
PHILLIPS RIVER MINING LIMITED
ACN 004 287 790

NOTICE OF GENERAL MEETING

Time: 11.00am (AEST)
Date: 15 May 2015
Place: K&L Gates
Level 31,
1 O'Connell Street
Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company

PHILLIPS RIVER MINING LIMITED
(ACN 004 287 790)

(Company)

NOTICE OF GENERAL MEETING, EXPLANATORY STATEMENT AND INDEPENDENT EXPERT'S REPORT

**General Meeting to be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney NSW 2000
on 15 May 2015 commencing at 11.00am (AEST).**

This Notice of Meeting, Explanatory Statement and Independent Expert's Report should be read in its entirety.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

The Independent Expert reporting on the Acquisition concludes that the acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders of the Company.

GENERAL INFORMATION

Kiwanda Transaction

On 14 October 2014, the Company entered into a Heads of Agreement with Kiwanda Mines and Lara, pursuant to which Kiwanda Mines will transfer certain interests in the Agreed Assets, for due consideration, to the Company and thereafter, to raise additional capital to fund further redevelopment of those projects for the benefit of the Company's Shareholders.

The Kiwanda Transaction and the Acquisition will involve a change in the nature and scale of the Company's activities and accordingly, the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules if the proposal is approved by Shareholders. **Resolutions 1, 2 and 3** detailed below relate to this matter.

Entitlements Offer

The Company is seeking to obtain the approval of shareholders to make an Entitlements offer to each Eligible Shareholder of up to 10,000 Shares at an issue price of A\$0.25 per Share, on a non-pro rata basis. The Offer will be renounceable. Accordingly, an Eligible Shareholder may sell or transfer all or part of their Entitlement. **Resolution 4** relates to this matter.

Repayment of Relevant Loans

The Company is seeking to obtain the approval of shareholders to issue shares in repayment of the Relevant Loans. **Resolution 5** relates to this matter.

Further Information

This Notice of Meeting and Explanatory Statement set out information about the Kiwanda Transaction and proposed Acquisition, and the Offer.

Further details of the Acquisition are provided in **Section 3** (*Material Terms of the Heads of Agreement*) of the Explanatory Statement. A short explanation of each Resolution to be considered at the General Meeting is set out in **Section 4** (*General Meeting*) of the Explanatory Statement. **Section 6** (*Regulatory Requirements*) of the Explanatory Statement provides an overview of regulatory requirement. **Section 5** (*Other Information*) contains further information relevant to shareholders, including certain disclosures by the Company and the effect of the proposed Resolutions. Definitions of capitalised terms used in the Notice of Meeting and Explanatory Statement are set out in **Section 7** (*Defined Terms and Interpretation*) of the Explanatory Statement.

This Notice of Meeting seeks approval from Shareholders for the following resolutions:

1. Approval of the Kiwanda Transaction and the Acquisition pursuant to the Heads of Agreement
2. Issue of the Securities to Kiwanda Mines and Lara pursuant to the terms of the Heads of Agreement
3. Change to Nature and Scale of Activities
4. Approval for the issue of up to 30,000,000 Shares pursuant to the Offer.
5. Approval for the issue of up to 10,000,000 Shares pursuant to the repayment of the Relevant Loans.

It is important that you read the information set out in the attached documents and form your own view on the merits of the proposal. The Directors intend to vote their Shares in favour of all resolutions, subject to any applicable voting exclusion statements set out in the Notice of Meeting.

The Resolutions are important and affect the future of your Company.

You are urged to give careful consideration to the Notice of Meeting and the contents of the Explanatory Statement.

NOTICE OF GENERAL MEETING

Phillips River Mining Limited
(ACN 004 287 790)

(Company)

Notice is given that a General Meeting of Shareholders of Phillips River Mining Limited will be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney NSW 2000 on 15 May 2015 commencing at 11.00am (AEST).

1 BUSINESS

The business to be transacted at the General Meeting is the proposal of the Resolutions 1, 2, 3, 4 and 5 as set out below.

Resolution 1 – Approval of the Kiwanda Transaction and the Acquisition from Kiwanda Mines and Lara pursuant to the terms of the Heads of Agreement

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Shareholders approving Resolutions 2 and 3, for the purposes of Listing Rules 10.1 and section 611(7) of the Corporations Act and for all other purposes, Shareholder approval be given for:

- (a) *the Acquisition by the Company from the Vendors and the agreement to issue the Securities pursuant to the terms of the Heads of Agreement and as outlined in the Explanatory Memorandum;*
- (b) *the completion of the Kiwanda Transaction pursuant to the terms of the Heads of Agreement; and*
- (c) *the performance by the Company of all of its other obligations under the Heads of Agreement,*

on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes on Resolution 1 cast by Kiwanda and any of their nominees and any of their Associates, including Mr Christopher West (as a director of both the Company and the Kiwanda Group), Mr Mark Sumner (as a director of both the Company and the Kiwanda Mines), and Mr Timothy Koster (as a director of both the Company and the Kiwanda Group).

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder approval for Resolutions 1 and 2 under Section 611 (Item 7) of the Corporations Act. A copy of the Expert's Report is enclosed with this Notice as Annexure 1 to the Explanatory Statement.

Resolution 2 – Issue of the Securities to Kiwanda Mines and Lara pursuant to the Heads of Agreement

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, in accordance with Listing Rule 7.1, Listing Rule 10.11 and for the purpose of Section 208 of the Corporations Act, and for all other purposes, approval be and is hereby given, to the issuance of all the Securities to Kiwanda Mines and Lara as contemplated by the Heads of Agreement and as detailed in the accompanying Explanatory Statement.”

The passing of this Resolution 2 is contingent upon the passing of Resolution 1.

Voting Exclusion: The Company will disregard any votes on Resolution 2 cast by Kiwanda and Lara, and any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder of ordinary securities, if the Resolution is passed, and any of their Associates including Mr Mark Sumner (as a director of both the Company and the Kiwanda Mines).

Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder approval for Resolutions 1 and 2 under Section 611 (Item 7) of the Corporations Act. A copy of the Expert’s Report is enclosed with this Notice as Annexure 1 to the Explanatory Statement.

Resolution 3 – Change to Nature and Scale of Activities

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 2 inclusive, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for a change in the nature and scale of the Company's activities as a result of the Acquisition as set out in the Explanatory Statement."

The passing of this Resolution 3 is contingent upon the passing of Resolutions 1 and 2.

Voting Exclusion: The Company will disregard any votes on Resolution 3 cast by Kiwanda and any of their nominees and any of their Associates including Mr Mark Sumner (as a director of both the Company and the Kiwanda Mines)

The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4 – Approval for the issue of up to 30,000,000 Shares pursuant to the Offer

To consider and, if thought fit, to pass with or without amendment, the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the issue of up to 30,000,000 Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes on Resolution 4, for the purposes of ASX Listing Rule 7.3, cast by a person who may participate in the proposed issue and any person who may obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities and any associate of those persons.

Important note: The proposed allottees of any issue pursuant to this Resolution 4 are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person’s vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the issue pursuant to this Resolution 4), shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted.

Resolution 5 – Approval for the issue of up to 10,000,000 Shares to Kiwanda Mines for the repayment of Relevant Loans

To consider and, if thought fit, to pass with or without amendment, the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act, and for all other purposes, approval be and is hereby given to the issue of up to 10,000,000 Shares to Kiwanda Mines on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes on Resolution 5, for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11, cast by Kiwanda Mines and any of its Associates including Mr Mark Sumner (as a director of both the Company and the Kiwanda Mines). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2 EXPERT REPORT

Shareholders should carefully consider the Independent Expert’s Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder approval for Resolutions 1 and 2 under Section 611 (Item 7) of the Corporations Act. A copy of the Expert’s Report is enclosed with this Notice as **Annexure 1** to the Explanatory Statement.

The Independent Expert’s Report comments on the fairness and reasonableness of the transactions to the non-associated Shareholders in the Company.

3 COMPETENT PERSON STATEMENT

The information in this Notice of General Meeting that relates to Resource Information is based on information compiled by Andre Gauthier.

Andre Gauthier has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources*. Andre Gauthier has consented in writing to the inclusion in this report of the Resource Information in the form and context in which it appears.

With respect to the Coal Assets: relevant information in this Prospectus has been extracted from the Coal Assets Valuation Reports prepared by the Valuer.

The Coal Assets Valuation Reports are available to be viewed online at www.phillipsriver.com.au/valuationreports.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the Coal Assets Valuation Reports and, that all material assumptions and technical parameters underpinning the estimates in the relevant Coal Assets Valuation Reports continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original Coal Assets Valuation Reports.

With respect to the Phosphate Assets: relevant information in this Prospectus has been extracted from the Phosphate Assets Valuation Report.

The Phosphate Assets Valuation Report is available to be viewed online at www.phillipsriver.com.au/valuationreports.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the Phosphate Assets Valuation Report and, that all material assumptions and technical parameters underpinning the estimates in the Phosphate Assets Valuation Report continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original Phosphate Assets Valuation Report.

4 EXPLANATORY STATEMENT

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Independent Expert's Report with respect to the fairness and reasonableness of the proposed Kiwanda Transaction and the Acquisition.

5 PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The **enclosed** Proxy Form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.


6 VOTING ENTITLEMENTS

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001*, the Company has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 15 May 2015 (AEST) on 15 May 2015.

Accordingly, transactions registered after that time will be disregarded in determining Shareholders' entitlement to attend and vote at the General Meeting.

Dated: 2 April 2015

By Order of the Board of Directors



Christopher John West
Director
PHILLIPS RIVER MINING LIMITED

EXPLANATORY STATEMENT

**TO SHAREHOLDERS OF
PHILLIPS RIVER MINING LIMITED
(ACN 004 287 790)**

IMPORTANT NOTICE

Shareholders should read this Explanatory Statement and the accompanying Independent Expert's Report in full, and if they have any questions, Shareholders should obtain professional advice before making any decisions in relation to the Resolutions to be put to Shareholders at the General Meeting.

This Explanatory Statement includes information and statements that are both historical and forward looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to coal and phosphate exploration and development as well as matters such as general economic conditions. Actual events or results may differ materially. None of the Company, the Directors or their advisors can assure Shareholders that forecasts or implied results will be achieved.

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1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in **Section 7** (*Defined Terms and Interpretation*) of this Explanatory Statement.

2 THE ACQUISITION

2.1 Background to the Company

The Company is an Australian public company listed on the official list of ASX (ASX code: PRH). The securities of the Company are presently suspended from official quotation.

The Company was incorporated on 18 April 1951 and first admitted to the official list on 28 January 1993. At the time it was first admitted to the official list it traded under the name Kornblums Furnishings Limited. The Company has historically operated as a materials company, with a focus on the acquisition and development of gold, silver, copper and other base metals exploration projects.

On 22 May 2013, the Company was suspended from official quotation immediately following a resolution at a general meeting of the Company, which approved a change in the nature of the Company's activities. The change contemplated by the Company was underpinned by a Merger Agreement to acquire all of the issued shares of Afranex Gold Ltd, an unlisted public company. The conditions in the Merger Agreement were never satisfied, and the Merger Agreement was terminated by agreement on 31 January 2014.

On 26 March 2014, the Company, Silver Lake and Kiwanda Group completed a share sale deed, pursuant to which Silver Lake transferred its 19.9% holding in the Company to Kiwanda Group.

On 15 May 2014, the Company entered into the First Heads of Agreement with Kiwanda Mines and Lara pursuant to which the Company would acquire the Agreed Assets from the Vendor, for due consideration, and in compliance with the Corporations Act and ASX Listing Rules; and thereafter to raise additional capital to fund the further development of the projects, the subject of those interests contemplated the Heads of Agreement.

On 14 October 2014, the Company entered into a subsequent Heads of Agreement with Kiwanda Mines and Lara pursuant to which the Company would acquire the Agreed Assets from the Vendor, for due consideration, and in compliance with the Corporations Act and ASX Listing Rules; and thereafter to raise additional capital to fund the further development of the projects, the subject of those interests contemplated the Heads of Agreement.

2.2 Material terms of the Heads of Agreement

The material terms of the Heads of Agreement are set out in **Section 3** (*Material Terms of the Heads of Agreement*).

2.3 Indicative Timetable

Set out in the table below is the expected timing for completion of the Acquisition, subject to compliance with all regulatory requirements. **These dates are indicative only and may be varied without prior notice.**

Event	Date
Execution of Heads of Agreement	14 October 2014
Dispatch of Notice of Meeting	13 April 2015
General Meeting of Shareholders	15 May 2015
Dispatch of Prospectus	15 June 2015
Issuance and allotment of Shares to Kiwanda under Resolution 2	22 May 2015

2.4 Operational and Expenditure Plans of the Company

(a) Capital Raisings

The Company intends to raise sufficient capital to ensure it:

- satisfies the requirements for re-listing of the securities of the Company on ASX;
- has sufficient capital to complete its initial operating and mining plan. The initial operating plan is to progressively expand the current mining operations at the Bahia Inglesa phosphate rock mine to production of 50,000tpa of phosphate rock and to expand the Escalones coal mine so that it produces up to 30,000tpa of coking coal.

The Company intends to use the proceeds from sales of mine production during the initial two years of operation to expand production.

The Company will accept initial capital raisings up to \$5.3 million however an initial net cash requirement of \$1.50 million will be sufficient for operational purposes. The higher amount will allow a quicker development of the Agreed Assets.

(b) Expenditure Plans and Use of Funds

The Company's expenditure plans are the best estimates available to the Company at this time. It is important to recognise that although certain of the budget allocations are committed expenditures, work programs are

subject to changes in line with emerging results, circumstances and opportunities.

It is proposed that the funds of the Company will be applied as follows:

(i) **\$1.5 million capital raise:**

Use of Funds — Expenditure Budget	Year 1 (\$)
Total funds raised utilised as follows	\$1,500,000
• Project Costs	\$750,000
• Administration and Compliance	\$250,000
Total funds utilised	\$1,000,000
Funds available at the end of the year	\$500,000

(ii) **\$5.3 million capital raise:**

Use of Funds — Expenditure Budget	Year 1 (\$)
Total funds raised utilised as follows	\$5,300,000
• Project Costs	\$2,850,000
• Administration and Compliance	\$250,000
Total funds utilised	\$3,100,000
Funds available at the end of the year	\$2,200,000

3 MATERIAL TERMS OF THE HEADS OF AGREEMENT

On 14 October 2014, the Company, Kiwanda Mines and Lara entered into the Heads of Agreement. The Heads of Agreement is subject to Shareholder approval, such approval being the subject of the Resolutions sought by the Company in the General Meeting.

