

# ASX RELEASE

29 April 2015

ASX Code: POZ



## QUARTERLY REPORT

Period Ending 31 March 2015

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### Summary:

#### Unsolicited Takeover Offer

- On 30 March 2015, Phosphate Australia Limited (ASX:POZ, Phosphate Australia or Company) received an unsolicited on-market takeover offer made by Mercantile Investment Company Limited (ASX:MVT, Mercantile) (the Offer).
- The Offer price is below the cash backing per POZ Share (Share), placing zero value on the Company's projects.
- An Independent Expert (BDO) has valued Phosphate Australia at **15.6 cents per Share**, while the Offer is valued at **2.0 cents per Share**.
- The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** to the shareholders of Phosphate Australia.
- **POZ recommends shareholders REJECT the Offer**
- POZ has made a submission to Takeovers Panel regarding the Offer.

#### Highland Plains Phosphate Project (Northern Territory) Update **POZ 100%**

- In the Target's Statement, the Independent Expert placed a preferred value of \$14.04 million on the Highland Plains Phosphate Project.
- This valuation of Highland Plains has allowed POZ to further promote itself as one of Australia's best positioned phosphate development companies

#### Musgrave Cu-Ni-PGE Project, WA **POZ 100% (80% under Option)**

- The Musgrave Project is currently operated (under option) by ASX listed PepinNini Minerals Limited, an established Musgrave explorer. POZ are 20% free carried until completion of a bankable feasibility study or a subsidiary of PepinNini Minerals Limited expending \$15 million on the project's tenements.
- During the quarter, data from the fixed-wing high-resolution airborne magnetic-radiometric survey flown by Thompsons Aviation over part of E69/2864 was received.
- Six areas have been identified for initial exploration work based on the location and geometry of interpreted discrete mafic intrusions prospective for Ni-Cu sulphide mineralisation.
- Heritage approvals have been secured to undertake ground geophysical surveying, vacuum drill geochemical sampling, surface sampling, mapping and other low impact studies.

#### MMY Share Sale Completed

- Subsequent to the quarter, POZ completed the sale of the 10 million shares it owned in Monument Mining Limited (MMY), a Canadian resource company listed on the TSX-V exchange. POZ received A\$853,309 (net of costs) from the final sale.

## 1.0 Takeover Offer

On 30 March 2015, Phosphate Australia received an unsolicited on-market takeover offer made by Mercantile Investment Company Limited.

### 1.1 POZ rRecommends Shareholders REJECT the Offer

After careful consideration, on 20 April 2015, POZ issued a Target's Statement in relation to the Offer in which the Directors unanimously recommended that shareholders **REJECT** Mercantile's inadequate Offer because:

- The Offer Price insufficiently values Phosphate Australia:
  - The Offer Price 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.
- The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** to the shareholders of Phosphate Australia.
- Phosphate Australia is one of Australia's best positioned phosphate development companies, which deserves a takeover premium. Phosphate is an essential component for fertiliser used extensively in agriculture. The Company's primary asset, the Highland Plains Phosphate Project, has an Inferred Resource (JORC Code 2004) of **53 million tonnes @ 16% P<sub>2</sub>O<sub>5</sub>**.
- Accepting the all-cash Offer deprives you of any opportunity to benefit from future exposure to Phosphate Australia's projects and precludes you from accepting a superior offer from Mercantile or any third party (should one emerge during the Offer period).

### 1.2 POZ Submission to Takeovers Panel

On 23 April, POZ made a submission to the Takeovers Panel regarding the following:

*"Phosphate seeks interim orders that Mercantile, Siblow and Sir Ron Brierley be prevented from acquiring any shares in Phosphate pending final determination of the Panel proceedings.*

*Phosphate seeks final orders, including (in effect) that:*

- *Mercantile issue a supplementary bidder's statement disclosing:
 
  - *the identities of Siblow and Sir Ron Brierley and the relevant interest they hold and would acquire as a result of the takeover and*
  - *that Mr Gary Weiss is an alternative director of Mercantile...**
- *Sir Ron Brierley file a substantial holder notice in relation to the relevant interests he holds in Phosphate."*

Taken from Takeovers Panel ASX Release dated 24 April 2015  
<http://www.phosphateaustralia.com.au/IRM/Company/ShowPage.aspx/PDFs/1299-10000000/TOVPhosphateAustraliaLimitedPanelReceivesA>

### 1.3 Mercantile Director Dr Gary Weiss

Phosphate Australia would like to ensure that shareholders are aware that Dr Gary Weiss, an alternate director of Mercantile and a Director of Mercantile's third largest shareholder Portfolio Services Pty Ltd (based on Mercantile's 2014 Annual Report), is also a Director of ASX listed Ridley Corporation (ASX: RIC, Ridley).

