Robert E. Jones, Chief Executive Officer, said, “During the first quarter of 2011, our DAP production was impacted by phosphate rock shortages. Severe flooding in Morocco interrupted rock deliveries from the mines to the port causing significant delays in the delivery of phosphate rock to our facility. As a result, we curtailed production during late January and early February to avoid a complete shutdown of our phosphoric acid and DAP granulation plants. As phosphate rock deliveries resumed, we experienced strong DAP granulation results, with 61,885 short tons produced in March 2011. This represents our highest monthly DAP production level in four years. Total DAP production in the first quarter of 2011 was 149,031 short tons.

“Early in our second quarter, we experienced additional delays in phosphate rock deliveries, again due to logistical difficulties in Morocco. These delays will result in a shutdown of our DAP granulation and phosphoric acid plants for approximately eight days in early May 2011. To mitigate the impact of this shutdown, we advanced a planned maintenance turnaround on one of our sulfuric acid plants. Both the planned and unplanned outages will impact our second quarter DAP production volumes, which we currently project to be 140,000 to 150,000 short tons.

“From a market perspective, the average posted DAP price was $550 per short ton (NOLA), in the first quarter of 2011. Sulfur prices in the first quarter were posted at $185 per long ton (CFR, Tampa). Ammonia prices began the first quarter at $475 per metric ton (CFR, Tampa), and closed the first quarter at $555 per metric ton (CFR, Tampa).”

In addressing the industry outlook, Jones added, “Current high crop prices are indicative of the tight supply/demand balance among a wide range of grain crops. U.S. farmer crop economics support robust phosphate applications to maximize crop yields; however, cold, wet weather across the Corn Belt and transportation restrictions due to extensive flooding represent near-term headwinds in domestic phosphate markets. Internationally, the settlement of key phosphate supply commitments to India should underpin good export demand through 2011.”

As of March 31, 2011, the Company had a cash balance of approximately $5.3 million and outstanding borrowings under its revolving credit agreement of $5.0 million. We spent approximately $1.5 million on capital expenditures in the first quarter of 2011.

At the end of 2010, our Board of Directors appointed a special committee of independent directors to initiate a comprehensive review of strategic options. While this review is ongoing, we will not hold an earnings call to discuss our first quarter 2011 financial results and will not otherwise discuss this strategic process. When the strategic process is completed, we intend to resume regular quarterly earnings calls. We look forward to providing a more comprehensive update at our annual meeting in late June in New York. Details regarding the date and time of the Annual Meeting will be forthcoming.

The Company is a Delaware corporation and the sole stockholder of Mississippi Phosphates Corporation. Mississippi Phosphates Corporation is a Delaware corporation with its executive headquarters in Madison, Miss. Mississippi Phosphates Corporation owns and operates manufacturing facilities in Pascagoula, Miss., which produce diammonium phosphate, the most common form of phosphate fertilizer used as a source of phosphate on all major row crops.

Forward-looking Statements

This letter contains “forward-looking statements” within the meaning of the federal securities law, which are intended to qualify for the safe harbor from liability provided thereunder. All statements which are not historical statements of fact are “forward-looking statements” for purposes of these provisions and are subject to numerous risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Future events, risks and uncertainties that could cause a material difference in such results include, but are not limited to,(i) changes in matters which affect the global supply and demand of phosphate fertilizer products, phosphate rock, ammonia, sulfur and sulfuric acid, (ii) a variety of conditions in the agricultural industry such as grain prices, planted acreage, projected grain stocks, U.S. government policies, weather, and changes in agricultural production methods, (iii) changes in the availability and cost of phosphate rock and our other primary raw materials, (iv) changes in capital markets, (v) possible unscheduled plant outages and other operating difficulties, (vi) price competition and capacity expansions and reductions from both domestic and international competitors, (vii) the concentration of our sales with one large customer, (viii) foreign government agricultural policies (in particular, the policies of the governments of India and China), (ix) the relative unpredictability of international and local economic conditions, (x) international trade risks, (xi) political unrest in Northern Africa and possible implications on phosphate rock availability (xii) the relative value of the U.S. dollar, (xiii) regulations regarding the environment and the sale and transportation of fertilizer products, (xiv) our potential inability to obtain or maintain required permits and governmental approvals or to meet financial assurance requirements, (xv) loss of key members of management, and (xvi) impact of future storms. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