The material terms of the Heads of Agreement are described as follows.

3.1 Description of the Transaction

The Transaction will be carried out by the Company issuing shares for the consideration set out in clause 2 (Consideration Payable under the Transaction) to acquire Kiwanda Australia as follows:

- (a) Kiwanda's interest in the Agreed Assets will be acquired by Kiwanda Australia;
- (b) Lara's interest in the Agreed Assets will also be acquired by Kiwanda Australia;
- (c) Kiwanda Australia will have acquired prior to closing of the Transaction, from the Vendors, all of the Agreed Assets; and
- (d) Kiwanda Australia will be sold to the Company for the consideration set out in clause 2 and Kiwanda Australia will become a wholly-owned subsidiary of the Company.

3.2 Consideration Payable under the Transaction

The aggregate consideration for Kiwanda Australia consists of:

- (a) payment for the Coal Assets; and
- (b) payment for the Phosphate Assets.

These are detailed as follows.

3.2.1 Payment for Coal assets

The consideration payable by the Company to the Vendors for the Coal Assets shall comprise of:

- the Coal Amount;
- the Carbid Amount; and
- the Coal Assets Royalty.

(a) *Coal Amount*

The Coal Amount will be paid by the Company as follows:

- (i) the initial 60% of the Coal Amount will be payable immediately upon consummation of the Transaction:

- (1) first, as a cash repayment of the promissory note for US\$ 450,000 issued by Andean Coal (BVI) Ltd ("**Coal BVI**") (the "**Coal P-Note**") in favour of Lara; and
- (2) second, with the remaining portion of the 60% of the Coal Amount satisfied by the issuance of ordinary shares in the Company at an assumed value of A\$ 0.30 per share issued equally to Kiwanda Mines and Lara ("**Coal Amount Shares**"),

(together being the "**First Coal Amount Instalment**"); and

- (ii) the remaining 40% of the Coal Amount (the "**Coal Residual**"), will be paid to the Vendors by the issuance of Shares in the Company at an assumed value of A\$0.30 per share (50% to Kiwanda Mines being on the issue of a notice to the Company by Kiwanda Mines and 50% to Lara being on the issue of a notice to the Company by Lara), which notices may be issued on:
 - (1) achievement of the Coal Milestone One, 50% of the Coal Residual will be paid; and
 - (2) achievement of the Coal Milestone Two and following completion of the drilling program on the Pelaya Project, 50% of the Coal Residual will be paid,

(together the "**Coal Milestone Options**").

Payments in relation to the Coal Milestone One and the Coal Milestone Two may be paid by the Company in any order. If the Coal Milestone One or the Coal Milestone Two is not achieved, the Company will not be required to make any payment with respect to that relevant milestone.

(b) *Carbhid Amount*

The Carbhid Amount shall be satisfied by the issuance of ordinary shares in the Company, at an assumed value of A\$0.30 per share, issued equally to Kiwanda and Lara and payable immediately upon consummation of the Transaction ("**Carbhid Amount Shares**"). Kiwanda subscribed for a further 40,000,000 shares in Carbhid for US\$50,000 on 17 November 2014. This amount is to be reimbursed by the Company upon the acquisition of Kiwanda Australia.

(c) *Coal Assets Royalty*

Lara shall receive a net production royalty equal to 2% of all coal produced by Kiwanda Australia from the Coal Assets, which net production royalty is net of all production costs (the "**Coal Assets Royalty**").

The Coal Assets Valuation Report is available on request and may be viewed on the Company's website www.phillipsriver.com.au

3.2.2 Payment for Phosphate Assets

The consideration payable by the Company to the Vendors for the Phosphate Assets shall comprise of:

- the Phosphate Amount; and

- the Phosphate Payment Options; and
- the Phosphate Assets Royalty.

(a) *Phosphate Amount*

The Phosphate Amount will be paid as follows:

- (i) the initial 50% of the Phosphate Amount will be payable immediately upon consummation of the transaction:
 - (1) first, as a cash repayment of the promissory note for US\$ 320,000 issued by **Phosphate BVI** (the "**Phosphate P-Note**") in favour of Lara, and
 - (2) second, with the remaining portion of the 50% of the Phosphate Amount satisfied by the issuance of ordinary shares in the Company at an assumed value of A\$0.30 per share issued equally to Kiwanda Mines and Lara (the "**Phosphate Amount Shares**"),

(together being the "**First Phosphate Amount Instalment**"); and
- (ii) the remaining 50% of the Phosphate Amount (the "**Phosphate Residual**"), will be paid to the Vendors by the issuance of Shares in the Company at an assumed value of A\$0.30 per share (50% to Kiwanda Mines being on the issue of a notice to the Company by Kiwanda Mines and 50% to Lara being on the issue of a notice to the Company by Lara), which notices may be issued upon:
 - (1) achievement of Phosphate Milestone One, 50% of the Phosphate Residual; and
 - (2) achievement of Phosphate Milestone Two, 50% of the Phosphate Residual,

(together the ("**Phosphate Milestone Options**").

Payments in relation to Phosphate Milestone One and Phosphate Milestone Two may be paid by the Company in any order. If either Phosphate Milestone One or Phosphate Milestone Two is not achieved, the Company will not be required to make any payment with respect to those relevant milestones.

(b) *Phosphate Payment Options*

The Company will issue to Kiwanda Mines one option to acquire one ordinary share in the Company for each Phosphate Payment Share to be issued (each such option being a "**Phosphate Payment Option**") to Kiwanda Mines on the following terms:

- (1) the exercise period of each Phosphate Payment Option shall be 3 years from the date of issue of the Phosphate Payment Option; and

- (2) each Phosphate Payment Option shall be exercisable by a payment for the issue of one ordinary share by Phillips River (which issue of such ordinary shares shall be subject to obtaining any required approvals at that time). The payment amount will be determined by the date of exercise of the option. Where the option is exercised in the first 12 months following the date of the shareholder approval the exercise price will be \$0.25 per share. Where the option is exercised in the second 12 months following the date of the shareholder approval the exercise price will be \$0.30 per share. Where the option is exercised in the third 12 months following the date of the shareholder approval the exercise price will be \$0.40 per share.

Further terms and conditions of the Phosphate Payment Options are set out in **Schedule 3**.

(c) *Phosphate Assets Royalty*

Lara shall receive a net production royalty payable to Lara equal to 2% of the net value of all phosphate rock product produced and which will become payable once production exceeds 50,000 tonnes per annum. Once production exceeds 50,000 tonnes per annum, the royalty will be payable as a percentage of all tonnage produced, including the initial 50,000 tonnes or the net cash equivalent.

The Phosphate Assets Valuation Report is available on request and may be viewed on the Company's website www.phillipsriver.com.au

3.3 Completion of Acquisition of Kiwanda Australia

Upon the Company's payment of each of:

- the First Coal Amount Instalment; and
- the First Phosphate Amount Instalment,

the Company will have acquired 100% ownership of Kiwanda Australia, and the business of Kiwanda Australia will have become the business of the Company.

The Company's obligations to pay the Coal Residual and Phosphate Residual are contingent and are dependent on achievement of the relevant milestones.

3.4 Payment of Promissory Notes by Kiwanda

Kiwanda Mines has paid US\$ 200,000 to Lara in respect of the Coal P-Note and the Phosphate P-Note. That amount and any other amounts that have been paid by Kiwanda to Lara will become obligations of the Company owed to Kiwanda Mines in place of Lara.

3.5 Conversion from A\$ to US\$

The Australian dollar equivalent of any US dollar amount shall be determined using the Exchange Rate as at the third Business Day prior to the issuance of the shares in the Company provided that such shares shall not be issued more than five Business Days after the receipt of the relevant notice from Kiwanda.

Conversions in this document have been completed at US\$0.77. This creates some uncertainty in relation to the number of shares to be issued at the relevant time. The time for setting of the exchange rate is 3 days prior to the date for issue of the shares to Lara and Kiwanda.

3.6 Alliance Agreements shall terminate

Upon the Company's payment of each of:

- the First Coal Amount Instalment and
- the First Phosphate Amount Instalment,

the obligations between Kiwanda Mines and Lara under the Alliance Agreements shall terminate.

3.7 Parties shall collaborate on Future Transactions

Upon the Company acquiring 100% ownership of Kiwanda Australia, Lara and Kiwanda Mines will collaborate with the Company for the acquisition and development of further coal and phosphate assets.

3.8 ASX Approval

The Vendors acknowledge that the shares of the Company issued pursuant to the **Heads of Agreement** will be subject to escrow conditions under Australian Securities Exchange ("**ASX**") policy.

3.9 Capital Raising by the Company

The Vendors will use commercially reasonable efforts to assist the Company complete a financing to raise gross proceeds of a minimum of A\$1,500,000 and up to a target of approximately A\$5,300,000 through the issuance of new ordinary shares in the Company (the "**Capital Raising**").

The target amount to be raised is initially A\$5,300,000.

The Company will appoint a registered and duly qualified securities broker for the purposes of the Capital Raising.

In order to achieve the Coal Milestones and the Phosphate Milestones, the Company may need to undertake further fund raising by way of private placement of ordinary shares in the Company or otherwise.

The initial proceeds from the Capital Raising are intended to be applied as follows:

- (a) to fund the business of the Company, including, exploration, development, and the general and administrative expenses;
- (b) for repayment of the balance of the Phosphate P-Note (being US\$ 320,000) and the Coal P-Note (being US\$ 450,000);

- (c) for expenses of the Kiwanda Transaction including repayment of advances made by Kiwanda Mines to cover the costs of the acquisition and the administration of the Company; and
- (d) for general working capital purposes.

3.10 Board of Directors of the Company

It is the intention of the Company, Kiwanda Mines and Lara to establish and maintain a board of directors of the Company which has a mix of appropriate skill sets and is compliant with all regulatory and corporate governance requirements.

The three existing directors of the Company (Mark Sumner, Christopher West and Timothy Koster) will be supplemented by further individuals determined in consultation with the appointed broker. This is expected to include industry experts.

Lara shall have the right, for so long as it owns any ordinary shares of the Company, to nominate a director in its discretion and the other Parties shall use commercially reasonable efforts to cause such director to be elected to the board of directors of the Company.

3.11 Conditions to the Transaction

Each Party's obligation to close the Kiwanda Transaction will be subject to specified conditions precedent including, but not limited to, the following:

- (a) execution of such other documents as may be necessary to the Kiwanda Transaction;
- (b) receipt of all required shareholder, regulatory, ASX and third party approvals and compliance with all applicable regulatory requirements and conditions;
- (c) the representations and warranties of each party to various Transaction Agreements being accurate at and as of the closing, and no material adverse changes in the businesses of those parties having occurred; and
- (d) the covenants, agreements and obligations in the Transaction Agreements of the parties to the Transaction Agreements being performed, or complied with, in all material respect at, or prior to, the completion of the Kiwanda Transaction.

3.12 Restructure of Kiwanda Australia

The Vendors will cause Kiwanda Australia to have prior to the acquisition of Kiwanda Australia by the Company, as follows.

- (a) **Coal Assets:**
 - (i) 19.9% ownership of the issued and outstanding securities of Carbhid;
 - (ii) An option to acquire a 51% stake in the Escalones coal mining lease owned and operated by Carbhid (the "**Escalones Option**");

- (iii) An option to acquire 100% of the exploration licence covering 1,642 hectares of prospective coking coal ground (the "**Pelaya Project**"), located in the Cesar Department of Colombia (the "**Pelaya Option**"); and
 - (iv) 100% interest In Coal BVI.
- (b) **Phosphate Assets:**
 - (i) An option to acquire 100% of the Bahia Inglesa mining lease held by SCM Bahia Inglesa Ltda (SCM) and Compania Minera de Fosfatos Naturales BiFox Ltda (BiFox) (the "Bahia Option");
 - (ii) A 100% interest in 53 exploration licences totalling 19,900 hectares, adjacent to the Bahia Inglesa mining properties known as the Ki Licenses; and
 - (iii) 100% interest in Phosphate BVI.
- (c) **Corporate and debt structure:**
 - (i) equity securities issued and outstanding such that Kiwanda Mines owns 100% of the issued and outstanding equity securities in Kiwanda Australia; and
 - (ii) debt to Lara no greater than: US\$450,000 in respect of the Coal P-Note; and US\$310,000 in respect of the Phosphate P-Note.

3.13 Other Assets

In addition to the Agreed Assets acquired by the Company pursuant to the Heads of Agreement, the Company is to acquire the following assets from Kiwanda:

- (a) 40,000,000 shares in Carbhid SAS for US\$50,000;
 - (b) phosphate exploration licences obtained by Kiwanda Phosphate Alliance BVI pursuant to settlement of discussions with the Chilean government being in favour of Kiwanda Phosphate Alliance BVI; and
 - (c) coal exploration licences granted by the Colombian government on completion of the successful application by Carbhid SAS,
- (the "**Other Assets**").

As consideration for the Company's acquisition of the Other Assets (b) and (c), the Company will issue further Shares to Kiwanda and Lara based on the per hectare valuation provided by the Valuer using the same methodology as applied to the Agreed Assets.

3.14 Competent Person's Statement

The information in this Notice of Meeting that relates to Agreed Assets is based on information compiled by Andre Gauthier who is qualified to provide such information under the 2012 edition of the JORC Code.

Andre Gauthier is a consultant to Gold Holdings Limited and has been retained by Phillips River.

Andre Gauthier has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which is being undertaken to qualify as a Competent Person as defined in the JORC Code.

Andre Gauthier has consented in writing to the inclusion in this Notice of Meeting of the matters based on his information in the form and context in which it appears.

Attached at Annexure B is the Table 1 Checklist of Assessment and Reporting Criteria, as provided by Andre Gauthier in accordance with the JORC Code.

3.15 Pro forma Capital Structure Assumptions

For illustrative purposes only, on the basis of the Coal Assets Valuation and the Phosphate Asset Valuation, the movement in the issued capital of the Company could be as shown in the following Table 2.5.A and Table 2.5.B.

Phosphate Payment Options are not exercised

The following Table 2.5.A illustrates the movement in the issued capital of the Company where the Company issues the Shares as part of the consideration of the Agreed Assets (including but not limited to the Phosphate Payment Options to Kiwanda) but Kiwanda does not elect to exercise the Phosphate Payment Options. The exchange rate is US\$0.77 = A\$1.00.