Ridley is 'one of the largest domestic consumers of Australian grown cereal grains' and is Australia's 'largest commercial provider of high performance animal nutrition solutions.'  
<http://www.ridley.com.au/About/RidleyCorporation.aspx>

### 1.4 How to REJECT the Offer

Shareholders can **REJECT** the Offer by **TAKING NO ACTION**. Further information, including the detailed reasons for your Directors' recommendation, is set out in the POZ Target's Statement.

<http://www.phosphateaustralia.com.au/IRM/Company/ShowPage.aspx/PDFs/1297-10000000/TargetsStatement>

## 2.0 Highland Plains Phosphate Project (Northern Territory) Update **POZ 100%**

The Highland Plains Phosphate Project has a JORC Code (2004) compliant Inferred Resource of 53 million tonnes at 16% P<sub>2</sub>O<sub>5</sub> (POZ ASX release dated 31 March 2009<sup>1</sup>).

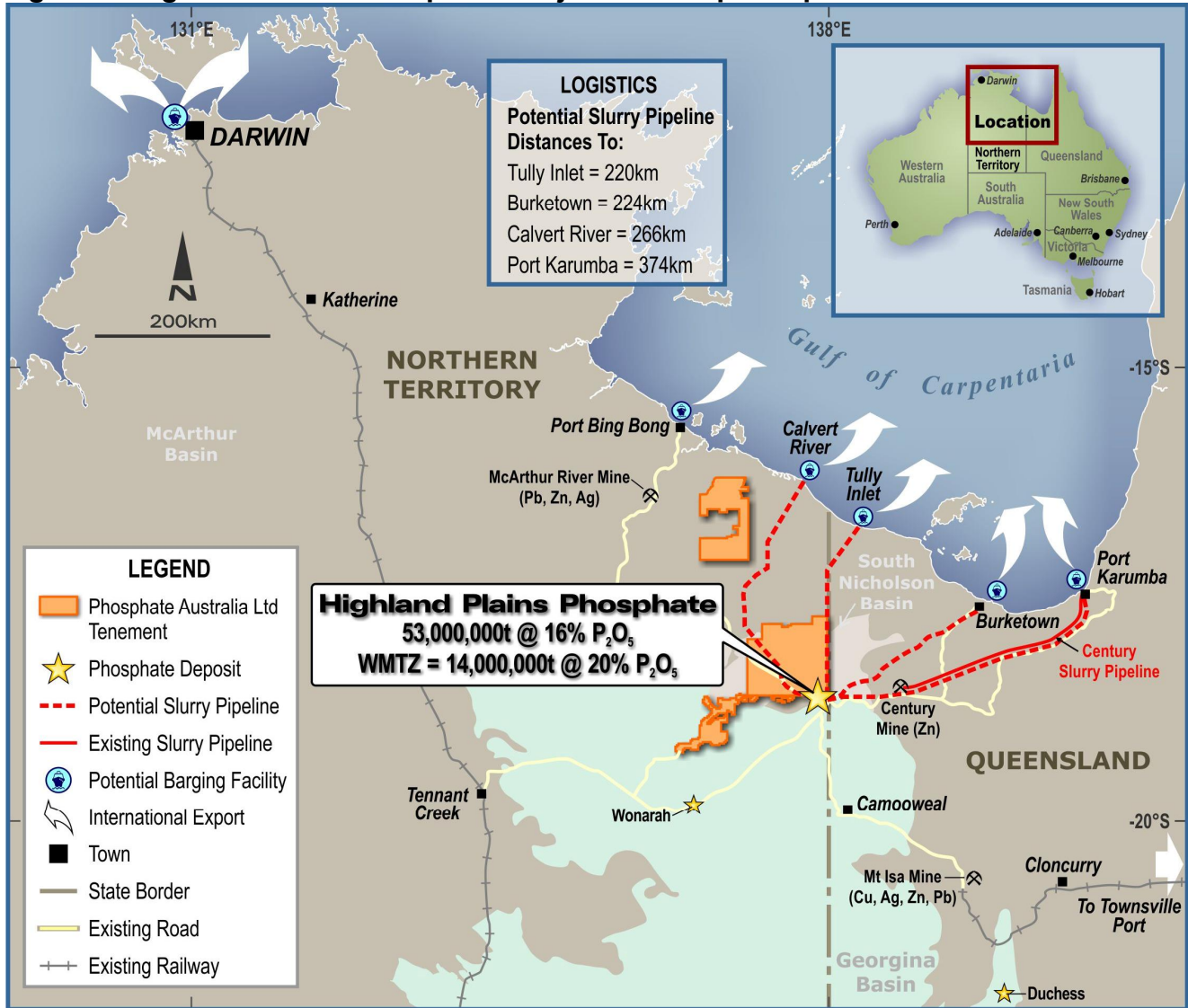
Since Phosphate Australia listed in 2008, substantial amounts of drilling and scoping study work have been done at Highland Plains with proposed solutions for beneficiation demonstrating higher grades. The project is 100% owned by Phosphate Australia and has no private royalties.

