

ASX RELEASE

6 May 2015

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Phosphate Australia directors continue to recommend shareholders **REJECT** Mercantile's Takeover Offer

Key points

- Phosphate Australia's Directors continue to unanimously recommend shareholders **REJECT** Mercantile's revised on-market Takeover Offer by **TAKING NO ACTION**.
 - The revised Offer Price still undervalues Phosphate Australia:
 - It remains below Phosphate Australia's 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 revised Offer is valued at 2.2 cents per Share.
 - The Offer Price provides an insufficient premium for control relative to Phosphate Australia's share price.
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Phosphate Australia Limited (ASX:POZ, Phosphate Australia) unanimously recommend shareholders **REJECT** the revised on-market takeover offer by Mercantile Investment Company Limited (ASX:MVT, Mercantile) ("Revised Offer") by taking no action.

The Revised Offer Price, announced on 6 May 2015, of 2.2 cents per Share (from 2.0 cents per Share – the "Original Offer") continues to undervalue the Company.

The Offer Price remains 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.

The Independent Expert, leading financial services firm BDO, has valued Phosphate Australia at 15.6 cents per Share, while the Offer is valued at 2.2 cents per Share. The Independent Expert has placed a Preferred Value on Phosphate Australia's projects at \$21.5 million (see Target's Statement dated 20 April 2015), which does not include cash and cash equivalents of approximately \$4 million (as at 6 May 2015).

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

Phosphate Australia Executive Chairman Jim Richards said Mercantile's Revised Offer further reinforced the opportunistic nature of the bid by trying to acquire Phosphate Australia's quality projects at essentially no cost.

“The revised Offer continues to short change Phosphate Australia’s shareholders by placing zero value on the Company’s quality projects,” Mr Richards said.

“Since Mercantile’s Original Offer, we have substantially added to our cash position from the sale of share assets worth more than \$800,000, which places Phosphate Australia in an even stronger cash position.”

“The Independent Expert has valued our projects at \$21.5 million and 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.

“We strongly believe this is one of the best phosphate projects in Australia, given it has an Inferred Resource and is in close proximity to existing infrastructure that provide 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.”

Since the Original Offer was received after-market close on 30 March 2015, the volume average weighted price (VWAP) of trading in Phosphate Australia shares up to and including 5 May 2015 is 2.3 cents per Share.

Figure 1: Highland Plains Location



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

Shareholder enquiries: Mr Jim Richards, Executive Chairman, 08 9422 9555
Media enquiries: Adrian Watson, FTI Consulting, 08 9485 8888 or 0419 040 807

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.*