Table 2.5.A

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>	<u>Column 6</u>	<u>Column 7</u>	<u>Column 8</u>
Event	Number of issued PRH Shares before Column 1 Event	Issue of PRH shares	Number of issued PRH Shares after Column 1 Event	Kiwanda Holding	Kiwanda Interest	Lara Holding	Lara interest
Allotment One ⁽¹⁾	3,205,339	25,967,316	29,172,655	13,621,459	46.7%	12,983,658	44.5%
Entitlement issue ⁽²⁾	29,172,655	21,200,000	50,372,655	13,621,459	27.0%	12,983,658	25.7%
Relevant Loan repayment ⁽³⁾	50,372,655	10,000,000	60,372,655	13,621,459	22.5%	12,983,658	21.5%
Allotment Two ⁽⁴⁾	60,372,655	26,432,035	86,804,690	26,199,675	30.9%	26,199,675	30.1%

Phosphate Payment Options are exercised

The following Table 2.5.B illustrates the movement in the issued capital of the Company where the Company issues the Shares as part of the consideration of the Agreed Assets, and where Kiwanda elects to exercise the Phosphate Payment Options.

Table 2.5.B

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>	<u>Column 6</u>	<u>Column 7</u>	<u>Column 8</u>
Event	Number of issued PRH Shares before Column 1 Event	Issue of PRH shares	Number of issued PRH Shares after Column 1 Event	Kiwanda Holding	Kiwanda Interest	Lara Holding	Lara interest
Allotment One ⁽¹⁾	3,205,339	25,967,316	29,172,655	13,621,459	46.7%	12,983,658	44.5%
Entitlement issue ⁽²⁾	29,172,655	21,200,000	50,372,655	13,621,459	27.0%	12,983,658	25.7%
Relevant Loan repayment ⁽³⁾	50,372,655	10,000,000	60,372,655	13,621,459	22.5%	12,983,658	21.5%
Allotment Two ⁽⁴⁾	60,372,655	26,432,035	86,804,690	26,199,675	30.9%	26,199,675	30.1%
Phosphate Payment Options are exercised ⁽⁵⁾	86,804,690	45,367,965	132,172,655	72,205,441	54.6%	26,199,675	19.8%

Explanation of share capital movement

An explanation of the movements in the share capital detailed in the Table 2.5. A and Table 2.5. B (above) is, as follows:

- (a) **Note 1:** The "Allotment One" issuance comprises the Shares issued by the Company to Kiwanda and Lara as part of the consideration for the Coal Assets, the Carbid Amount and the Phosphate Assets, immediately on consummation of the Transaction. Specially, Allotment 1 includes the following issuances:

- (i) Coal Amount Shares;
- (ii) Carbid Amount Shares; and
- (iii) Phosphate Amount Shares.

The number of Shares issued in Allotment One is calculated by aggregating the amounts in Items 1(A), 1(B) and 1(C) as shown in Schedule 2 (*Pro forma capital structure calculations*).

- (b) **Note 2:** The "Entitlements issue" issuance comprises the Shares issued by the Company to Shareholders who have taken up their entitlements based on the Offer as contained in the Prospectus.

The number of Shares issued is calculated on the basis that all Shareholders take up all their Entitlements pursuant to the Offer.

- (c) **Note 3:** The "Relevant Loan repayment" issuance comprises the Shares issued to Kiwanda Australia in repayment of the Relevant Loans.

- (d) **Note 4:** The "Allotment Two" issuance comprises the Shares issued by the Company to Kiwanda and Lara as part of the consideration for the Coal Assets and the Phosphate Assets if all the Relevant Milestones are achieved.

The number of Shares issued in Allotment Two is calculated by aggregating the amounts in Item 2(a) and 2(B) as shown in Schedule 2 (*Pro forma capital structure calculations*).

- (e) **Note 5:** The "Phosphate Payment Options" issuance comprises the options issued by the Company to Kiwanda as part of the consideration for the Phosphate Assets, immediately on consummation of the Transaction.

In Table 2.5.A, for Illustrative purposes, it assumes that Kiwanda does not exercise those options. Consequently, Table 2.5.A shows that the issuance of the Phosphate Payment Options has no impact on the Company's share capital.

In Table 2.5.B, for Illustrative purposes, it assumes that Kiwanda elects to exercise those options. Consequently, Table 2.5.B shows the impact of the issuance of the Phosphate Payment Options on the Company's share capital.

The number of Phosphate Payment Options issued is calculated by aggregating of the amounts in items 1(C), 2(C) and 2(D) as shown in Schedule 2 (*Pro forma capital structure calculations*).

Shareholders should refer to the Independent Expert's Report for an analysis of the changes to the capital structure of the Company.

3.16 Conversion of \$US and \$A values

The \$US values are converted to \$A values at the Exchange Rate assumed for these purposes at US\$0.77 = A\$1.00.

3.17 Quotation of Shares on ASX

Subject to any escrow restrictions imposed by the ASX, the Company will apply for the Shares to be issued pursuant to the Resolutions to be quoted on the ASX.

3.18 Pro forma Statement of Consolidated Financial Position

The Company intends to seek approval from the ASX to have its Securities re-instated for trading following the Entitlements Offer. The Company will apply to the ASX based upon the 'market capitalisation test' of a minimum of \$10 million in accordance with ASX Listing Rule 1.3.

Should the target \$5.3 million of capital be raised under the issue of the Shares pursuant to the Entitlements Offer, then total Shares on issue will be 52,148,629 plus any Shares issued in repayment of the Relevant Loans. As at the date of this Notice of Meeting the number of Shares to be issued in repayment of the Relevant Loans under Resolution 5 would be 5,142,857. Therefore, there would be 57,291,486 Shares on issue. At the issue price of \$0.25 the Company's market capitalisation would prospectively be \$14.3 million in satisfaction of Listing Rule 1.3.

Alternatively, should the minimum amount of \$1.5 million be raised under the Entitlements Offer, then total Shares on issue will be 36,948,629 plus any Shares issued in repayment of the Relevant Loans. As at the date of this Notice of Meeting the number of Shares to be issued in repayment of the Relevant Loans under Resolution 5 would be 5,142,857. Therefore, there would be 42,092,506 shares on issue. At the issue price of \$0.25 the Company's market capitalisation would prospectively be \$10.5 million.

Both the minimum amount to be raised and the target amount to be raised under the Entitlements Offer will satisfy the 'market capitalisation' test of a minimum of \$10 million as required under Listing Rule 1.3.

Included in Table 3.18 below is the Consolidated Pro-Forma Statement of Financial Position for the Company, assuming completion of the Acquisition should all the Resolutions be passed, and the Shares are issued as described in "Allotment 1" (as described above at Note 1 to Tables 2.5.A and 2.5.B) and pursuant to the "Entitlement issue" (as described above at Note 2 to 2.5.A and Table 2.5.B).

Table 3.18

	Adjusted post Resolutions Consolidated 31 March 2015 \$	Kiwanda Australia 30 Jun 2014 \$	Audited Phillips River Consolidated 30 Jun 2014 \$
Current assets			
Cash and cash equivalents	3,920,061	1,537	3,137
Trade and other receivables	83,310	-	5,218
Prepayments and other assets	-	-	1,804
Total Current Assets	4,003,371	1,537	10,159
Non-Current Assets			
Investments in Associates	480,283	-	-
Intangible assets	10,962,233	-	-
Total Non-Current Assets	11,442,516	-	-
Total Assets	15,445,887	1,537	10,159
Current Liabilities			
Trade Payables	29,387	-	55,478
Borrowings	1,797,361	1,609	-
Total Current Liabilities	1,826,748	1,609	55,478
Non-current liabilities			
Deferred tax liability	3,297,613	-	-
Total non-current liabilities	3,297,613	-	-
Total Liabilities	5,124,361	1,609	55,478
Net Assets / (Deficiency)	10,321,526	(72)	(45,319)
Equity			
Issued Capital	5,547,181	100	58,593,923
Reserves	6,343,289	-	-
Accumulated Losses	(1,568,944)	(172)	(58,639,242)
Total Equity	10,321,526	(72)	(45,319)

Accounting standards require the Kiwanda Transaction to be accounted for in the consolidated financial statements of the Company, as a continuation of the financial statements of Kiwanda Australia, together with a deemed issue of shares by Kiwanda Australia, equivalent to the shares held by the former shareholders of Phillips River and

a recapitalisation of Kiwanda Australia. The deemed issue of shares is in effect an equity settled share based payment transaction whereby Kiwanda Australia is taken to have received the net assets of the Company together with the listing status of the Company.

The consolidated financial statements at 31 March 2015 are essentially a continuation of Kiwanda Australia and accounting standards require that the balance sheet of Kiwanda Australia be provided as the June 2014 comparative rather than that of the Company. The audited balance sheet of the Company at 30 June 2014 has also been provided to assist Shareholders.

4 GENERAL MEETING

4.1 Action to be taken by the Shareholders

In order to proceed with the Acquisition, the Company must convene a General Meeting of Shareholders for the purposes of passing the Resolutions in compliance with the requirements of the Listing Rules and the Corporations Act.

The Notice of Meeting convening the General Meeting is included at the front of this booklet. Shareholders are encouraged to attend and vote in favour of each of the Resolutions to be put at the General Meeting.

If a Shareholder is not able to attend and vote at the General Meeting, the Shareholder is encouraged to complete the proxy form at the back of this booklet and return it to the Company at the address stated on the proxy form not later than 48 hours before the time specified for the commencement of the General Meeting.

4.2 General Meeting Resolutions

There are five (5) ordinary Resolutions to be put to the General Meeting.

Certain voting restrictions are imposed in relation to some of the Resolutions as detailed in the accompanying Notice of Meeting under the heading "Voting Exclusion Statement".

4.3 Resolution 1 – Approval of the Kiwanda Transaction and the Acquisition from Kiwanda Mines and Lara pursuant to the terms of the Heads of Agreement

Resolution 1 is an ordinary resolution pursuant to which the Company is seeking approval, for the purposes of Listing Rules 10.1 and Item 7 of section 611 of the Corporations Act, for the Acquisition by the Company from Kiwanda Mines and Lara, the agreement to issue Shares pursuant to the Heads of Agreement, and to complete the Kiwanda Transaction, and to perform all of its other obligations under the Heads of Agreement.

Approval for the issue of the Shares under Resolution 1 is being sought under Listing Rules 10.1 and item 7 of section 611 of the Corporations Act.

4.4 Resolution 2 – Issue of the Securities to Relevant Parties

Background

Resolution 2 is an ordinary resolution and seeks Shareholder approval under Item 7 of section 611 of the Corporations Act for the issuance of the Securities to Lara as set out in the Heads of Agreement.

In addition Resolution 2 also seeks Shareholder approval for the issue of Securities to Kiwanda Mines under ASX Listing Rule 10.11 and Section 208 of the Corporations Act. ASX Listing Rule 10.11 requires Shareholders approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rules applies. Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit to a related party of the Company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an associate of the related party.

The grant of the Securities to Kiwanda Mines requires the Company to obtain Shareholder approval under Listing Rule 10.11 and Section 208 of the Corporations Act because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines. Therefore, Kiwanda Mines and the Company are "related parties" for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 (inclusive) of the Corporations Act and ASX Listing Rules 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval under ASX Listing Rule 10.11 is sought for the grant of Shares to Kiwanda Mines.

The grant of Securities to Lara does not require Shareholder approval under Listing Rule 10.11 because Lara is not a "related party" of the Company for the purpose of Listing Rule 10.11 and Section 208 of the Corporations Act.

Pursuant to the Heads of Agreement, the Company has agreed to provide the following consideration to Kiwanda Mines and Lara for the Acquisition:

- (a) with respect to the **Coal Assets**:
 - (i) the Coal Amount, comprising of:
 - (1) the payment of the Coal P-Note to Lara; and
 - (2) the issuance of the Coal Amount Shares in equal proportion to Kiwanda Mines and Lara;
 - (3) the issuance of the Coal Milestone Shares in equal proportion to Kiwanda Mines and Lara;
 - (ii) the Carbhid Amount (being satisfied by the issuances of the Carbhid Amount Shares in equal proportion to Kiwanda Mines and Lara); and
 - (iii) the Coal Assets Royalty.
- (b) with respect to the **Phosphate Assets**:
 - (i) the issuance of the Phosphate Amount Shares in equal proportion to Kiwanda Mines and Lara;
 - (ii) the Phosphate Milestone Shares in equal proportion to Kiwanda Mines and Lara;
 - (iii) the Phosphate Payment Options to Kiwanda. Further terms and conditions of the Phosphate Payment Options are set out in Schedule 3; and
 - (iv) the Phosphate Assets Royalty.
- (c) with respect to the **Other Assets**, US\$50,000 plus the issuance of Shares in consideration for the Other Assets (b) and (c).

Listing Rule 10.13 and Chapter 2E of the Corporations Act

Pursuant to an in accordance with Listing Rule 10.13 and the requirements of Section 219 of the Corporations Act, the following information is provided in relation to the proposed issue of Securities pursuant to **Resolution 2** to Kiwanda Mines:

- (a) in accordance with Listing Rule 10.13.1, the Company proposes to issue certain Securities to Kiwanda Mines;

in accordance with Listing Rule 10.13.2, the maximum number of the Securities to be issued to Kiwanda Mines are set out in Table 4.4A below (assuming the Relevant Milestones are achieved):

Table 4.4A

Securities	Maximum number issued to Kiwanda Mines
Coal Amount Shares (issued as part of Allotment One)	1,317,532
Carbhid Amount Shares (issued as part of Allotment One)	670,455
Coal Milestone Options (issued as part of Allotment Two)	1,527,706
Phosphate Amount Shares (issued as part of Allotment One)	10,995,671
Phosphate Payment Options	45,367,965
Phosphate Milestone Options (issued as part of Allotment Two)	11,688,312

- (b) in accordance with Listing Rule 10.13.3, the Shares will be granted to Kiwanda Mines no later than one (1) month after the date of the General Meeting;
- (c) in accordance with Listing Rule 10.13.4, Kiwanda Mines and the Company are "related parties" because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines;
- (d) in accordance with Listing Rule 10.13.5, the following are the issue price of the relevant Securities and the terms of the issue:

Securities	Issue price and terms
Coal Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of A\$0.30 on the same terms and conditions as the Company's existing Shares
Carbhid Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of A\$0.30 on the same terms and conditions as the Company's existing Shares
Coal Milestone Options (issued as part of Allotment Two)	Issued at a deemed issue price of A\$0.30 on the terms and conditions as set out in Schedule 3B in the Explanatory Statement
Phosphate Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of \$0.30 on the same terms and conditions as the Company's existing Shares
Phosphate Payment Options	Issued at a deemed issue price of \$0.40 on the terms and conditions as set out in Schedule 3A in the Explanatory Statement
Phosphate Milestone Options (issued as part of Allotment Two)	Issued at a deemed issue price of \$0.30 on the terms and conditions as set out in Schedule 3C in the Explanatory Statement

Table 4.4B

- (e) in accordance with Listing Rule 10.13.6 and Section 224 of the Corporations Act, for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act, the Company will disregard any votes cast by Kiwanda Mines and any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and
- (f) in accordance with Listing Rule 10.13.6A, to raise funds for additional working capital and towards funding the completion of the Kiwanda Transaction.