The Highland Plains deposit is only 68km west of the Century zinc mine which utilises a slurry pipeline to the coast and is currently preparing for the end of open pit production in 2015.

Phosphate Australia is targeting the production and sale of 2-3 million tonnes per annum of premium grade rock phosphate using a slurry pipeline for transport to the coast.

To the west of Highland Plains are areas of significant phosphate exploration potential. These areas lie along the prospective Cambrian-Proterozoic contact which also hosts the Highland Plains deposit. Geomorphic embayments which appear similar to the Highland Plains embayment represent excellent future drilling targets and are on granted Phosphate Australia leases.

**Figure 1: Highland Plains Phosphate Project with Export Options**



In the Target's Statement, the Independent Expert placed a preferred value of \$14.04 million on the Highland Plains Phosphate Project. The Company is actively seeking partners for this project. The project is 100% owned by POZ.

**3.0 Musgrave Project, WA**

**POZ 100% (80% under option)**

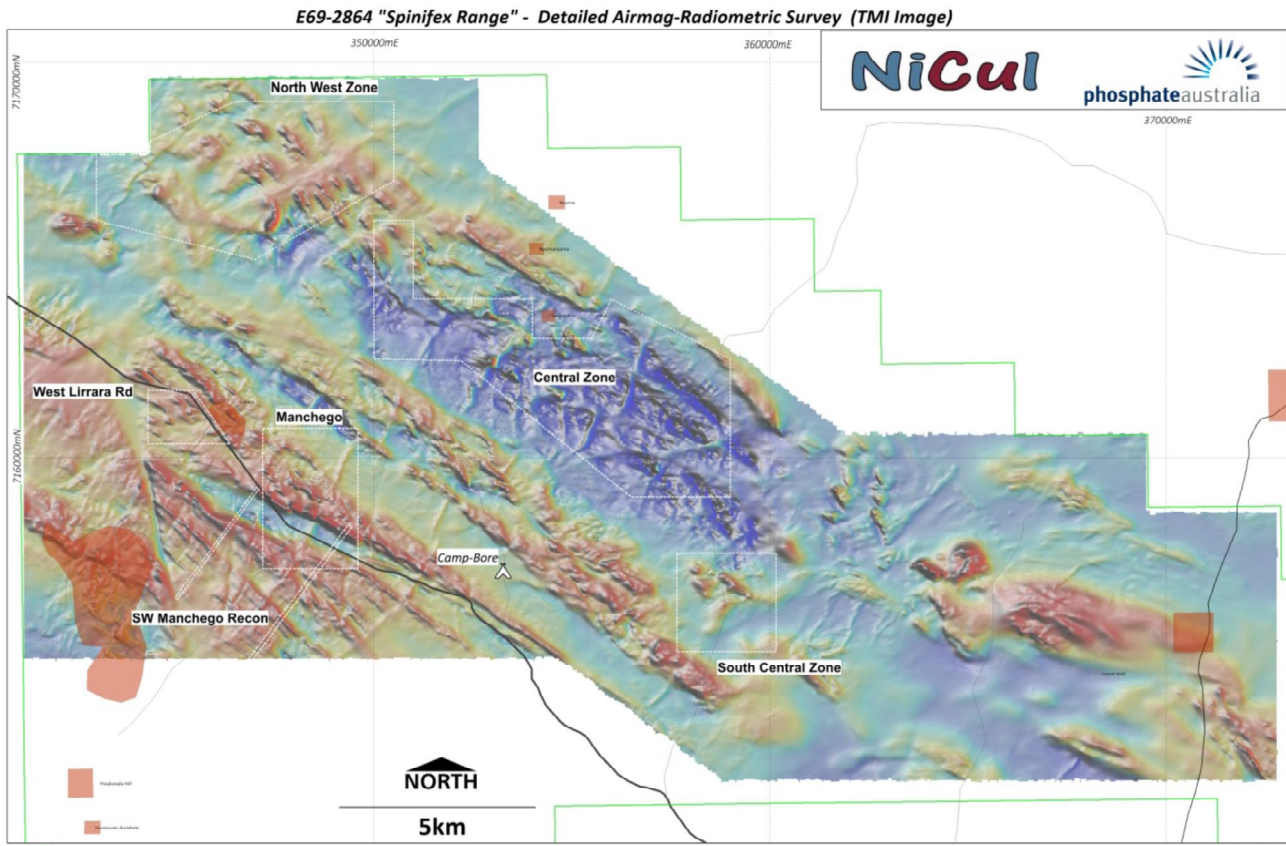
The Musgrave Project lies in the relatively unexplored Musgrave Province of Western Australia. The project area consists of two 100% POZ held tenements, E69/2864 and E69/3191 (both granted) for a total area of 785.7km<sup>2</sup>.

The project is currently operated (under option) by ASX listed PepinNini Minerals Limited (ASX: PNN), an established Musgrave explorer. POZ are 20% free carried until completion of a bankable feasibility study or NCL expending \$15 million on the Tenements (at which point POZ becomes a contributing party). At any point after the formation of the Joint Venture, POZ may elect to convert its 20% interest to a 1% gross revenue royalty.

During the quarter, data from the fixed-wing high-resolution airborne magnetic-radiometric survey flown by Thompsons Aviation over part of E69/2864 was received.



