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For Immediate Release **News Release**

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Phosphate Holdings, Inc. Reports Second Quarter 2009 Financial Results and Announces New Phosphate Rock Supply Agreement

MADISON, Miss. (August 31, 2009) Phosphate Holdings, Inc. (OTC: PHOS), today reported second quarter 2009 earnings of $0.1 million, or $0.01 per diluted share of common stock, compared to earnings of $35.0 million, or $4.32 per diluted share of common stock for the same period in 2008. Net losses for the six months ended June 30, 2009 were $11.5 million or $1.50 per diluted share of common stock, as compared to earnings of $42.0 million, or $5.19 per diluted share of common stock for the same period last year. The Company's first half of 2009 results were materially impacted by inventory write-downs to net realizable value of approximately $10.4 million.

Net sales for the second quarter of 2009 were $42.7 million, a 75 percent decrease from net sales of $171.5 million for the second quarter of 2008. The average sales price per short ton of DAP during the second quarter of 2009 was $275, a 74 percent decrease from the prior-year period average sales price of $1,049. During the second quarter, the Company sold 152,477 tons of DAP, with 73 percent moving into export markets. The Company had operating income of $0.1 million for the second quarter of 2009, compared to operating income of $55.0 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the second quarter of 2009 were $3.0 million, compared to EBITDA of $57.9 million for the second quarter of 2008. In the second quarter of 2009, inventory write-downs to net realizable value totaled approximately $1.1 million.

Net sales for the six months ended June 30, 2009 were $97.0 million, a 59 percent decrease from net sales of $238.5 million for the six months ended June 30, 2008. The Company incurred an operating loss of $18.2 million for the six months ended June 30, 2009, compared to operating income of $65.9 million for the prior-year period. EBITDA for the six months ended June 30, 2009 were negative $12.8 million, compared to EBITDA of $71.9 million for the same period in 2008.

Robert E. Jones, Chief Executive Officer, said, "The second quarter of 2009 was a period of weak domestic demand for phosphates. Distributors and retailers with high-priced carryover fertilizer inventories were reluctant to reduce prices. As a result, near-term demand was negatively impacted as many U.S. farmers reduced or deferred their phosphate applications during the spring planting season. During the quarter, we saw U.S. Gulf DAP prices decrease from $313 per short ton at March 31, 2009, to $257 per short ton by quarter's end."

As of June 30, 2009, the Company had a cash balance of approximately $0.4 million and borrowings under our revolving credit agreement of $3.1 million. The Company continues to aggressively manage its liquidity and believes that its current operations and available credit facilities should be adequate to meet the Company's financing needs for 2009.

In commenting on the 2009 industry outlook, Jones added, "It appears that the distributors and retailers of phosphates have significantly reduced high-cost carryover inventories. With low phosphate application rates in both the fall of 2008 and the spring of 2009, and continuing strong demand for agricultural commodities, we currently expect a healthy rebound in the demand for phosphates in the fall of 2009 and in 2010."

PHOSPHATE ROCK SUPPLY AGREEMENT

On August 27, 2009, the Company and OCP S.A., entered into a new phosphate rock supply agreement, which is effective as of July 3, 2009 (the "Supply Agreement"). Under the Supply Agreement, the Company agrees to purchase from OCP, on a take-or-pay basis, the phosphate rock requirements of its Pascagoula, Mississippi, plant. The price of the phosphate rock will be determined quarterly based on a negotiated formula that is based, in part, on related market prices. The term of the Supply Agreement expires on June 30, 2012.

With respect to the Supply Agreement, Mr. Jones stated, "This Supply Agreement is a testament to the strong long-term supply relationship the Company has enjoyed with OCP and represents the culmination of an effort to bring stability to the Company's operations. We believe this Supply Agreement provides a solid platform for our return to profitability."

The Company will host a conference call on Thursday, September 10, 2009, at 3:30 p.m., CDT, to discuss the Company's operating results for the second quarter ended June 30, 2009. Call-in numbers are:

Q&A, Toll free: 888-378-4353

Q&A, Toll: 719-325-2146

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 and events pertaining to the recent financial credit crisis, (v) possible unscheduled plant outages and other operating difficulties, (vi) price competition and capacity expansions and reductions from both domestic and international competitors, (vii) foreign government agricultural policies (in particular, the policies of the governments of India and China), (viii) the relative unpredictability of international and local economic conditions, (ix) the relative value of the U.S. dollar, (x) regulations regarding the environment and the sale and transportation of fertilizer products, and (xi) 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 SUBSIDIARY
Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 383	2,153
Trade accounts receivable	2,242	7,400
Income taxes receivable	1,205	21,414
Other receivables	455	1,863
Inventories	22,264	47,645
Prepaid expenses and other	3,644	5,079
Total current assets	30,193	85,554
Restricted investments held in trust, at fair value	3,530	2,990
Property, plant and equipment, net	51,020	50,593
Other	200	130
Total assets	$ 84,943	139,267
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,227	2,658
Accrued expenses	8,899	11,760
Current maturities of long-term debt	600	600
Short-term financing obligations	2,748	2,181
Deferred income taxes	691	573
Deposits on future sales	-	24,600
Revolving credit agreement	3,052	11,494
Total current liabilities	18,217	53,866
Long-term debt, less current maturities	2,100	2,400
Asset retirement obligations	5,076	4,841
Deferred income taxes	787	7,940
Total liabilities	26,180	69,047
Stockholders' equity:		
Common stock ($0.01 par; 30,000,000 shares authorized; 7,654,290 shares issued and outstanding)	77	77
Additional paid-in capital	33,880	33,880
Retained earnings	24,806	36,263
Total stockholders' equity	58,763	70,220
Total liabilities and stockholders' equity	$ 84,943	139,267