The agreement to the issue of the Securities to Kiwanda Mines and Lara under Resolution 2 is to be approved by Shareholders under the requirements of Item 7 of section 611, Section 208 of the Corporations Act, and Listing Rule 10.11 as noted further below in this Explanatory Statement.

4.5 Resolution 3 – Approval of Change of Activities

Resolution 3 is an ordinary resolution and seeks approval from Shareholders for a change to the nature and scale of the activities of the Company to focus on significant phosphate operations via the Acquisition.

ASX has determined that implementation of the Kiwanda Transaction and the Acquisition will result in a change to the nature and scale of the activities of the Company for the purposes of Chapter 11 of the ASX Listing Rules.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that it has determined that the Acquisition will result in a change in the nature and scale of the Company's activities and the Company must:

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

On the basis that the Acquisition is implemented, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

4.6 Resolution 4 – Approval for the Issue of up to 30,000,000 Shares pursuant to the Offer

Resolution 4 is an **ordinary resolution** and seeks Shareholder approval under ASX Listing Rule 7.1 for the issuances of up to 30,000,000 Shares pursuant to the Offer.

The Company intends to offer, pursuant to the Prospectus, each Eligible Shareholder an Entitlement of up to 10,000 Shares at an issue price of \$0.25 per Share, on a non-pro rata basis. The Offer will be renounceable. Accordingly, an Eligible Shareholder may sell or transfer all or part of their Entitlement.

The issue of Shares must be approved by the Company's Shareholders. If all Eligible Shareholders subscribe for their full Entitlement, and the Company accepts all those subscriptions and if the company also elects to accept some oversubscriptions then the maximum number of Shares the Company may issue is 30,000,000 Shares by way of the Offer.

As the Entitlements Offer is intended to be on non-pro rata basis, the issue of the Shares will fall outside of the exceptions to Listing Rule 7.1. Consequently, the issue of Shares under Resolution 4 requires the approval by Shareholders under the requirements of ASX Listing Rule 7.1 as noted further below in this Explanatory Statement.

4.7 Resolution 5 – Approval for the issue of up to 10,000,000 shares for the repayment of the Relevant Loans

Kiwanda Mines has provided loans to Phillips River of approximately \$1,000,000. By the date of the close of the Offer the loan amount is expected to be higher as the Company goes about its business. Loans are used to maintain the company (including accounting, audit, working capital, tax advice and returns, legal costs and various other expenses and to enable it to complete due diligence plus the advancement of the projects including mine planning, JORC estimation, capital acquisitions and similar).

The Company may elect to repay these loans in cash or Kiwanda Australia has agreed to receive shares in consideration for the repayment of these loans on the terms of the loans at the Offer price. Loans are issued at a 30% discount to face value and repayable at 1.5 times face value. Interest on the loans accrues at 15%pa on the face value.

ASX Listing Rule 10.11 requires Shareholders approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rules applies. Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit to a related party of the Company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an associate of the related party.

The grant of the Securities to Kiwanda Mines requires the Company to obtain Shareholder approval under Listing Rule 10.11 and Section 208 of the Corporations Act because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines. Therefore, Kiwanda Mines and the Company are "related parties" for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 (inclusive) of the Corporations Act and ASX Listing Rules 10.12 do not apply in the

current circumstances. Accordingly, Shareholder approval under ASX Listing Rule 10.11 is sought for the grant of Shares to Kiwanda Mines.

Additional shares to be issued to Kiwanda Mines under the loan repayment terms would be 10,000,000 Shares. These Shares would be issued in accordance with Resolution 5 under the requirements of Listing Rule 10.11 and Section 208 of the Corporations Act.

Listing Rule 10.13 and Chapter 2E of the Corporations Act

Pursuant to and in accordance with Listing Rule 10.13 and the requirements of Sections 219 of the Corporations Act, the following information is provided in relation to the proposed issue of Shares pursuant to **Resolution 5** to Kiwanda Mines:

- (g) in accordance with Listing Rule 10.13.1, the Company proposes to issue certain Securities to Kiwanda Mines;
- (h) in accordance with Listing Rule 10.13.2, the maximum number of the Securities to be issued to be issued to Kiwanda Mines is 10,000,000;
- (i) in accordance with Listing Rule 10.13.3, the Shares will be granted to Kiwanda Mines no later than one (1) month after the date of the General Meeting;
- (j) in accordance with Listing Rule 10.13.4, Kiwanda Mines and the Company are "related parties" because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines;
- (k) in accordance with Listing Rule 10.13.5, the following are the issue price of the relevant Securities and the terms of the issue:

Securities	Issue price and terms
Shares for the repayment of the Relevant Loans	Issued at a deemed issue price of A\$0.25 on the same terms and conditions as the Company's existing Shares

- (l) in accordance with Listing Rule 10.13.6 and Section 224 of the Corporations Act, for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act, the Company will disregard any votes cast by Kiwanda Mines and any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and
- (m) in accordance with Listing Rule 10.13.6A, for the repayment by the Company of the Relevant Loans.

5 OTHER INFORMATION

5.1 Scope of Disclosure

The Related Party provisions of the Corporations Act require that this Explanatory Statement sets out all other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolutions and which is known to the Company.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than the information disclosed in this Explanatory Statement or previously disclosed to Shareholders by the Company by notification to the ASX.

5.2 Voting Intentions and Interests of Existing Directors

Voting Intentions

The Directors of the Company are set out in the Table 5.2 (below). At the date of this Explanatory Statement, subject to Section 5.2 (below) and the applicable voting exclusions, the Directors intend to vote in favour of the Resolutions set out in the Notice of Meeting.

With respect to applicable voting exclusions, we note:

- (a) Mr Mark Sumner as director of both the Company and Kiwanda Mines will be excluded from voting on Resolutions 1,2,3, and 5; and
- (b) Mr Christopher West and Mr Timothy Koster as directors of both the Company and the Kiwanda Group will be excluded from voting on Resolution 1.

Interests of Existing Directors

Except as otherwise disclosed in this Notice of Meeting and Explanatory Statement, the Directors have no personal interest in the outcome of the Resolutions, except as follows:

- (a) Kiwanda Group holds 637,801 Shares, being an interest of 19.9% in the Company;
- (b) Christopher West, Timothy Koster and Mark Sumner are directors of Kiwanda Group. As such they are Associates of Kiwanda Group;
- (c) the interests of the Directors recorded in the table below are interests which exist by virtue of the Directors being Associates of Kiwanda Group.

In this regard, the table below sets out the details of the shareholdings held (directly or indirectly) by the Directors and their Associates and the percentage ownership in the existing Shares of the Company.

Table 5.2

Name of Existing Director	Holder of Relevant Interest	Nature of Relevant Interest	Number of Existing Fully Paid Shares Held by Holder	Percentage Interest in Voting Shares*
Christopher John West	Kiwanda Group	Director of Kiwanda Group	637,801	19.9%
Timothy Hanley Koster	Kiwanda Group	Director of Kiwanda Group	637,801	19.9%
Mark Douglas Sumner	Kiwanda Group	Director of Kiwanda Group	637,801	19.9%
TOTAL			637,801	19.9%

*Based on the total number of Shares of the Company as at the date of the Notice.

5.3 Recommendation by Directors

The Directors recommend that Shareholders **APPROVE** each of Resolution 2, 3, 4 and 5 to be put to the General Meeting. However, as all of the Company's Directors are excluded from voting on Resolution 1, the directors cannot state their voting intentions or reasons to vote in favour of Resolution 1.

Shareholders must themselves decide how to vote based on the matters set out in the Explanatory Statement and the Expert's Report.

5.4 Taxation

Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and neither the Company, the Directors, nor any adviser to the Company accepts any responsibility for any individual Shareholder's taxation consequences.

5.5 Effect of the Kiwanda Transaction and the Acquisition

For the purposes of this Explanatory Statement, the following information is provided for consideration by the Shareholders.

The advantages of passing the Resolutions and subsequent completion of the Acquisition include:

- The acquisition of the Agreed Assets;
- lift the suspension on the Company's securities and reinstate its securities to quotation.

The principal disadvantage to Shareholders in respect of proposed Resolutions 2, 4 and 5 is that their Shares will be diluted following the issue of Shares, pursuant to Resolutions 2, 4 and 5. It is, however, the opinion of the Directors that the overall value of the Company will be increased by the completion of the Kiwanda Transaction and the Acquisition.

6 REGULATORY REQUIREMENTS

Under the Corporations Act and Listing Rules, the Acquisition by the Company from Kiwanda Mines and Lara, the increase in voting power of Kiwanda, the change to the nature and scale of activities of the Company, the approval of the Placement Securities, and the issue of Shares pursuant to the Offer, are transactions that require Shareholder approval.

Set out in Table 6 (below) is a summary of Shares on issue in the Company before and after the Kiwanda Transaction (prior to the associated capital raising):

Table 6

	Current		Post-Kiwanda Transaction	
		%		%
No-Associated Shareholders	2,567,000	80.1	2,567,000	8.9
Kiwanda	638,000	19.9	13,621,459	46.6
Lara	-	-	12,983,658	44.5
Total	3,205,000	100	29,172,655	100

Note: Rounding differences may exist.

The specific requirements under the Corporations Act and Listing Rules are as follows:

6.1 Listing Rule 10.1

Acquisition from a substantial holder

Listing Rule 10.1 provides that an entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities:

- (a) A related party.
- (b) A subsidiary.
- (c) substantial holder, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities.
- (d) An associate of a person referred to in ASX Listing Rules 10.1.1 to 10.1.3.
- (e) person whose relationship to the entity or a+ person referred to in ASX Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders.

Substantial Asset

Listing Rule 10.1 provides that an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules.

Acquisition from Kiwanda Mines and Lara

Pursuant to the Heads of Agreement, the Company will acquire the Agreed Assets from Kiwanda Mines and Lara. Kiwanda Mines is an Associate of Kiwanda Group as it shares common ownership. Kiwanda Group currently holds a 19.9% interest in the Company. Consequently, for the purposes of Listing Rule 10.1, Kiwanda Mines is a "substantial holder" in the Company.

For the purposes of Listing Rule 10.2, on the basis of the Coal Assets Valuation and the Phosphate Assets Valuation, the Agreed Assets are "substantial assets".

Accordingly, as set out in Resolution 1, for the purposes of Listing Rule 10.1 and for all other purposes, the Company seeks Shareholder approval for the Acquisition by Kiwanda Mines and Lara, and to the agreement to the issue of Shares pursuant to the terms of the Heads of Agreement.

Listing Rule 10.10 requires a notice of meeting seeking shareholder approval under Listing Rule 10 to include a report on the transaction from an independent expert, and which states the expert's opinion on whether the transaction is fair and reasonable for shareholders who may vote on the transaction.

A copy of the Expert's Report is enclosed with this Notice of Meeting as Annexure 1.

6.2 Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholders approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rules applies.

Listing rule 10.11 protects a listed entity's security holders by preventing a related party from obtaining shares on advantageous terms and increasing the related party's holding proportionate to other holdings. Unless one of the exceptions under listing rule 10.12 applies, a listed entity must seek shareholder approval before it can issue shares to a related party.

Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit to a related party of the Company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an associate of the related party

The grant of the Securities to Kiwanda Mines pursuant to Resolution 2 and Resolution 5 requires the Company to obtain Shareholder approval under Listing Rule 10.11 and Section 208 of the Corporations Act because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines. Therefore, Kiwanda Mines and the Company are "related parties" for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 (inclusive) of the Corporations Act and ASX Listing Rules 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval under ASX Listing Rule 10.11 and Section 208 of the Corporations Act is sought for the grant of Shares to Kiwanda Mines.

6.3 Information required by Listing Rule 10.13 and Chapter 2E of the Corporations Act

Listing rule 10.13 and Chapter 2E of the Corporations Act sets out the information required to be included in the notice of meeting seeking approval for the issue of the securities to a related party. In particular, listing rule 10.13.3 requires the date by which the entity will issue the securities and this date must be no later than 1 month after the date of the meeting. This rule ensures that an issue of securities to a related party that has been approved by security holders is made within a reasonable timeframe following the approval, so that that it is less likely that the circumstances in which the issue is made will have changed materially from those prevailing at the time the approval was given.

The following information is provided in relation to the agreement to issue Securities pursuant to the Heads of Agreement:

- (a) The Shares will be issued to:
 - (i) Kiwanda Mines; and
 - (ii) Lara;
- (b) the formula for calculating the number of securities to be issued to the person is detailed in Section 3 ("*Material Terms of the Heads of Agreement*");
- (c) the Company will issue the Securities within 1 month of Shareholder Approval, with the Securities consisting of the following:
 - (i) the Shares;
 - (ii) the Phosphate Payment Options; and
 - (iii) the Milestones Options;
- (d) Kiwanda Mines is an Associate of Kiwanda Group. Kiwanda Group currently holds 19.9% interest in the Company. Consequently, for the purposes of Listing Rule 10.1, Kiwanda Mines is a "substantial holder" in the Company.

The grant of Securities to Lara does not require Shareholder approval under Listing Rule 10.11 or Section 208 of the Corporations Act because Lara is not a "related party" of the Company for the purpose of Listing Rule 10.11 or Section 208 of the Corporations Act;

- (e) The issue price of the Shares is:
 - (i) A\$0.30 pursuant to the completion of Allotment One and Allotment Two ;
 - (ii) A\$0.25, A\$0.30 and A\$0.40 pursuant to the exercise by Kiwanda Mines of the Phosphate Payment Options respectively in the first 12 months, second 12 months and third 12 months following shareholder approval

(Refer to the terms and Conditions of the Phosphate Payment Options in Schedule 3A);

For further details on the Phosphate Payment Options, refer to the terms and conditions in Schedule 3A to this Explanatory Statement.

