

# Quarterly Report

For the three months ending 30 September 2014

- A Scheme of Arrangement has been proposed in which Indophil's major shareholder is offering to acquire all the Indophil shares that it does not already own.
- The offer is being made at 30 cents cash per Indophil share – a 43% premium to the closing share price prior to the offer being announced.
- In the absence of a superior proposal and subject to an Independent Expert finding that the Scheme is in the best interests of shareholders, Indophil's Independent Directors unanimously recommend that shareholders VOTE IN FAVOUR of the Scheme.

Indophil Resources and Philippine-based Alsons Prime Investments Corporation (APIC) have executed a Scheme Implementation Agreement to effect the acquisition of the shares which APIC does not own in Indophil by way of a Scheme of Arrangement.

With a 19.99% interest, APIC and its related entities are the largest holders of Indophil shares. APIC has offered to acquire for 30 cents cash per share all of the Indophil shares on issue that it does not already own. The proposed acquisition price represents a 43% premium to the closing share price on the evening before the announcement of the offer, lodged with the ASX on 23 September 2014.

The APIC offer implies an equity value for Indophil of approximately \$361 million. The all-cash offer is not subject to financing or due diligence conditions.

Indophil's Independent Directors unanimously recommend that in the absence of a superior proposal and subject to an Independent Expert finding that the Scheme is in the best interests of shareholders, Indophil shareholders VOTE IN FAVOUR of the Scheme.

Indophil's second largest shareholder, the global mining and commodities group Glencore plc, through subsidiary Glencore Queensland, holds a ~13.1% shareholder interest. Glencore advises that subject to three conditions detailed on page two of this report, its intention is to vote to approve the Scheme at the Indophil Scheme Meeting, scheduled for mid-December 2014.

The Scheme Booklet, detailing the offer and including the Notice of Meeting and shareholders' personalised Proxy Form, will be despatched in mid-November 2014.

**Indophil's Independent Directors unanimously recommend that subject to an Independent Expert finding that the Scheme is in the best interests of shareholders and in the absence of a superior proposal, shareholders VOTE IN FAVOUR of the Scheme.**

23 October 2014

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## SCHEME PROPOSAL – OVERVIEW

The following is an extract and summary of the proposal that was lodged with the ASX on 23 September 2014. It should be read in conjunction with the detailed Scheme Implementation Agreement, also lodged with the ASX on 23 September 2014. The Scheme Booklet required for this proposal is due to be despatched to shareholders in mid-November 2014.

*Indophil's Independent Directors are pleased to announce that the Company has received an all-cash offer, under which Philippine-based Alsons Prime Investments Corporation (APIC) proposes to acquire all of the issued shares of Indophil not already owned by APIC under a Scheme of Arrangement.*

*Under the proposed Scheme, APIC will offer Indophil shareholders consideration of 30 cents cash for each Indophil share they own. The acquisition price implies an equity value for Indophil of approximately \$361 million.*

*The Scheme is subject to limited conditions, including:*

- *Indophil shareholder approval as described below in 'next steps,' noting that APIC and its related entities 19.99% holding of Indophil shares will be excluded from voting on the Scheme;*
- *Australian Foreign Investment Review Board (FIRB) approval;*
- *An Independent Expert concluding that the Scheme is in the best interests of Indophil shareholders; and*
- *Other customary conditions for transactions of this nature.*

*Full details of the conditions precedent to the Scheme are set out in the Scheme Implementation Agreement (SIA), disclosed by Indophil in its ASX announcement of 23 September 2014.*

*The Scheme is not subject to a financing condition or a due diligence condition.*

*Indophil established an Independent Committee to consider and respond to APIC's proposed Scheme. Two representatives on the Indophil Board, Mr Alcantara and Mr DyBuncio, are associated with APIC and were not involved in Indophil's assessment of the proposed Scheme in a manner consistent with Australian participating insider protocols implemented by Indophil. Indophil's Independent Directors referred to in this announcement comprise all Directors of Indophil, excluding Mr Alcantara and Mr DyBuncio.*

*Indophil's Independent Directors have evaluated APIC's Scheme proposal and unanimously recommend it to Indophil's shareholders in the absence of a superior proposal and subject to an Independent Expert finding that the Scheme is in the best interests of Indophil shareholders.*

*The proposed Scheme removes exposure to the development risks for Indophil shareholders regarding the Tampakan Copper-Gold Project and provides Indophil shareholders with an opportunity to realise value for their shares in the form of cash at a significant premium to trading over periods in the last 12 months.*

*The Scheme price represents material premia to historical market prices, which are as follows:*

- *Closing share price on 22 September 2014 - 43%*
- *1 month Volume Weighted Average Price (VWAP) - 38%*
- *3 month VWAP - 52%*
- *6 month VWAP - 78%*
- *12 month VWAP - 85%*

*Subject to the qualifications, Indophil's Independent Directors intend to vote all shares that they control in favour of the Scheme.*

