

ASX RELEASE

20 April 2015

ASX Code: POZ



Phosphate Australia releases Target Statement

***Directors unanimously recommend that shareholders
REJECT Mercantile's inadequate Takeover Offer***

Key points

- Phosphate Australia's Directors have unanimously recommended shareholders **reject** Mercantile's Offer by taking no action.
 - The Offer undervalues Phosphate Australia:
 - **It is below the cash backing per Share**, placing zero value on the Company's projects.
 - The Independent Expert has valued Phosphate Australia at **15.6 cents per Share**, while the Offer is valued at **2.0 cents per Share**.
 - The Offer Price provides an insufficient premium for control relative to Phosphate Australia's share price.
 - Independent Expert has concluded the Offer is **Neither Fair Nor Reasonable**.
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Phosphate Australia (ASX:POZ, Phosphate Australia) has released its Target Statement in response to the on-market takeover offer made on 30 March 2015 by Mercantile Investment Company Limited (ASX:MVT, Mercantile) (Offer).

The Directors of Phosphate Australia have unanimously recommended shareholders **Reject the Offer**, which undervalues the Company, by taking no action.

The Independent Expert has valued Phosphate Australia at 15.6 cents per Share, while the Offer is valued at 2.0 cents per Share.

The Offer Price is below the cash backing per Share (2.5 cents per share), placing zero value on the Company's projects, which includes one of Australia's best positioned phosphate development opportunities.

Phosphate Australia's Directors carefully reviewed the Offer and commissioned an Independent Expert, leading financial services firm BDO, to consider whether the Offer is fair and reasonable to Shareholders. The Independent Expert concluded that the Offer is Neither Fair Nor Reasonable, valuing Phosphate Australia's projects at \$21.5 million. This figure does not include cash and cash equivalents of approximately \$4 million (as at 20 April 2015).

Further, Phosphate Australia's Directors concluded the Offer provides an insufficient premium for control relative to Phosphate's share price.

Phosphate Australia Executive Chairman Jim Richards said Mercantile's Offer was opportunistic by trying to acquire quality assets at essentially no cost.

The offer put forward doesn't even account for the cash we have in the bank, let alone provide shareholders with any value for the Company's quality assets," Mr Richards said.

Mercantile has lobbied this at a time when the junior resources sector is being shunned by the market, and we are not immune from those market forces."

However, the Independent Expert has valued our projects at \$21.5 million and concluded Mercantile's offer is Neither Fair Nor Reasonable."

Shareholders cannot benefit from any future exposure to these projects if they accept an undervalued cash offer now."

Phosphate Australia's assets include the Highland Plains Phosphate Project in the Northern Territory, which has an Inferred Resource of 53 million tonnes @ 16% P₂O₅¹ (JORC 2004). Phosphate is an essential component for fertiliser used extensively in agriculture.

This is one of the best phosphate projects in Australia . it has a defined resource and is in close proximity to existing infrastructure for potential transport solutions," Mr Richards said.

Increasing agricultural productivity is a key requirement to grow global food supply, and phosphate will play an important role in driving that growth."

Further information, including the detailed reasons for the Phosphate Directors' recommendation, is set out in the Target's Statement.

Figure 1: Highland Plains Location



Jim Richards BSc. (Hons) Geology, MAusIMM, MAIG
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.

The Information in this report that relates to Highland Plains Mineral Resources is based on information compiled by Rick Adams and Ted Hansen who are members of the Australasian Institute of Mining and Metallurgy. 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 they are 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. Rick Adams and Ted Hansen consent to the inclusion in this report of the Information, in the form and context in which it appears.

¹*The Company is not aware of any new information or data that materially affects the information included in the previous announcement (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed.*