For further details on the Coal Milestone Options, refer to the terms and conditions in Schedule 3B to this Explanatory Statement.

For the Further details on the Phosphate Milestone Options, refer to the terms and conditions in Schedule 3C to this Explanatory Statement.

- (f) The Voting Exclusion Statements are contained in Part 4 in the Notice of General Meeting; and
- (g) The intended use of the funds is detailed in Section 2.4 ("*Operational and Expenditure plans*").

Pursuant to an in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Securities pursuant to **Resolution 2** to Kiwanda Mines:

- (a) in accordance with Listing Rule 10.13.1, the Company proposes to issue certain Securities to Kiwanda Mines;
- (b) in accordance with Listing Rule 10.13.2 and Section 219 of the Corporations Act, the maximum number of the Securities to be issued, or the formula for calculating the number of securities to be issued (whichever is applicable), to Kiwanda Mines are as follows (assuming the Relevant Milestones are achieved):

Table 6.3A

Securities	Maximum number issued to Kiwanda Mines
Coal Amount Shares (issued as part of Allotment One)	1,317,532
Carbhid Amount Shares (issued as part of Allotment One)	670,455
Coal Milestone Options (issued as part of Allotment Two)	1,527,706
Phosphate Amount Shares (issued as part of Allotment One)	10,995,671
Phosphate Payment Options	45,367,965
Phosphate Milestone Options (issued as part of Allotment Two)	11,688,312

- (c) in accordance with Listing Rule 10.13.3, the Shares will be granted to Kiwanda Mines no later than one (1) month after the date of the General Meeting;
- (d) in accordance with Listing Rule 10.13.4, Kiwanda Mines and the Company are "related parties" because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines;

- (e) in accordance with Listing Rule 10.13.5, the following are the issue price of the relevant Securities and the terms of the issue:

Securities	Issue price and terms
Coal Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of A\$0.30 on the same terms and conditions as the Company's existing Shares
Carbhid Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of A\$0.30 on the same terms and conditions as the Company's existing Shares
Coal Milestone Options (issued as part of Allotment Two)	Issued at a deemed issue price of A\$0.30 on the same terms and conditions as the Company's existing Shares
Phosphate Amount Shares (issued as part of Allotment One)	Issued at a deemed issue price of \$0.30 on the same terms and conditions as the Company's existing Shares
Phosphate Payment Options	Issued at a deemed issue price of \$0.40 on the same terms and conditions as the Company's existing Shares
Phosphate Milestone Options (issued as part of Allotment Two)	Issued at a deemed issue price of \$0.30 on the same terms and conditions as the Company's existing Shares

- (f) in accordance with Listing Rule 10.13.6, For the purposes of Listing Rule 10.11 or Section 208 of the Corporations Act, the Company will disregard any votes cast by Kiwanda Mines and any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and
- (g) in accordance with Listing Rule 10.13.6A, to raise funds for additional working capital and towards funding the completion of the Kiwanda Transaction.

Pursuant to an in accordance with Listing Rule 10.13 and Section 219 of the Corporations Act, the following information is provided in relation to the proposed issue of Shares pursuant to **Resolution 5** to Kiwanda Mines:

- (a) in accordance with Listing Rule 10.13.1, the Company proposes to issue certain Securities to Kiwanda Mines;
- (b) in accordance with Listing Rule 10.13.2, the maximum number of the Securities to be issued to be issued to Kiwanda Mines is 10,000,000;
- (c) in accordance with Listing Rule 10.13.3, the Shares will be granted to Kiwanda Mines no later than one (1) month after the date of the General Meeting;
- (d) in accordance with Listing Rule 10.13.4, Kiwanda Mines and the Company are "related parties" because Mark Sumner is a director of the Company and Mark Sumner controls Kiwanda Mines;

- (e) in accordance with Listing Rule 10.13.5, the following are the issue price of the relevant Securities and the terms of the issue:

Securities	Issue price and terms
Shares for the repayment of the Relevant Loans	Issued at a deemed issue price of A\$0.25 on the same terms and conditions as the Company's existing Shares

- (f) in accordance with Listing Rule 10.13.6 and Section 224 of the Corporations Act, for the purposes of Listing Rule 10.11 or Section 208 of the Corporations Act, the Company will disregard any votes cast by Kiwanda Mines and any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and
- (g) in accordance with Listing Rule 10.13.6A, for the repayment by the Company of the Relevant Loans.

The grant of Securities to Lara does not require Shareholder approval under Listing Rule 10.11 or Section 208 of the Corporations Act because Lara is not a "related party" of the Company for the purpose of Listing Rule 10.11 or Section 208 of the Corporations Act.

6.4 Section 611 of the Corporations Act and Listing Rule 11.1

Resolution 2 seeks Shareholder approval under Item 7 of section 611 of the Corporations Act for:

- (a) the acquisition by Kiwanda of a Relevant Interest in the Shares upon the issue of those Shares in Allotment One and Allotment Two and on the exercise of Kiwanda of the Phosphate Payment Options and in the repayment of any loans by way of share issuance; and
- (b) the issue of Shares to Lara may result in Lara holding a Relevant Interest in excess of 20%:
- (i) upon the issuances of Shares on completion of Allotment One and Allotment Two, where Kiwanda does not exercise the Phosphate Payment Options; or
 - (ii) upon the issuances of Shares on completion of Allotment Two, where Kiwanda elects to exercise the Phosphate Payment Options.

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person or any other person would have a relevant interest or voting power in excess of 20% of the voting shares in that company.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company if the company has agreed to the acquisition by resolution passed at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an associate of that person.

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in the Company held by the person and the person's associates.

The Company is seeking Shareholder approval under Item 7 of Section 611 of the Corporations Act in respect of the Shares to be issued to Kiwanda Mines and Lara under Resolution 2 because this issue of securities may result in Kiwanda Mines and Lara each having a relevant interest in an aggregate of more than 20% of the voting shares in the Company once the Shares are issued.

At the date of the Notice of Meeting:

- (a) Kiwanda holds 637,801 Shares (an interest of 19.9%) in the Company. If Resolution 2 is passed, the issue of the Shares to Kiwanda Mines pursuant to Resolution 2 may give Kiwanda a Relevant Interests of more than 20% of the voting shares in the Company; and
- (b) Lara holds no Shares in the Company. If Resolution 2 is passed, the issue of the Shares to Lara pursuant to Resolution 2 may give Lara Relevant Interests of more than 20% of the voting shares in the Company.

As set out in the Voting Exclusion Statements in the Notice of Meeting and in accordance with the Listing Rules, Kiwanda and its Associates are precluded from voting on Resolution 2.

6.5 ASX Listing Rule 11.1.2 – Approval of Change of Activities

Resolution 3 seeks approval from Shareholders for a change to the nature and scale of the activities of the Company to focus on significant phosphate operations via the Acquisition.

ASX has determined that implementation of the Acquisition will result in a change to the nature and scale of the activities of the Company for the purposes of Chapter 11 of the ASX Listing Rules.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that it has determined that the Acquisition will result in a change in the nature and scale of the Company's activities and the Company must:

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

On the basis that the Acquisition is implemented, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. Some of the key requirements of Chapters 1 and 2 of the Listing Rules are as follows:

- (a) an Information Memorandum must be issued and lodged with ASX; and
- (b) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders in the Company and the minimum value of the shareholdings of those Shareholders; and
- (c) the Company must satisfy the "**asset test**" as set out in the Listing Rules.

6.6 Re-Compliance With Chapters 1 and 2 of the ASX Listing Rules

ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity arising from the acquisition of the Phosphate Interest will require re-compliance with ASX's admission requirements in Chapters 1 and 2 of the Corporations Act. The Company intends to apply for re-compliance following Shareholder Approval by way of the Prospectus.

Additionally, the Company will seek a waiver from the ASX under Listing Rule 1 (Conditions 1) with respect to the number of convertible securities issued (being the Coal Milestone Options, the Phosphate Milestone Options and the Phosphate Payment Options) relative to the Shares already on issue at the time the Company intends to apply for re-compliance (being after the Entitlements Offer).

6.7 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not without shareholder approval, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of these securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Resolution 2 – Issue of the Securities to Kiwanda Mines and Lara pursuant to the Heads of Agreement

Resolution 2 contemplates the issue of Securities to Kiwanda Mines (in accordance with Listing Rule 10.11 and Section 208 of the Corporations Act) and Lara (in accordance with ASX Listing Rule 7.1).

Pursuant to, and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Securities to Lara:

- (a) for the purposes of Listing Rule 7.3.1, the maximum number of the Securities the Company is to issue is:
 - **48,943,290** (where Kiwanda **does not** exercise the Phosphate Payment Options; or
 - **70,943,632** (where Kiwanda **elects to** exercise all of its Phosphate Payment Options immediately after the General Meeting),

which are detailed as follows:

(i) in consideration for the **Coal Assets:**

Coal Amount Shares		
This is calculated as follows:		
Coal Assets Valuation	US\$	1,764,500
60% of Coal Asset Valuation	US\$	1,058,700
less Coal Repayment	US\$	-450,000
	US\$	608,700
Converted to A\$	A\$	790,519
Shares		2,635,065
<i>Kiwanda Mines proportion (50%)</i>		1,317,532
Lara proportion (50%)		1,317,532

Coal Milestone Shares		
This is calculated as follows:		
Coal Assets Valuation	US\$	1,764,500
40% of Coal Asset Valuation	US\$	705,800
Converted to A\$	A\$	916,623
Shares on exercise of the Coal Milestone		3,055,411
<i>Kiwanda Mines proportion (50%)</i>		1,527,706
Lara proportion (50%)		1,527,706

Carbhid Amount Shares		
This is calculated as follows:		
Acquisition of Carbhid SAS	US\$	309,750
Converted to A\$	A\$	402,273
Shares		1,340,909
<i>Kiwanda Mines proportion (50%)</i>		670,455
Lara proportion (50%)		670,455

(ii) in consideration for the **Phosphate Assets:**

Phosphate Amount Shares		
These are calculated as follows:		
Phosphate Asset Valuation	US\$	10,800,000
50% Valuation	US\$	5,400,000
(less) Phosphate P Note	US\$	-320,000
	US\$	5,080,000
Converted to A\$	A\$	6,597,403
Shares		21,991,342

Total maximum number of Shares	
<i>Kiwanda Mines proportion (50%)</i>	<i>10,995,671</i>
Lara proportion (50%)	10,995,671

Table 6.5.1

Phosphate Milestone Shares

Phosphate Asset Valuation	US\$	10,800,000
50% Valuation	US\$	5,400,000
Converted to A\$	A\$	7,012,987
Phosphate Milestone Shares		23,376,623

Total maximum number of Shares	
<i>Kiwanda Mines proportion (50%)</i>	<i>11,688,312</i>
Lara proportion (50%)	11,688,312

Note 1: Calculation of the number of the Phosphate Amount Shares is detailed in Table 6.5.1.

Note 2: For illustrative purposes, this scenario includes the number of the Phosphate Payment Options equivalent to the Phosphate Payment Shares, assuming Phosphate Milestone One and Phosphate Milestone Two have been achieved. The actual issue of shares may occur over time where the Company has sufficient capacity under Listing Rule 7.1 to issue Shares, or a further Shareholder meeting is held to approve the issue of Shares under Listing Rule 7.1.

- (b) for the purposes of Listing Rules 7.3.2 and 7.3.7, the Securities will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) for the purposes of Listing Rule 7.3.3 the issue price of:
 - (i) each Share issued pursuant to Allotment One is A\$0.30;
 - (ii) each Share issued pursuant to Allotment Two is A\$0.30;
 - (iii) each Share issued pursuant to Allotment Three is A\$0.30;
 - (iv) each Share amount issued pursuant to the exercise of a Phosphate Payment Option is determined by the date of exercise of the option. Where the option is exercised in the first 12 months following the date of the shareholder approval the exercise price will be \$0.25 per share. Where the option is exercised in the second 12 months following the date of the shareholder approval the exercise price will be \$0.30 per share. Where the option is exercised in the third 12 months following the date of the shareholder approval the exercise price will be \$0.40 per share.; and
 - (v) each Share issued pursuant to the Entitlements Offer is A\$0.25;
- (d) for the purposes of Listing Rule 7.3.4, the Securities will be issued to Lara;

- (e) for the purposes of Listing Rule 7.3.5, the Securities will rank equally with the other existing Shares currently on issue, the terms of which are already in the public domain, and
- (f) for the purposes of Listing Rule 7.3.6, the funds raised from the issue of the Shares will be used for additional working capital and towards payment of the Agreed Assets pursuant to the Heads of Agreement.

Note 1: Pursuant to the Heads of Agreement, the calculation of the number of shares to be issued at any time will be determined by the Company calculating the Australian dollar equivalent of any US\$ amount 3 days prior to the issuance of the relevant Shares using the Exchange Rate. For the purposes of the working example above, we have assumed an exchange rate of US\$0.85

Note 2: The actual issue of shares may occur over time where the Company has sufficient capacity under Listing Rule 7.1 to issue Shares, or a further Shareholder meeting is held to approve the issue of Shares under Listing Rule 7.1.

Note 3: For illustrative purposes, this scenario includes the number of the Phosphate Payment Options equivalent to the Phosphate Payment Shares, assuming Phosphate Milestone One and Phosphate Milestone Two have been achieved.

Resolutions 4 – Approval for the issue of comprising up to 30,000,000 Shares pursuant to the Offer.

The Company intends to offer, pursuant to a Prospectus, each Eligible Shareholder up to 10,000 Shares at an issue price of \$0.25 per Share, on a non-pro rata basis. The Offer will be renounceable. Accordingly, an Eligible Shareholder may sell or transfer all or part of their Entitlement.

The current issued capital of the Company is 3,205,339 Shares. The Offer will close on the Closing Date.

As the Offer is intended to be on non-pro rata basis, the issue of the Shares will fall outside of the exceptions to Listing Rule 7.1. Consequently, pursuant to Resolution 4, approval is being sought under ASX Listing Rule 7.1 for the issue of up to 30,000,000 Shares pursuant to the Offer to raise funds for additional working capital and towards funding the completion of the Kiwanda Transaction.