*Indophil's Chairman, Brian Phillips, said: "The proposal from APIC offers Indophil shareholders a significant premium and value certainty. A transaction with APIC enables Indophil shareholders to realise their investment in Indophil and avoid exposure to the development risks which would need to be overcome in order to bring the Tampakan Project into production."*

*Global mining and commodities group Glencore, through its subsidiary Glencore Queensland, holds 157,189,422 of the shares on issue in Indophil, representing a ~13.1% shareholder interest. Glencore, the second largest Indophil shareholder after Alsons/APIC, advises that its intention is to vote to approve the Scheme at the Indophil Scheme Meeting subject to:*

- *There being no superior announced offer at that time;*
- *As at the date of the Scheme Meeting, that the acquisition of Indophil Shares by APIC is scheduled to occur prior to 31 January 2015; and*
- *The Independent Expert opining that the offer is fair and reasonable or in the best interests of all security holders.*

*Indophil has commissioned an Independent Expert to determine whether, in its opinion, the Scheme is in the best interests of shareholders. The Independent Expert Report, which will be supported by an Independent Technical Specialist's Report, will be provided to Indophil shareholders as part of the Scheme Booklet.*

**Background:** *Alsons has been a shareholder of Indophil since 2009 and as a Philippine-based conglomerate, has had a close strategic interest in the future of Indophil's flagship asset, the Tampakan Copper-Gold Project. APIC and its related entities have two representatives on the Indophil Board – Mr Alcantara and Mr DyBuncio.*

**Next steps:** *APIC's proposed acquisition of Indophil is conditional upon approval from both 75% or more of the votes cast at the Scheme Meeting and 50% or more of the Indophil shareholders who are present in person or by proxy at the Scheme Meeting. APIC and its related entities holding Indophil shares will be excluded from voting on the Scheme. In mid-November 2014, Indophil shareholders will receive a Scheme Booklet that will contain full details of the proposed Scheme, including the basis for the recommendation of Indophil's Independent Directors.*

**Indicative timetable:** Subject to the availability of Supreme Court of Victoria hearing dates, it is anticipated that the Scheme will proceed according to the following timetable:

- Lodge Scheme Booklet with the Australian Securities and Investments Commission (ASIC) - Late October 2014;
- First Court Hearing - Mid November 2014;
- Despatch Scheme Booklet - Mid November 2014;
- Scheme Meeting - Mid December 2014;
- Second Court Hearing - As soon as practical after the Scheme Meeting;
- Despatch of Shareholder Payments – late January 2015 (subject to timing of the Second Court Hearing).

## FINANCIAL REPORTING AND CASH BALANCE

Indophil's cash balance at the end of the September 2014 quarter was \$208.9 million (previous quarter: \$208.7 million). Interest earned from cash-at-hand during the quarter was \$1.8 million. Following a favourable outcome to Indophil's objection to the Australian Taxation Office (detailed in the Company's 2014 half-year report to the ASX), Indophil received a tax refund of \$1.8 million during the quarter (see Appendix 5B, below, for detail).

## SMI – TAMPAKAN PROJECT UPDATE

Sagittarius Mines Inc. (SMI), the joint venture operating arm for the Tampakan Copper-Gold Project, continued to make progress on the approvals process, although there remains no meaningful progress on the South Cotabato provincial government open pit mining ban.

Review of the documents required for the Declaration of Mining Feasibility has commenced at the Central Office of the national government's Mines and Geosciences Bureau (MGB). Some of the supporting plans for the project were endorsed by the MGB in the period, although this does not imply that other plans that are the subject of the review will be similarly endorsed. This will only be determined at the conclusion of the detailed review process.

Local government units endorsement continued to be delivered, with several more endorsements being received in the quarter. The remaining local government units have commenced review processes that could lead to formal consideration of endorsements in the coming months.

Free Prior Informed Consent processes have commenced with the local Indigenous Peoples under the management of the National Council on Indigenous Peoples, a Philippine Government authority. These processes will seek to inform and secure the consent of the local Indigenous Peoples, and will take a number of months to complete. Should these processes be completed successfully, the next steps will include formal negotiations for memoranda of agreement during 2015.

Mining legislation considerations continue to be in the news in the Philippines. There are several competing bills in the national Congress, and these are at various stages of deliberations within committees in the House of Representatives and the Senate. It is unclear at this time what affect these processes will have on mining legislation or regulation in respect of the Tampakan Project.

## TAMPAKAN AT A GLANCE

The Tampakan copper and gold deposit, discovered in 1992, is one of the largest-known undeveloped copper-gold deposits in the world. Tampakan is a JORC compliant 2.94 billion tonne mineral resource at 0.51% copper when measured at a 0.2% copper cut-off grade. It is estimated to contain 15 million tonnes of copper and almost 18 million ounces of gold, with potential for growth.