Figure 2



Six areas have been identified for initial exploration work based on the location and geometry of interpreted discrete mafic intrusions prospective for Ni-Cu sulphide mineralisation or the distribution and continuity of magnetite horizons prospective for reef-style platinum group element mineralisation. Heritage approvals have been secured to undertake ground geophysical surveying, vacuum drill geochemical sampling, surface sampling, mapping and other low impact studies.

Planning for approximately 19 kilometres of high-powered moving loop electro-magnetic surveying is underway and discussions with potential contractors are progressing.

Low impact vacuum drill sampling requires approval from DMP. An application for program of work approval (PoW #55543) has been submitted to DMP and is awaiting assessment.

*Figure and source text courtesy of Pepinnini Minerals Limited*

#### 4.0 Horse Well Gold Project, Wiluna WA

**POZ 20%**

POZ retains a 20% interest in E69/2820 which is free carried up to the completion of a bankable feasibility study. This tenement is a part of Alloy Resources Limited (ASX: AYR) Horse Well Gold Project which lies approximately 50km north-east of the major Jundee gold mine.

This project is currently being actively explored by AYR (<http://www.alloyres.com/projects-horsewell.php>).

## 5.0 MMY Share Sale Completed

Subsequent to the quarter, Phosphate Australia completed the sale of the 10 million shares it owned in Monument Mining Limited, a Canadian resource company listed on the TSX-V exchange. The sale was to a European financial group. POZ received A\$853,309 (net of costs).

The Directors of Phosphate Australia believe this sale is an excellent outcome for the Company and represents a significant increase to the cash backing of POZ. It is the Director's intention for the cash be used to fund potential future acquisitions, exploration and as general working capital.