If Resolution 4 is passed, following the issue of 30,000,000 Shares referred to above, the Company will still have the capacity to issue 15% of its expanded Share capital over the next 12 months as those Shares, once issued, will be excluded from the calculation under ASX Listing Rule 7.1 of the Company's 15% capacity to issue equity securities.

The issue of the Shares referred to above must occur no later than 3 months, or such later date as permitted by ASX, from the date of the General Meeting.

Pursuant to, and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares:

- (a) for the purposes of Listing Rule 7.3.1, the maximum number of Shares the entity is to issue is 30,000,000;
- (b) for the purposes of Listing Rules 7.3.2 and 7.3.7, the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to

the extent permitted by an ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

- (c) for the purposes of Listing Rule 7.3.3 the minimum issue price of the Shares is \$0.20;
- (d) for the purposes of Listing Rule 7.3.4, the Shares will be issued to existing Shareholders of the who are exempt from securities disclosure requirements under the Corporations Act, and who are not a related party of the Company;
- (e) for the purposes of Listing Rule 7.3.5, the Shares will rank equally with the other Shares currently on issue, the terms of which are already in the public domain, and
- (f) for the purposes of Listing Rule 7.3.6, the funds raised from the issue of the Shares will be used raise funds for additional working capital and towards funding the completion of the Kiwanda Transaction and the repayment of the Relevant Loans.

6.8 ASIC Policy Statement 74

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Policy Statement 74 to the extent it applies pursuant to ASIC Policy Statement 159.

(a) Identity of Persons who will hold a relevant interest in the securities to be issued

If Resolution 2 is passed, Kiwanda will hold a Relevant Interest pursuant to the following proposed issuances:

- (i) with respect to the Coal Assets:
 - (A) the Coal Amount Shares; and
 - (B) the Coal Milestone Options;
 - (C) the Carbid Amount Shares; and
- (ii) with respect to the Phosphate Assets:
 - (A) the Phosphate Amount Shares ;
 - (B) the Phosphate Milestone Shares; and
 - (C) the Phosphate Payment Options;
- (iii) with respect to the Other Assets, further Shares .

If Resolution 2 is passed, Lara will hold a Relevant Interest pursuant to the following proposed issuances:

- (i) with respect to the Coal Assets:
 - (A) the Coal Amount Shares; and

(B) the Coal Milestone Options.

(b) Impact of the Transactions on the Voting Power in the Company's Shares

The Company's capital structure

For illustrative purposes only, on the basis of the Coal Assets Valuation and the Phosphate Asset Valuation, the movement in the issued capital of the Company could be as shown in Table 2.5.A and Table 2.5.B (in Section 2.5, above).

Set out in Table 6.1 below is a summary of Shares on issue in the Company before and after the Kiwanda Transaction (prior to the associated capital raising):

Table 6.1

	Current		Post-Kiwanda Transaction	
		%		%
No-Associated Shareholders	2,567,000	80.1	2,567,000	8.9
Kiwanda	638,000	19.9	13,621,459	46.6
Lara	-	-	12,983,658	44.5
Total	3,205,000	100	29,172,655	100

Note: Rounding differences may exist.

(i) Current voting power of Relevant Parties

As at the date of the Notice of Meeting, Kiwanda Group has a relevant interest of **637,801** in existing Shares and voting power of 19.9%.

(ii) Voting power of Kiwanda after the issue of Shares

The voting power of Kiwanda includes those Shares in which Kiwanda will have a relevant interest.

As illustrated in the above scenarios in Section 2.5 ("*Pro forma Capital Structure*"), Kiwanda's relevant interest will vary depending on the completion of the different proposed issuances of Shares, pursuant to the Resolutions:

- (a) If Allotment One is completed, but Kiwanda **does not** exercise any of the Phosphate Payment Options, pursuant to Shareholder approval of Resolution 2:
- (i) Kiwanda's shareholding in the Company will increase to 46.6% from its current shareholding of 19.9%; and
 - (ii) Lara's shareholding in the Company will increase from nil to 44.5%.

- (b) If Allotment One is completed pursuant to Shareholder approval of Resolution 2, and Kiwanda **elects to** exercise all of its Phosphate Payment Options immediately after the Offer has been completed:
 - (i) Kiwanda's shareholding in the Company will increase to 54.6% from its current shareholding of 19.9%; and
 - (ii) Lara's shareholding in the Company will increase from nil to 19.8%.
- (c) If Allotment One and the issue of the Entitlement Securities are completed pursuant to Shareholder approval of Resolutions 1, 2 and 4, but Kiwanda **does not** exercise any of the Phosphate Payment Options:
 - (i) Kiwanda's shareholding in the Company will increase to 27.0% from a current shareholding of 19.9% (assuming that Kiwanda will take up its Entitlement); and
 - (ii) Lara's shareholding in the Company will increase from nil to 25.7%
- (d) If Allotment One and the issue of the Entitlement Securities are completed, and Allotment Two is completed as a result of the Relevant Milestones being achieved (and Kiwanda Mines and Lara exercise their notices with respect to the Milestone Options) pursuant to Shareholder approval of Resolutions 1, 2 and 4, but Kiwanda **does not** exercise any of the Phosphate Payment Options:
 - (i) Kiwanda's shareholding in the Company will increase to 30.1% from a current shareholding of 19.9% (assuming that Kiwanda will take up its Entitlement); and
 - (ii) Lara's shareholding in the Company will increase from nil to 30.1%.

Please refer to the Independent Expert's Report for a detailed explanation about how the voting power of Kiwanda may influence your rights.

These numbers and percentages assume that the Company does not issue any other Shares to any person other than as set out in the Notice.

(iii) Intentions as to the Future of the Company

The present intentions for the Company, if the Resolutions in the Notice of Meeting are approved by Shareholders, are as set out in Section 3 (*Material Terms of the Heads of Agreement*).

(iv) Budget

The Company estimates that the costs associated with the Acquisition will be in the order of \$250,000.

(v) Financial and Dividend Policies of the Company

There is no immediate intention of the Directors to change the financial or dividend policies of the Company.

(vi) **Acquisition is fair and reasonable.**

The Expert's Report concludes that the Acquisition set out in this Explanatory Statement is fair and reasonable to non-associated Shareholders. You should consider the Expert's Report in detail.

6.9 ASX's Role

Under Listing Rule 15.1, the Company must give ASX the Notice of Meeting and the Explanatory Statement prior to dispatch to Shareholders.

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX is not to be taken as an indication of the merits of the Acquisition or any of the Resolutions contemplated by the Notice of Meeting. ASX and its respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

7 DEFINED TERMS AND INTERPRETATION

7.1 Defined terms

In this Explanatory Statement:

\$, AU, A\$ or AUD is a reference to the lawful currency of the Commonwealth of Australia.

Acquisition means the acquisition of:

- (a) the Agreed Assets the subject of the Heads of Agreement; and
- (b) the Other Assets.

Agreed Assets means the assets set out on Schedule 1 to this document, in connection with the Heads of Agreement.

Agreed Phosphate Shares means the proportion of Shares to be paid as payment of the Phosphate Residual to Kiwanda Mines as agreed between the Company and Kiwanda Mines in accordance with the terms of the Heads of Agreement.

Alliance Agreements means:

- (a) the agreement entitled "Phosphate Alliance Agreement" between the Kiwanda Group LLC and Lara Exploration Ltd dated on or around 12 December 2011; and
- (b) the agreement entitled "Coal Alliance Agreement" between the Kiwanda Group LLC and Lara Exploration Ltd dated on or around 12 December 2011.

Allotment One means:

- (a) the issue and allotment of Shares to Kiwanda Mines and Lara immediately on completion of the Kiwanda Transaction, including the:
 - (i) Coal Amount Shares;
 - (ii) Carbhid Amount Shares;
 - (iii) Phosphate Amount Shares; and
- (b) excludes the Shares to be issued and allotted to Kiwanda Mines and Lara:
 - (i) on completion of the Relevant Milestones; and
 - (ii) on exercise of a notice from Kiwanda Mines and Lara (respectively) with respect to the relevant Milestone Options.

Allotment Two means the issue and allotment of Shares to Kiwanda Mines and Lara:

- (a) on completion of the Relevant Milestones; and
- (b) on exercise of a notice from Kiwanda Mines and Lara (respectively) with respect to the relevant Milestone Options.

Allotment Three means the issue and allotment of Shares to Kiwana Mines in consideration for the Other Assets.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning set out in sections 11 to 17 of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.

ASX Listing Rules or Listing Rules means the listing rules of ASX and any other rules of ASX that apply while the relevant entity is admitted to the official list of ASX, each as amended or replaced from time to time and as modified by any express written waiver or exemption given by ASX.

Board means the board of directors of the Company.

Business Day means a day on which trading banks are open for business in Sydney and Perth, Australia, but does not include a Saturday, Sunday or public or banking holiday.

Carbhid Amount means the amount which is the acquisition cost of the shares in Carbhid SAS, a Colombian based coal mining company.

Carbhid Amount Shares means the Shares issued pursuant to satisfaction of the Carbhid Amount as detailed in Section 3.2.1(b).

Capital Raising has the meaning given to it in section 3.9 of this Notice of Meeting.

Closing Date means the date specified as the "Closing Date" in the timetable set out in a prospectus which may be issued by the Company.

Coal Allotment One means the issue and allotment of Shares to Kiwanda Mines and Lara immediately on completion of the Kiwanda Transaction with respect to the Coal Amount Shares and the Carbhid Amount Shares.

Coal Amount means the amount which is the mid-point valuation determined by the independent valuator of all of the Coal Assets.

Coal Amount Shares means the Shares issued with respect to the Coal Amount as detailed in Section 3.2.1(a)(i)(2).

Coal Assets means the coal assets set out on Schedule 1 to this document, in connection with the Heads of Agreement.

Coal Assets Royalty has the meaning given to it in Section 3.2.1(c).

Coal Assets Valuation the mid-point valuation of the Coal Assets based on the Coal Assets Valuation Reports as determined by the Valuer, being US\$2,214,500.

Coal Assets Valuation Reports means the HDR Salva report dated November 2014, prepared by the Valuer.

Coal Milestone One means the production by Carbhid SAS ("Carbhid") of more than 300 tonnes of coal per month for three consecutive months from the Coal Assets.

Coal Milestone Two being the identification of the Coal Assets of an Indicated Mineral Resource under JORC of not less than 20 million tonnes of coal.

Coal Milestones means each of Coal Milestone One and Coal Milestone Two.

Coal Milestone Options means the option to issue Shares as detailed in Section 3.2 (*"Consideration Payable under the Transaction"*), pursuant to the Heads of Agreement with respect to the payment of the Coal Assets.

Coal P-Note means the promissory note for US\$ 450,000 issued by Andean Coal (BVI) in favour of Lara as detailed in the Heads of Agreement.

Coal Repayment means the repayment of the Coal P-Note.

Company means Phillips River Mining Limited (ACN 004 287 790).

Corporations Act means the *Corporations Act 2001* (Cth).

Director(s) means the directors of the Company as at the date of this document.

Eligible Shareholder means an existing Shareholder of the Company as at the Record Date.

Entitlement means the entitlement of each Eligible Shareholder to a maximum of 10,000 Shares at an issue price of \$0.25 per Share.

Entitlement and Acceptance Form means the form entitled "Entitlement and Acceptance Form" marked "Annexure A" and either attached to or accompanying a prospectus, which may be issued by the Company.

Entitlement Securities means the Shares to be issued pursuant to the Offer.

Equity Securities has the meaning given to it in the ASX Listing Rules.

Exchange Rate has been agreed as a forward rate between the parties of one Australian dollar being equal to 0.85 United States dollar.

Explanatory Statement means the Explanatory Statement accompanying the Notice of Meeting.

First Coal Amount Instalment has the meaning given to it in Section 3.2.1(a)(i) (*Payment for Coal Assets*).

First Heads of Agreement means the agreement entitled "Heads of Agreement", between the Company, Kiwanda Mines and Lara dated 15 May 2014.

First Phosphate Amount Instalment has the meaning given to it in Section 3.2.2(a)(i) (*Payment for Phosphate Assets*).

General Meeting means the general meeting of the Shareholders convened for the purposes of considering the Resolutions.

Government Authority means a government or government department or other body, a governmental, semi-governmental or judicial person or a person (whether autonomous or not) who is charged with the administration of a law.

Heads of Agreement means the agreement entitled “Definitive Agreement” between Kiwanda Mines and Lara (as vendors), and the Company (as purchaser), dated 14 October 2014.

Independent Expert means Lonergan Edwards & Associates Limited of Level 27, 363 George Street, Sydney NSW 2000 (AFS Licence No 246532).

Independent Expert’s Report means the report of the Expert attached to and forming part of the Explanatory Statement being Annexure A to this Explanatory Statement.

Kiwanda means Kiwanda Group and Kiwanda Mines.

Kiwanda Australia means Kiwanda Australia Pty Limited (ACN 169 130 214).

Kiwanda Group means Kiwanda Group LLC.

Kiwanda Mines means Kiwanda Mines (NA) LLC.

Kiwanda Transaction means the transaction pursuant to the Heads of Agreement and as described in Section 3 (*Material Terms of the Heads of Agreement*).

Lara means Lara Exploration Limited.

Market Price has the name given to it in the ASX Listing Rules.

Milestone Options means:

- (a) the Coal Milestone Options; and
- (b) the Phosphate Milestone Options.

Notice of Meeting means the document entitled “Notice of General Meeting”, being the notice convening the General Meeting accompanying this Explanatory Statement.

Offer means the non-renounceable Entitlement issue the subject of the Prospectus.

Other Assets means the assets detailed in Section 3.13 (*Other Assets*) in this Explanatory Statement.

Phosphate Amount Shares means the Shares issued with respect to the Phosphate. Amount as detailed in Section 3.2.2(a)(i)(2).

Phosphate Assets means the phosphate assets set out on Schedule 1 to this document, in connection with the Heads of Agreement.

Phosphate Assets Royalty has the meaning given to it in Section 3.2.2(c).

Phosphate Assets Valuation the mid-point valuation of the Phosphate Assets based on the Phosphate Assets Valuation Report as determined by the Valuer, being.

Phosphate Assets Valuation Report means the report by HDR Salva dated November 2014 prepared by the Valuer.

Phosphate BVI means the Phosphate Alliance (BVI) Ltd.

