

ASX RELEASE

20 May 2015

ASX Code: POZ



Failed Takeover Offer and New Scoping Study For Highland Plains Phosphate Project

Key points:

- **Mercantile's on-market takeover Offer has closed.**
 - **Mercantile acquired zero shares in Phosphate Australia during the Offer period.**
 - **Phosphate Australia have initiated an expert's scoping study for the Highland Plains Phosphate Project in the Northern Territory, with a view to attracting investment capital to further develop the project.**
 - **Phosphate Australia's Directors will continue with their proven strategy of growing shareholder value by using cash to fund future acquisitions together with the exploration and advancement of existing projects.**
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The Directors of Phosphate Australia Limited (ASX:POZ, Phosphate Australia) would like to thank our shareholders for not selling into the opportunistic and undervalued on-market takeover offer ("Offer") by Mercantile Investment Company Limited (ASX:MVT, Mercantile). This takeover Offer ended on Thursday 14 May 2015.

During the takeover Offer period, certain communications were sent by MVT to our shareholders. Phosphate Australia refutes some of the content of these communications which the company believes to be factually incorrect, potentially misleading and defamatory. Phosphate Australia has referred these issues to ASIC.

Overwhelmingly, shareholders agreed with our recommendation to reject the offer as **no POZ shares were acquired by MVT during their failed Offer**. The company would like to thank our shareholders for not selling into the Offer.

Notwithstanding poor market sentiment towards the junior resources sector, Phosphate Australia has continued to demonstrate its ability to generate value from its projects, such as the sale of the Tuckanarra Gold asset in November 2014 for more than \$2.8 million.

However, there is much work to be done and to help realise value, the company has initiated an expert's scoping study for the Highland Plains Phosphate Project in the Northern Territory, with a view to attracting investment capital to further develop the project. Highland Plains has an Inferred Resource of 53 million tonnes @ 16% P₂O₅ (JORC 2004).

Of particular interest to this scoping study is the Century Zinc Mine. This mine is only 68km east of the Highland Plains deposit (Figure 1), it has mains power, a full beneficiation plant and utilises a slurry pipeline to transport its product from Century to Port Karumba on the coast.

At Port Karumba there are existing port facilities including a slurry de-watering system, bulk storage and operational barging, currently being utilised for zinc concentrate.

Century has previously stated it is preparing for the end of open pit production in 2015. POZ has considerable interest in the Century infrastructure as one possible solution to greatly reduce the capital requirements needed to develop Highland Plains. We are actively seeking investors who have an interest in financing the potential use of this infrastructure.

The recent falls in the Australian dollar are seen by the Board as adding further operational cost advantages to the Highland Plains project.

Phosphate Australia Executive Chairman Jim Richards said: "The Directors intend to use our cash to finance a scoping study at the Highland Plains phosphate project and to fund future acquisitions and exploration at existing projects. This is what will generate value for shareholders who share our dream of building our company through mineral discoveries, development and astute deal-making."

"We want to spend our precious funds on geologists and projects that create value. It has been frustrating having to waste time and money defending against this opportunistic takeover Offer, but that is now behind us and we look forward to an exciting future for the company which is excellently positioned as a contra-cyclical resource stock.

Figure 1: Highland Plains Phosphate Project with Export Options



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

Shareholder enquiries: Mr Jim Richards 08 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.

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.