The Tampakan Mine Project Feasibility Study, completed in April 2010 and based on an October 2009 JORC compliant mineral resource estimate of 2.4 billion tonnes, outlines a proposed mining operation that involves:

- An initial 17 year life-of-mine, with potential for extension;
- A start-up milling capacity of 66 million tonnes per annum;
- Annual production of 450,000 tonnes copper and of 435,000 ounces gold over the first five years of operation;
- An average life-of-mine copper production rate of 375,000 tonnes per year;
- An average life-of-mine gold production rate of 360,000 ounces per year; and
- A development cost of US\$5.9 billion, including the provision of US\$900 million for a power station.

Indophil, through its shareholding in SMI, holds a strategic 37.5% economic stake in the Tampakan Project while Glencore holds the balance. In turn, as the holder of the Tampakan Project Financial and Technical Assistance Agreement (the Columbio FTAA – No. 02-95-XI, granted on 22 March 1995), SMI acts as a contractor to the Philippine Government on behalf of the people of the Philippines.

## EXPLORATION PROGRAM – THE PHILIPPINES

### NORTHERN LUZON

The Balatoc Copper-Gold Project: Indophil continues to work with the Balatoc Indigenous People to gain title and access to the property. Progress is being made in the Company's favour to resolve the competing claims covering the exploration permit applications.

### EASTERN MINDANAO

The Manat Gold Project: Indophil and the Philippine-based Alsons Group continue to manage the project which includes preparing additional information that is required by government to complete the Declaration of Mining Feasibility. Indophil is seeking an exit from this project.

The Bunawan Gold Project: This property is the subject of an option agreement with Camarin Mining, and it has been in litigation for many years. During the quarter, the Supreme Court of the Philippines upheld the claim against Camarin by Aegis Mining. This resulted in a significant area of the tenement application (greater than 20%) being awarded to Aegis. The Company is awaiting guidance from the MGB on the status of the remainder of the application. It is the Indophil's intention to dispose of its interest in this property.

## SCHEDULE OF INTERESTS IN APPROVED MINING TENEMENTS \*

Tenement	Approval Date	Current Ownership	Project	Area (Km <sup>2</sup> )	Agreement Type	Equity (%)
FTAA 02-95-X1 (Columbio)	23/03/1995 (R)11/12/02	Sagittarius Mines, Inc.	Tampakan	304.9	Operating Royalty	37.5
MPSA 094-97-XI	20/11/1997 (R)12/04/2002	Alsons Development Corporation	Manat	15.47	Farm-in & JV	25

\* No mining or exploration tenements were acquired or disposed of during the quarter.

## CORPORATE INFORMATION

ASX listed code	IRN
Total listed shares	1,203,146,194
Unlisted options	2,730,000

Share price trading range for the September 2014 quarter:

High	29c
Low	15.2c
Current	27.5c

All currencies in Australian dollars unless stated otherwise.

## Directors

Non-Executive Chairman	Brian Phillips
CEO and Managing Director	Richard Laufmann
Executive Director	Tony Robbins
Non-Executive Director	Kyle Wightman
Non-Executive Director	David Carland
Non-Executive Director	Nicasio Alcantara
Non-Executive Director	Frederic DyBuncio
Company Secretary	Kay Donehue
Chief Financial Officer	Anita Addorisio

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Indophil Resources NL
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Quarter ended ("current quarter")

30 September 2014
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#### Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(463)	(1,078)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(2,065)	(9,341)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1,805	5,353
1.5	Interest and other costs of finance paid	-	-
1.6	Income tax refund/(paid)	1,542	1,079
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		819	(3,987)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(11)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities – SMI Tampakan Project	(637)	(2,206)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		(639)	(2,217)
1.13	Total operating and investing cash flows (carried forward)	180	(6,204)

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	180	(6,204)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	180	(6,204)
1.20	Cash at beginning of quarter/year to date	208,702	215,093
1.21	Exchange rate adjustments to item 1.20	-	(7)
1.22	<b>Cash at end of quarter</b>	208,882	208,882

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	218
1.24	Aggregate amount of loans to the parties included in item 1.10	637

1.25 Explanation necessary for an understanding of the transactions

### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

#### Interest Income

\$8,002,908 has been recorded as interest income on advances to associate entities for the period 1 January 2014 to 30 September 2014. The interest income is recorded as additional advances in the accounts and therefore is a non-cash settlement.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest



## Appendix 5B

### Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	-
4.3 Production	-
4.4 Administration	2,000
<b>Total</b>	<b>3,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,633	553
5.2 Deposits at call	206,249	208,149
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>208,882</b>	<b>208,702</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements and petroleum tenements acquired or increased				

**Appendix 5B**
**Mining exploration entity and oil and gas exploration entity quarterly report**
**Issued and quoted securities at end of current quarter**

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	1,203,146,194	1,203,146,194		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b>	910,000 910,000 910,000	Nil Nil Nil	Exercise price \$0.25 \$0.28 \$0.31	Expiry date 19 December 2015 19 December 2016 19 December 2017
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired/lapsed during quarter				
7.11	<b>Debentures</b>				
7.12	<b>Unsecured notes</b>				



## Appendix 5B

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement gives a true and fair view of the matters disclosed.



Kay Donehue, Company Secretary

23 October 2014

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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