Phosphate Milestone One means the achievement of production by the Company of more than 2,000 tonnes of phosphate per month for three consecutive months

Phosphate Milestone Two means the completion of the drilling program on the Bahia Inglesa property identifying an Indicated Mineral Resource under JORC of not less than 40 million tonnes of phosphate.

Phosphate Milestones means each of Phosphate Milestone One and Phosphate Milestone Two.

Phosphate Milestone Options has the meaning given to it in Section 3.2.2(a)(ii) ("*Phosphate Amount*"), being the option to issue Shares, pursuant to the Heads of Agreement with respect to the payment of the Phosphate Assets.

Phosphate Payment Options means the options to be issued by the Company as consideration for the Phosphate Assets as detailed in Section 3.2.2(b) ("*Phosphate Payment Options*"), pursuant to the Heads of Agreement.

Phosphate Payment Shares means the shares issued by the Company pursuant to the issuances contemplated in Section 3.2(b)(i)(2) and Section 3.2(b)(ii) relating to the payment of the Phosphate Assets under the Heads of Agreement, being the:

- (a) the Phosphate Amount Shares; and
- (b) the Phosphate Milestone Options.

Phosphate P-Note means the promissory note for US\$ 320,000 issued by Kiwanda Alliance (BV1) Ltd in favour of Lara as detailed in the Heads of Agreement.

Phosphate Repayment means the repayment of the Phosphate P-Note.

Phosphate Residual means the remaining 50% of the Phosphate Asset Valuation (after payment of the initial 50% immediate on consummation of the Kiwanda Transaction) as detailed in Section 3.2.2(a)(ii) ("*Phosphate Amount*").

Placement Securities means the Shares issued pursuant to Resolution 4.

PRH means the Company.

Prospectus means a prospectus in connection with the Offer by the Company.

Proxy Form means the proxy form accompanying the Notice of Meeting.

Record Date means the date specified in the timetable as the "Record Date" set out in a prospectus which may be issued by the Company.

Related Party means a party so defined by section 228 of the Corporations Act.

Relevant Interest has the meaning given in section 608 of the Corporations Act.

Relevant Loans means the loans as described in Section 4.6 of the Explanatory Statement.

Relevant Milestones means:

- (a) the Coal Milestones; and
- (b) the Phosphate Milestones,

as detailed in **Section 3** (*Material Terms of the Heads of Agreement*).

Relevant Party means Kiwanda Mines and Lara.

Resolution means a resolution to be considered at the General Meeting as contained in the Notice of Meeting.

Resource Information means the information relating to the Agreed Assets and the Valuations.

Schedule means a schedule to the Explanatory Statement.

Section means a section of this Notice of Meeting and Explanatory Statement.

Securities means each of the following:

- (a) the Shares;
- (b) the Phosphate Payment Options; and
- (c) the Milestone Options.

Share means ordinary shares in the capital of the Company.

Shareholder means a shareholder of the Company.

Shareholder Approval means the passing of all Resolutions by the shareholders of the Company under the Notice of Meeting.

Special Resolution means a resolution that it must be passed by at least 75% of the votes cast by members entitled to vote on the Resolution.

Transaction Agreements means:

- (a) the Heads of Agreement; and
- (b) any other deed, agreement, instrument or document deemed as a “Transaction Agreement” pursuant to the Heads of Agreement.

\$US is a reference to the lawful currency of the United States.

Valuations means:

- (a) the Coal Assets Valuation; and
- (b) the Phosphate Assets Valuation.

Valuer means HDR Salva.

Vendors means Kiwanda Mines and Lara.

Schedule 1 – Agreed Assets

(A) Kiwanda Alliance (BVI) Ltd

Kiwanda Alliance (BVI) Ltd (“**Phosphate BVI**”) is a British Virgin Island company owned 50% by Lara and 50% by Kiwanda.

Phosphate BVI is a generative company formed for the purpose of sourcing, vetting and acquiring phosphate rock prospects in the Andean Region of South America.

Phosphate BVI holds the following phosphate Interests:

1. BiFox/SCM Option

The BiFox/SCM option was granted under an agreement between Phosphate BVI, as optionee, and Compania Minera de Fosfatos Naturales BiFox Ltda (BiFox) and SCM Bahia Inglesa Ltda (SCM), as optionor. It gives Kiwanda the right to acquire 100% of certain mining licenses at Bahia Inglesa, Copiapo, Chile covering 6,090 hectares and consisting of:

- 277 tenements (1,385 hectares total) owned by SCM.
- 941 tenements (4,705 hectares total) owned by BiFox.

To exercise the Option, Kiwanda must pay the following amounts and royalty:

Milestone	Payment (USD)	Condition
Definitive Agreement	\$400,000	Due upon date of signature
12 Months	\$3,000,000	Cash payment due 12 months from date of signature
24 Months	\$8,000,000	Cash payment 24 months from date of signature
48 Months	\$2,000,000	Payable if phosphate concentrate (30% P ₂ O ₅) prices are greater than US \$200 per ton
Production Royalty	2%	Payable on production if phosphate concentrate (30%) prices are less than US\$200 per ton.
Production Royalty	3%	Payable on production if phosphate concentrate (30%) prices are between US\$200 and US\$300 per ton.
Production Royalty	5%	Payable on production if phosphate concentrate (30%) prices are greater than US\$300 per ton.

2. Ki Exploration Licenses

The Ki Exploration Licenses are a series of 53 exploration licences 100% owned by Phosphate BVI and adjacent to the BiFox/SCM mining properties covering total of approximately 19,900 hectares. The Licenses are described in the following table:

Name	Center PSAD56 UTM		Side length [m]		Area [has.]		Code nbr. (Rol)
	N [m]	E [m]	N-S	E-W	filed	Explorable	
Ki 1	6,990,500	314,500	3,000	1,000	300	300	032022432 - 2
Ki 2	6,990,500	315,500	3,000	1,000	300	300	032022433 - 0
Ki 3	6,987,500	314,500	3,000	1,000	300	200	032022434 - 9
Ki 4	6,987,500	315,500	3,000	1,000	300	200	032022435 - 7
Ki 5	6,985,500	311,500	3,000	1,000	300	256	032022436 - 5
Ki 6	6,985,500	312,500	3,000	1,000	300	271.5	032022437 - 3
Ki 7	6,985,500	313,500	3,000	1,000	300	300	032022438 - 1
Ki 8	6,984,500	314,500	3,000	1,000	300	300	032022439 - k
Ki 9	6,983,500	312,500	3,000	1,000	300	275	032022440 - 3
Ki 10	6,981,500	311,500	3,000	1,000	300	300	032022441 - 1
Ki 11	6,981,500	312,500	3,000	1,000	300	300	032022442 - k
Ki 12	6,981,500	313,500	3,000	1,000	300	300	032022443 - 8
Ki 13	6,981,500	314,500	3,000	1,000	300	300	032022444 - 6
Ki 14	6,981,500	315,500	3,000	1,000	300	300	032022445 - 4
Ki 15	6,981,500	316,500	3,000	1,000	300	300	032022446 - 2
Ki 16	6,978,500	311,500	3,000	1,000	300	300	032022447 - 0
Ki 17	6,979,000	312,500	2,000	1,000	200	200	032022448 - 9

Name	Center PSAD56 UTM		Side length [m]		Area [has.]		Code nbr. (Rol)
	N [m]	E [m]	N-S	E-W	filed	Explorable	
Ki 18	6,978,500	313,500	3,000	1,000	300	300	032022449 - 7
Ki 19	6,978,500	314,500	3,000	1,000	300	300	032022450 - 0
Ki 20	6,978,500	315,500	3,000	1,000	300	300	032022451 - 9
Ki 21	6,978,500	316,500	3,000	1,000	300	300	032022452 - 7
Ki 22	6,990,500	308,500	1,000	3,000	300	67.5	032022559 - 0
Ki 23	6,990,000	310,500	2,000	1,000	200	70	032022560 - 4
Ki 24			2,000	1,000	200	90	032022544 - 2
Ki 25	falta		2,000	1,000	200	20	032022 -
Ki 26	6,987,900	311,500	2,000	1,000	200	200	032022561 - 2
Ki 27	6,978,500	320,500	3,000	1,000	300	300	032022562 - 0
Ki 28	6,978,500	321,500	3,000	1,000	300	185	032022563 - 9
Ki 29	6,978,500	322,500	3,000	1,000	300	135	032022564 - 7
Ki 30	6,978,500	323,500	3,000	1,000	300	280	032022565 - 5
Ki 31	6,978,500	324,500	3,000	1,000	300	300	032022566 - 3
Ki 32	6,978,500	325,500	3,000	1,000	300	250	032022567 - 1
Ki 33	6,981,500	320,500	3,000	1,000	300	45	032022568 - k
Ki 34	6,981,500	321,500	3,000	1,000	300	300	032022569 - 8
Ki 35	6,981,500	322,500	3,000	1,000	300	300	032022570 - 1
Ki 36	6,981,500	323,500	3,000	1,000	300	300	032022571 - k

Name	Center PSAD56 UTM		Side length [m]		Area [has.]		Code nbr. (Rol)
	N [m]	E [m]	N-S	E-W	filed	Explorable	
Ki 37	6,981,500	324,500	3,000	1,000	300	300	032022572 - 8
Ki 38	6,984,500	320,500	3,000	1,000	300	165	032022573 - 6
Ki 39	6,984,500	321,500	3,000	1,000	300	300	032022574 - 4
Ki 40	6,984,500	322,500	3,000	1,000	300	300	032022575 - 2
Ki 41	6,984,500	323,500	3,000	1,000	300	300	032022576 - 0
Ki 42	6,987,500	320,500	3,000	1,000	300	25	032022577 - 9
Ki 43	6,987,500	321,500	3,000	1,000	300	250	032022578 - 7
Ki 44	6,987,500	322,500	3,000	1,000	300	300	032022579 - 5
Ki 45	6,990,500	320,500	3,000	1,000	300	90	032022580 - 9
Ki 46	6,990,500	321,500	3,000	1,000	300	190	032022581 - 7
Ki 47	6,993,500	320,500	3,000	1,000	300	75	032022582 - 5
Ki 48	6,993,500	321,500	3,000	1,000	300	145	032022583 - 3
Ki 49	6,993,500	323,000	3,000	1,000	300	282	032022584 - 14
Ki 50	6,996,500	323,000	3,000	1,000	300	300	032022585 - k
Ki 51	6,999,000	323,000	2,000	1,000	200	166	032022586 - 8
Ki 52	6,995,000	324,000	3,000	1,000	300	300	032022587 - 6
Ki 53	6,998,000	324,000	3,000	1,000	300	276	032022588 - 4

(B) Andean Coal (BVI) Ltd

Andean Coal (BVI) Ltd ("**Coal BVI**") is a British Virgin Island company owned 50% by Lara and 50% by Kiwanda.

Coal BVI is a generative company formed with a mandate to source, vet and acquire coal prospects in Colombia and Peru.

Coal BVI holds the following coal interests:

1. 19.9% Ownership of the Issued and Outstanding Securities of Carbhid SAS

Coal BVI holds a 19.9% interest in Carbhid SAS, a Colombia-based coal mining company with offices in Bogota ("**Carbhid**").

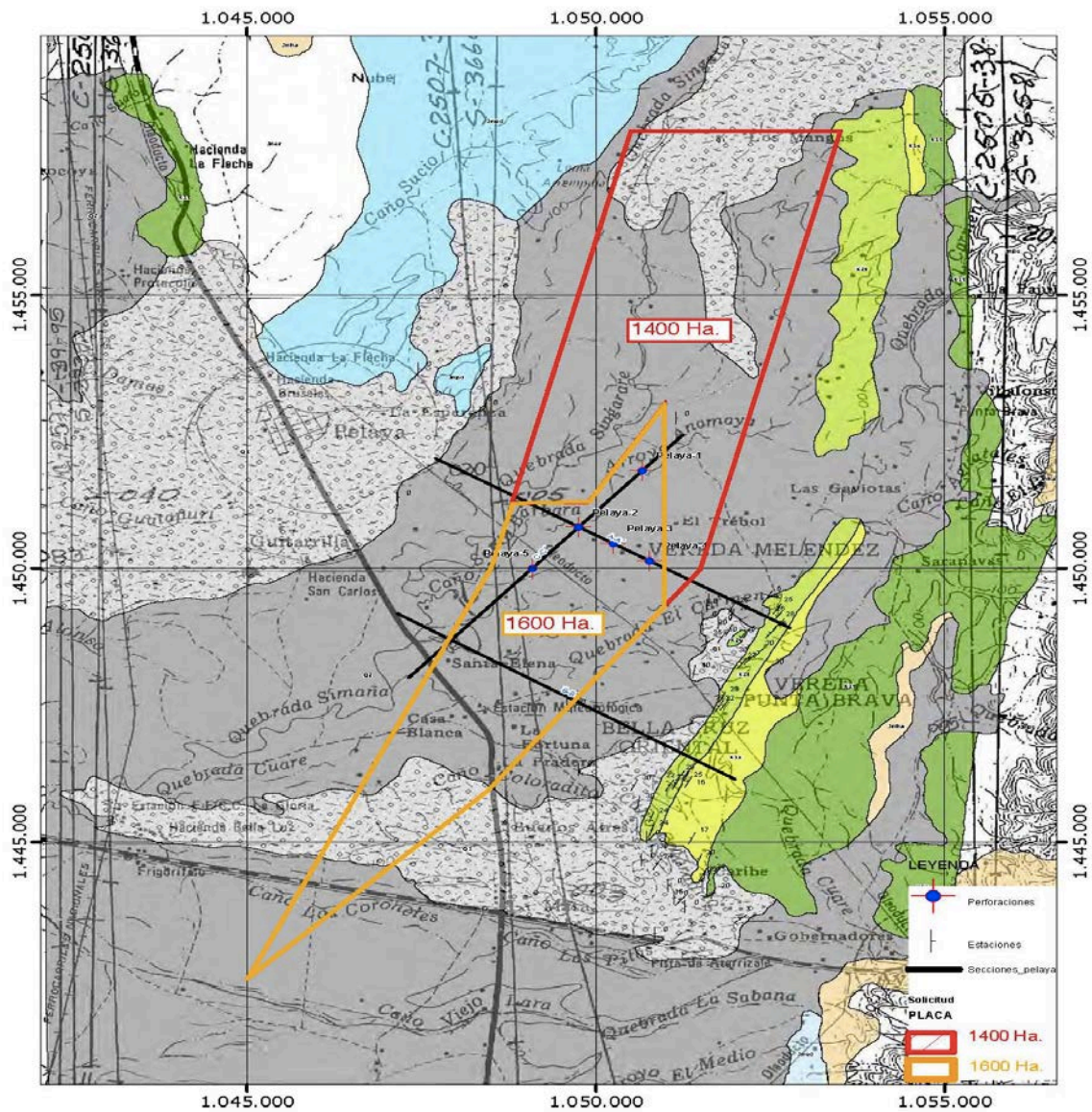
Carbhid is the owner and operator of the Escalones Coal Mining Property in the Boyaca Department of Colombia.