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net sales:				
DAP	$ 41,991	170,412	94,891	232,001
Other	722	1,079	2,075	6,453
Total net sales	42,713	171,491	96,966	238,454
Cost of sales	41,249	111,739	112,039	164,461
Unrealized loss on firm purchase commitment	-	-	1,237	-
Gross profit (loss)	1,464	59,752	(16,310)	73,993
Selling, general and administrative expenses	1,503	4,750	3,545	6,529
Insurance recovery	(115)	-	(1,615)	-
Impairment of assets	-	-	-	1,572
Operating income (loss)	76	55,002	(18,240)	65,892
Other income (expense):				
Interest, net	(181)	32	(293)	293
Other, net	322	449	141	213
Total other income (expense)	141	481	(152)	506
Income (loss) before income taxes	217	55,483	(18,392)	66,398
Income tax expense (benefit)	113	20,478	(6,935)	24,407
Net income (loss)	$ 104	35,005	(11,457)	41,991
Earnings (loss) per share – basic	$ 0.01	4.57	(1.50)	5.49
Earnings (loss) per share – diluted	$ 0.01	4.32	(1.50)	5.19
Weighted average common shares outstanding – basic	7,654	7,654	7,654	7,654
Weighted average common shares outstanding – diluted	7,971	8,094	7,654	8,092

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

	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flows from operating activities:		
Net income (loss)	$ (11,457)	41,991
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	3,324	2,520
Amortization of prepaid maintenance turnaround costs	1,721	1,422
Accretion of asset retirement obligation	235	247
Deferred loan cost amortization	37	20
Share-based compensation	161	38
Impairment charges	-	1,572
Deferred income taxes	(7,035)	2,449
Other	(139)	200
Changes in operating assets and liabilities:		
Trade and other accounts receivable	6,566	(29,446)
Income taxes receivable	20,209	-
Inventories	781	(45,980)
Prepaid expenses and other	(286)	(5,512)
Accounts payable and accrued expenses	(3,453)	27,562
Income taxes payable	-	10,627
Net cash provided by operating activities	10,664	7,710
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(400)	(400)
Purchases of property, plant and equipment	(3,751)	(9,127)
Net cash used in investing activities	(4,151)	(9,527)
Cash flows from financing activities:		
Net payments on revolving credit agreement	(8,442)	-
Proceeds from short-term financing obligations	2,324	2,744
Payments of short-term financing obligations	(1,757)	(1,735)
Payments on term debt	(300)	-
Cash dividends	-	(11,481)
Deferred loan costs	(108)	-
Net cash used in financing activities	(8,283)	(10,472)
Net decrease in cash and cash equivalents	(1,770)	(12,289)
Cash and cash equivalents at beginning of period	2,153	43,576
Cash and cash equivalents at end of period	$ 383	31,287
Supplemental disclosure of non-cash transaction:		
Delivery of inventory to settle deposits on future sales obligation	$ 24,600	-

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

		Three months ended June 30, 2009	Three months ended June 30, 2008
Cash flows from operating activities:			
Net income	$	104	35,005
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation of property, plant and equipment		1,672	1,319
Amortization of prepaid maintenance turnaround costs		860	998
Accretion of asset retirement obligation		118	125
Deferred loan cost amortization		24	11
Share-based compensation		106	38
Deferred income taxes		83	1,225
Other		(321)	(19)
Changes in operating assets and liabilities:			
Trade and other accounts receivable		(545)	(21,396)
Income taxes receivable		5,709	-
Inventories		(3,548)	(21,317)
Prepaid expenses and other		(1,521)	(4,774)
Accounts payable and accrued expenses		(11,119)	25,925
Income taxes payable		-	9,186
Net cash provided by (used in) operating activities		(8,378)	26,326
Cash flows from investing activities:			
Purchases of restricted investments held in trust		(200)	(200)
Purchases of property, plant and equipment		(1,718)	(4,889)
Net cash used in investing activities		(1,918)	(5,089)
Cash flows from financing activities:			
Net proceeds from revolving credit agreement		3,052	-
Proceeds from short-term financing obligations		2,324	2,743
Payments of short-term financing obligations		(757)	(751)
Payments on term debt		(150)	-
Deferred loan costs		(108)	-
Net cash provided by financing activities		4,361	1,992
Net increase (decrease) in cash and cash equivalents		(5,935)	23,229
Cash and cash equivalents at beginning of period		6,318	8,058
Cash and cash equivalents at end of period	$	383	31,287

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY
Reconciliation of Net Income (Loss) to EBITDA
(In thousands)
(Unaudited)

We define EBITDA as net income (loss) before interest; income taxes; depreciation, amortization and accretion; and asset impairment charges. 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 (loss). Our non-GAAP financial measure of EBITDA should not be considered as an alternative to GAAP net income (loss). 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 (loss) to EBITDA for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income (loss)	$ 104	35,005	$ (11,457)	41,991
Interest, net	181	(32)	293	(293)
Income tax expense (benefit)	113	20,478	(6,935)	24,407
Depreciation, amortization and accretion	2,650	2,442	5,280	4,189
Asset impairment charge [a]	-	-	-	1,572
EBITDA	$ 3,048	57,893	$ (12,819)	71,866

[a] During the first quarter of 2008, we recorded an asset impairment charge of $1,572 related to the failure of certain internal components of the waste heat boiler in our No. 2 sulfuric acid plant.

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