

## **Highland Plains Phosphate Project, NT. Receipt of Initial Option Fee**

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### **1.0 Introduction**

Phosphate Australia Limited ('POZ' or the 'Company') is pleased to announce that the initial Option Fee of A\$200,000 has been paid to the Company as per the agreement announced on 15 July 2016. The incoming party is a private Australian company, P2O5 Pty Ltd ('P2O5'), representing a Sydney based consortium with various development interests in Asia. This Option Fee entitles P2O5 an Option over the Highland Plains Phosphate Project on the following terms.

### **2.0 Terms**

This Option (valid for ninety days from the 14 July 2016), entitles P2O5 to enter into a Joint Venture with POZ over the Highland Plains Phosphate Project (and surrounding project areas), providing the Option is exercised.

### **2.2 Exercise of Option**

To exercise the Option, P2O5 shall pay POZ US\$2,000,000 in cash. This payment will trigger the formation of a Joint Venture in which P2O5 shall acquire an initial 51% and POZ will retain 49% of the phosphate assets. The aim of the Joint Venture shall be the mining and development of the rock phosphate assets of POZ and others.

### **2.3 Acquisition of a Further 19% interest in the Joint Venture**

A further 19% interest in the Joint Venture shall be acquired by P2O5 upon the deposit of A\$3,000,000 into an interest bearing trust account in the name of the Joint Venture Parties to be used exclusively for development of the Joint Venture assets, including the preparation of a Bankable Feasibility Study and of a Mining Plan in respect to the Highland Plains Phosphate Resource within the Tenements. Following the above terms being satisfied, POZ's interest in the Joint Venture will be 30%. POZ will also be entitled to a 30% shareholding (pre-IPO) of any public listing of a new company (Listco) that enters into the Joint Venture, on the Joint Venture Terms.

### **2.4 POZ Interest Royalty Conversion**

POZ shall be entitled at its sole discretion to convert its Joint Venture interest to a Royalty of 2% of all future Joint Venture gross revenue based on the market free on board price for all shipments of phosphate rock from an Australian Port.

## 2.2 POZ Interests Non-contributory Until BFS

POZ's Joint Venture interest will be non-diluting and non-contributory until the Joint Venture has produced a Bankable Feasibility Study in relation to the rock phosphate resources on the tenements. Following completion of the Bankable Feasibility Study (BFS), both Parties interests are contributory on a pro-rata basis.

## 2.3 Upon Securing Rights or Funding for a Logistics Solution

Should either the Joint Venture acquire the rights of access to use the Karumba (MMG Century mine) Pipeline; or the Joint Venture secures funding to build an alternative slurry pipeline or other logistics solution, then P2O5 shall procure that Listco shall make payment to POZ of USD\$4,000,000.

## 2.4 Administration and Tenement Holding Costs

After the exercise of the Option, all holding and administrative costs including minimum expenditures, tenement rents, compliance and tenement management costs incurred by the Joint Venture shall be borne by P2O5 until the production of a BFS.

NB: Further Option terms relating to third party assets are commercial in confidence.

## 3.0 Summary

It is important to note that this Option Agreement is predicated upon the payment of the Option Exercise Fee. This payment of this initial A\$200,000 is a welcome step forward for the Highland Plains Phosphate Project and POZ retains excellent exposure to any ongoing development of the venture.

POZ will now proceed to obtain any shareholder and/or regulatory approvals that may be required prior to the option expiry date.

Jim Richards  
Executive Chairman

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*The information in this report that relates to previously reported exploration results is based on information compiled by Mr. Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr. Richards is a Director of Phosphate Australia. 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 2012 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.*