## 6.0 Summary and Outlook

The unsolicited Offer by Mercantile for Phosphate Australia was carefully considered by POZ Directors. This included reviewing the Independent Expert's report which concluded that the Offer is **NEITHER FAIR NOR REASONABLE** to the shareholders of Phosphate Australia.

As a result of this and other reasons described in the Target's Statement, the Directors of the Company unanimously recommended that shareholders **REJECT** the Offer.

Despite the distraction and expense of this unsolicited takeover offer, the Company continues to progress well. The increased market interest in the Company as a result of the Offer and the robust valuation on the Highland Plains Phosphate Project provided by the Independent Expert, has allowed POZ to further promote Highland Plains as one of Australia's best positioned phosphate development companies

The Company's geologists are also working towards generating new exploration targets, on ground which is now becoming available due to the current resource industry downturn.

The Musgrave Ni-Cu-PGE Project in WA (partnered with PepinNini), has generated new targets from the recent airborne magnetic survey which was flown in this under-explored province. Heritage approvals have also been secured for on-ground exploration, including vacuum drill geochemical sampling.

The completion of the sale of 10 million Monument Mining Limited shares resulted in POZ receiving A\$853,309 in cash (net of costs). A very welcome cash injection.

At the time of this report, the Company has a cash balance of approximately \$4 million (\$3.247 million as of 31 March 2015 plus \$853,309 from the MMY shares sold subsequent to the end of the quarter for \$853,309). POZ is currently excellently positioned as a contra-cyclical resource stock.

Jim Richards  
Executive Chairman

Enquiries To: Mr Jim Richards +61 8 9422 9555

*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.*

<sup>1</sup>*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.*

## Appendix A - Interests In Mining Tenements

Table 1: Western Australia

Lease	State	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
E04/2388	WA Aus	Application	100%	0%	0%	Application
E12/11	WA Aus	Application	100%	100%	0%	Application
E38/3036	WA Aus	Application	100%	100%	0%	Application
E38/3053	WA Aus	Application	100%	100%	0%	Application
E38/3038	WA Aus	Application	100%	100%	0%	Application
E51/1665	WA Aus	Application	0%	0%	100%	Withdrawn
E52/3276	WA Aus	Application	100%	100%	0%	Application
E59/2114	WA Aus	Application	100%	0%	0%	Application
E69/2820	WA Aus	Granted	20%	0%	0%	Joint Venture with Alloy Resources Limited
E69/2864	WA Aus	Granted	100%	0%	0%	PPN option to purchase 80%
E69/3191	WA Aus	Granted	100%	0%	0%	PPN option to purchase 80%
E80/4935	WA Aus	Application	100%	100%	0%	Application
E80/4936	WA Aus	Application	100%	100%	0%	Application
E80/4937	WA Aus	Application	100%	100%	0%	Application



Table 2: Northern Territory

Lease	Mineral Field	Location	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
EL30604	NT Aus	Alroy	Application	100%	100%	0%	
EL30605	NT Aus	Alroy	Application	100%	100%	0%	
EL26646	NT Aus	Murphy	Application	100%	0%	0%	
EL25068	NT Aus	Highland Plains	Granted	100%	0%	0%	JIMPEC have a Joint Venture Option Agreement to acquire 80% of the iron ore and manganese rights
EL28152	NT Aus	Nicholson	Granted	100%	0%	0%	
EL28153	NT Aus	Nicholson	Granted	100%	0%	0%	
EL28157	NT Aus	Nicholson	Surrendered	0%	0%	100%	
EL26604	NT Aus	Nicholson	Application	100%	0%	0%	
EL26645	NT Aus	Nicholson	Application	100%	0%	0%	
EL26648	NT Aus	Nicholson	Application	100%	0%	0%	
EL26649	NT Aus	Nicholson	Application	100%	0%	0%	
EL26650	NT Aus	Nicholson	Application	100%	0%	0%	
EL27854	NT Aus	Manganese	Application	100%	0%	0%	
EL27855	NT Aus	Manganese	Application	100%	0%	0%	
EL27856	NT Aus	Manganese	Application	100%	0%	0%	
EL28220	NT Aus	Nicholson	Application	100%	0%	0%	