(TABLES FOLLOW)

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

Assets		**March 31, 2011**	**December 31, 2010**
Current assets:			
Cash and cash equivalents	$	5,282	2,261
Trade accounts receivable		5,415	9,128
Other receivables		846	2,297
Inventories		28,393	26,141
Prepaid expenses and other		6,822	8,329
Deferred income taxes		3,863	336
Total current assets		50,621	48,492
Freight deposits		6,345	5,636
Restricted investments held in trust, at fair value		6,067	5,657
Property, plant and equipment, net		60,770	61,402
Other		526	553
Total assets	$	124,329	121,740
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$	1,815	1,804
Accrued expenses		33,578	29,783
Financing obligations		2,548	3,492
Revolving credit agreement		5,000	9,000
Total current liabilities		42,941	44,079
Asset retirement obligations		16,482	16,307
Deferred income taxes		5,372	1,836
Total liabilities		64,795	62,222
Stockholders' equity:			
Common stock ($0.01 par; 30,000,000 shares authorized; 8,411,308 shares issued and outstanding)		84	84
Additional paid-in capital		35,660	35,660
Retained earnings		23,790	23,774
Total stockholders' equity		59,534	59,518
Total liabilities and stockholders' equity	$	124,329	121,740

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

		Three months ended March 31,	
		2011	**2010**
Net sales:			
DAP	$	76,001	59,313
Other		1,590	821
Total net sales		77,591	60,134
Cost of sales		75,110	53,351
Gross profit		2,481	6,783
Selling, general and administrative expenses		2,428	1,902
Environmental remediation		—	662
Operating income		53	4,219
Other income (expense):			
Interest expense		(243)	(117)
Other, net		215	162
Total other income (expense)		(28)	45
Income before income taxes		25	4,264
Income tax expense		9	1,645
Net income	$	16	2,619
Earnings per share – basic	$	0.00	0.31
Earnings per share – diluted		0.00	0.31
Weighted average common shares outstanding – basic		8,411	8,411
Weighted average common shares outstanding – diluted		8,411	8,411

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended March 31, 2011	2010
Cash flows from operating activities:		
Net income	$ 16	2,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	2,127	1,797
Amortization of prepaid maintenance turnaround costs	1,245	908
Accretion of asset retirement obligation	175	122
Deferred loan cost amortization	27	18
Unrealized restricted investment gain	(210)	(144)
Share-based compensation	648	432
Deferred income taxes	9	1,620
Other	—	(241)
Changes in operating assets and liabilities:		
Trade and other accounts receivable	5,164	(4,202)
Inventories	(2,252)	(5,310)
Prepaid expenses and other	262	(1,437)
Freight deposits - long term	(709)	(1,399)
Accounts payable and accrued expenses	3,158	13,746
Net cash provided by operating activities	9,660	8,529
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(1,495)	(2,472)
Net cash used in investing activities	(1,695)	(2,672)
Cash flows from financing activities:		
Net payments on revolving credit agreement	(4,000)	—
Payments on financing obligations	(944)	(886)
Payments on term loan	—	(150)
Net cash used in financing activities	(4,944)	(1,036)
Net increase in cash and cash equivalents	3,021	4,821
Cash and cash equivalents at beginning of period	2,261	2,067
Cash and cash equivalents at end of period	$ 5,282	6,888

Reconciliation of Net Income to EBITDA:

We define EBITDA as net income before interest; income taxes; depreciation, amortization and accretion. EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other companies in the fertilizer business, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

We use EBITDA as a primary operating performance measure and an important indicator of our ability to provide cash flows to meet future debt service, if any, capital expenditures and working capital requirements and to fund future growth.

The U.S. Generally Accepted Accounting Principles, or GAAP, measure most directly comparable to EBITDA is net income. Our non-GAAP financial measure of EBITDA should not be considered as an alternative to GAAP net income. You should not consider EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because EBITDA excludes some, but not all, items that affect income from continuing operations and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies.

We compensate for the limitations of EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this information into our decision-making processes.

The following table shows the reconciliation of net income to EBITDA for the periods indicated:

	Three Months Ended March 31,	
	2011	**2010**
Net income	$ 16	$ 2,619
Interest expense	243	117
Income tax expense	9	1,645
Depreciation, amortization and accretion	3,547	2,827
EBITDA	$ 3,815	$ 7,208

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