2. Escalones Coal Mining Lease Option

Coal BVI holds an option to acquire from Carbhid a 51% interest in the Escalones Mining Lease. The lease covers the Escalones Mining Property. The option allows Kiwanda to earn a 51% interest in the Escalones Mining Lease by funding US\$830,000 of development costs associated with the build-out of mining shafts, equipment upgrades and general production capacity expansion.

3. Pelaya Coal Project Option

The Pelaya Coal Project is located in the Cesar Department of Colombia and comprises one exploration license totalling 1,642 hectares shown on the map below. The Pelaya License is the south area in Orange.



The Pelaya Coal Project Option is an option held by Kiwanda to acquire a 100% interest in the Pelaya Coal Project's exploration license by carrying out the following:

Milestone	Date	Cash Payment (USD)	Work Expenditure (USD)
Definitive Agreement	Upon Signing	\$350,000	-
Exploration Commitment	Years 1-4	-	\$5,000,000
Payment	12 months	\$200,000	-
Payment	24 months	\$200,000	-
Feasibility Study	2 Years	-	\$3,000,000
Payment	36 months	\$200,000	-
Payment	48 months	\$350,000	-

Milestone	Date	Cash Payment (USD)	Work Expenditure (USD)
Payment	60 months	\$2,500,000	-
TOTAL	-	\$3,800,000	\$8,000,000

Kiwanda has made an initial US\$60,000 down payment towards the first \$350,000 execution payment.

Schedule 2 – Pro forma capital structure calculations

COAL ASSETS CONSIDERATION			ITEM
Total Coal Assets value	US\$	1,764,500	
COAL AMOUNT			
Coal Amount Shares (60% of Valuation)	US\$	1,058,700	
(less) Coal P-Note	US\$	-450,000	
at A\$1 = US\$	US\$	608,700	
0.77	A\$	790,519	
PRH Shares		2,635,065	PRH Shares ¹ 1(A)
<u>Issuances</u>			
Kiwanda Mines		1,317,532	PRH Shares
Lara		1,317,532	PRH Shares
Coal Milestone Shares:			
40% of Valuation	US\$	705,800	
at A\$ = US\$	A\$	916,623	
PRH Shares		3,055,411	PRH Shares 2(A)
Coal Milestone One (50% of the Coal Residual)			
		1,527,706	PRH Shares
<u>Issuances:</u>			
Kiwanda (50%)		763,853	PRH Shares
Lara (50%)		763,853	PRH Shares
Coal Milestone Two (50% of the Coal Residual)			
		1,527,706	PRH Shares
<u>Issuances:</u>			
Kiwanda (50%)		763,853	PRH Shares
Lara (50%)		763,853	PRH Shares
CARBHID AMOUNT SHARES			
Acquisition cost of the shares in Carbhid SAS	US\$	309,750	
at A\$ = US\$	A\$	402,273	
PRH Shares		1,340,909	PRH Shares ¹ 1(B)
<u>Issuances:</u>			
Kiwanda proportion (50%)		670,455	PRH Shares
Lara proportion (50%)		670,455	PRH Shares

PHOSPHATE ASSETS CONSIDERATION			ITEM
Total Phosphate Assets value	US\$	10,800,000	

PHOSPHATE AMOUNT				
50% Valuation	US\$	5,400,000		
(less) Phosphate P-Note	US\$	-320,000		
at A\$ = US\$	US\$	5,080,000		
0.77	A\$	6,597,403		
PRH Shares		21,991,342	PRH Shares	1(C)
	<u>Issuances</u>			
	To Kiwanda (50%)	10,995,671	PRH Shares	
	To Lara (50%)	10,995,671	PRH Shares	
Phosphate Milestone Shares				
50% of Valuation	US\$	5,400,000		
at A\$ = US\$	A\$	7,012,987		
PRH Shares		23,376,623	PRH Shares	2(B)
Phosphate Milestone One (50% of the Phosphate Amount)		11,688,312	PRH Shares	2(C)
	<u>Issuances</u>			
	To Kiwanda (50%)	5,844,156	PRH Shares	
	To Lara (50%)	5,844,156	PRH Shares	
Phosphate Milestone Two (50% of the Phosphate Amount)		11,688,312	PRH Shares	2(D)
	<u>Issuances</u>			
	To Kiwanda (50%)	5,844,156	PRH Shares	
	To Lara (50%)	5,844,156	PRH Shares	
PHOSPHATE PAYMENT OPTIONS		45,367,965	PRH Shares	3(A)
Number of options issued pursuant to the number of Phosphate Payment Shares and the Phosphate Milestone Options (the total of (A), (B) and (C))	Issuances to Kiwanda	45,367,965	PRH Options	
OTHER ASSETS CONSIDERATION				
Carbhid Shares	US\$	50,000		
	A\$	64,935		
		216,450	PRH Shares	4(B)
	Issuances to Kiwanda	216,450	PRH Shares	

Schedule 3A – Terms and Conditions of Phosphate Payment Options

The Phosphate Payment Options entitle Kiwanda Mines to subscribe for the Shares on the following terms and conditions:

- (a) The grant of the Phosphate Payment Options is conditional on and not effective unless:
 - (i) the Heads of Agreement is duly executed by the parties to it; and
 - (ii) where required, the Company obtaining the approvals (including shareholder approvals under the terms of ASX Listing Rule 7.1) to lawfully and validly issue such relevant Shares pursuant to the exercise of (all or part) the Phosphate Payment Options, the trading day after all such approvals have been obtained,

(“**Conditions Precedent**”).

- (b) The Company must, no later than 5 Business Days after satisfaction of the Conditions Precedent, irrevocably grant to Kiwanda Mines the number of 45,367,965 Phosphate Payment Options.

- (c) Each Phosphate Payment Option is exercisable for the issue by the Company of one Share at the **Exercise Price**.

The Exercise Price will be determined by the date of exercise of the option. Where the option is exercised in the first 12 months following the date of the shareholder approval the exercise price will be \$0.25 per share. Where the option is exercised in the second 12 months following the date of the shareholder approval the exercise price will be \$0.30 per share. Where the option is exercised in the third 12 months following the date of the shareholder approval the exercise price will be \$0.40 per share.

- (d) Kiwanda Mines acknowledges and agrees that an issue of Shares is subject to the Company obtaining the approvals (including shareholder approvals under the terms of ASX Listing Rule 7.1) required to lawfully and validly issue such Shares, the trading dDay after all such approvals have been obtained.

- (e) A Phosphate Payment Option automatically lapses immediately after the exercise period, being the period commencing on the date of the grant of the Phosphate Payment Options and ending on 5.00pm (EST) on the “Expiry Date” (being the date falling 36 months after the date of grant of the Phosphate Payment Options) (the “**Exercise Period**”).

If a Phosphate Payment Option lapses, neither party is liable to the other party for any damages, expenses, losses, actions, claims or demands arising out of a Phosphate Payment Option (without prejudice to the rights of the parties already existing under this deed as at that date).

- (f) Kiwanda Mines may exercise a Phosphate Payment Option at any time during the Exercise Period.
- (g) To exercise a Phosphate Payment Option, Kiwanda Mines must deliver to the Company a written notice of exercise of Phosphate Payment Options specifying (amongst other things) the number of Phosphate Payment Option (“Exercise Notice”).
- (h) If Kiwanda Mines delivers an Exercise Notice, then Kiwanda Mines as subscriber, and the Company, as issuer, are immediately bound under a contract for the issue of the relevant Shares.

Schedule 3B – Terms and Conditions of Coal Milestone Options

The Coal Milestone Options entitle Kiwanda Mines and Lara to subscribe for the Shares on the following terms and conditions:

- (a) The grant of the Phosphate Payment Options is conditional on and not effective unless:
 - (i) the Heads of Agreement is duly executed by the parties to it; and
 - (ii) where required, the Company obtaining the approvals to lawfully and validly issue such relevant Shares pursuant to the exercise of (all or part) the Phosphate Payment Options, the trading day after all such approvals have been obtained,

(“**Conditions Precedent**”).

- (b) The Company must, no later than 5 Business Days after satisfaction of the Conditions Precedent, irrevocably grant to Kiwanda Mines and Lara 3,055,411 of Coal Milestone Options (with Kiwanda Mines and Lara each holding 50%).

- (c) Each Coal Milestone Option is exercisable for the issue by the Company of one Share at the **“Coal Milestone Option Exercise Price”**.

The Coal Milestone Option Exercise Price will be determined by the date of exercise of the option. Where the option is exercised the exercise price will be A\$0.30 per share.

- (d) Kiwanda Mines and Lara acknowledge and agree that an issue of Shares is subject to the Company obtaining the approvals required to lawfully and validly issue such Shares, and will be issued the trading day after all such approvals have been obtained.
- (e) A Coal Milestone Option automatically lapses immediately after the exercise period, being the period commencing on the date of the grant of the Coal Milestone Option (**“Commencement Date”**) and ending on the date falling 5 years after the Commencement Date (the **“Coal Milestone Exercise Period”**).
- (f) Kiwanda Mines or Lara may exercise a Coal Milestone Option at any time during the Exercise Period, subject to the completion of Coal Milestone One or the Coal Milestone Two.
- (g) To exercise a Coal Milestone Option, Kiwanda Mines or Lara must deliver to the Company a written notice notifying the Company of the achievement of the Coal Milestone One or Coal Milestone Two and its election to exercise the Coal Milestone Options, specifying (amongst other things) the number of Coal Milestone Options to be exercised (**“Coal Milestone Option Exercise Notice”**).
- (h) If Kiwanda Mines or Lara delivers a Coal Milestone Option Exercise Notice, then Kiwanda Mines or Lara (as subscriber), and the Company (as issuer), are immediately bound under a contract for the issue of the relevant Shares.

Schedule 3C – Terms and Conditions of Phosphate Milestone Options

The Phosphate Milestone Options entitle Kiwanda Mines and Lara to subscribe for the Shares on the following terms and conditions:

- (a) The grant of the Phosphate Payment Options is conditional on and not effective unless:
 - (i) the Heads of Agreement is duly executed by the parties to it; and
 - (ii) where required, the Company obtaining the approvals to lawfully and validly issue such relevant Shares pursuant to the exercise of (all or part) the Phosphate Payment Options, the trading day after all such approvals have been obtained,

(“**Conditions Precedent**”).

- (b) The Company must, no later than 5 Business Days after satisfaction of the Conditions Precedent, irrevocably grant to Kiwanda Mines and Lara 23,376,623 of Phosphate Milestone Options (with Kiwanda Mines and Lara each holding 50%).
- (c) Each Phosphate Milestone Option is exercisable for the issue by the Company of one Share at the “**Phosphate Milestone Option Exercise Price**”.

The Phosphate Milestone Option Exercise Price will be determined by the date of exercise of the option. Where the option is exercised the exercise price will be A\$0.30 per share.

- (d) Kiwanda Mines and Lara acknowledge and agree that an issue of Shares is subject to the Company obtaining the approvals required to lawfully and validly issue such Shares, and will be issued the trading day after all such approvals have been obtained.
- (e) A Phosphate Milestone Option automatically lapses immediately after the exercise period, being the period commencing on the date of the grant of the Phosphate Milestone Option (“**Commencement Date**”) and ending on the date falling 5 years after the Commencement Date (the “**Phosphate Milestone Exercise Period**”).
- (f) Kiwanda Mines or Lara may exercise a Phosphate Milestone Option at any time during the Exercise Period, subject to the completion of Phosphate Milestone One or the Phosphate Milestone Two.
- (g) To exercise a Phosphate Milestone Option, Kiwanda Mines or Lara must deliver to the Company a written notice notifying the Company of the achievement of the Phosphate Milestone One or Phosphate Milestone Two and its election to exercise the Phosphate Milestone Options, specifying (amongst other things) the number of Phosphate Milestone Options to be exercised (“**Phosphate Milestone Option Exercise Notice**”).
- (h) If Kiwanda Mines or Lara delivers a Phosphate Milestone Option Exercise Notice, then Kiwanda Mines or Lara (as subscriber), and the Company (as issuer), are immediately bound under a contract for the issue of the relevant Shares.

ANNEXURE A

EXPERT'S REPORT

Annexure to Notice of General Meeting Explanatory
Statement

General Meeting

to be held at K&L Gates, Level 31, 1 O'Connell Street,
Sydney NSW 2000 on 15 May 2015 commencing at
11.00am (AEST)

The Directors
Phillips River Mining Limited
Level 7
92 Pitt Street
Sydney NSW 2000

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
Facsimile: [61 2] 8235 7550
www.lonerganedwards.com.au

4 March 2015

Subject: Proposed acquisition of coal and phosphate assets

Dear Directors

The Kiwanda Transaction

- 1 In May 2014, Phillips River Mining Limited (Phillips River) announced that it had entered into a heads of agreement with Lara Exploration Ltd (Lara) and Kiwanda Mines LLC (Kiwanda) to acquire from Lara and Kiwanda certain rights and options in respect of mining projects in South America. On 14 October 2014 Phillips River announced that it had subsequently entered into a definitive agreement with Lara and Kiwanda in respect of these assets (the Kiwanda Transaction).
- 2 Pursuant to the Kiwanda Transaction, Phillips River proposes to acquire:
 - (a) the coal assets, which comprise:
 - (i) an option to earn a 51% interest in the Escalones coal operation, owned and operated by central Colombian coal producer Carbhid S.A
 - (ii) an option to earn up to a 100% interest in the Pelaya coal property in northern Colombia
 - (iii) a 19.9% interest in Carbhid S.A
 - (b) the phosphate assets, which represent an option to acquire a 100% interest in the Bahia Inglesa phosphate project, including adjacent exploration rights, in northern Chile.
- 3 For the purpose of the Kiwanda Transaction and this report, the coal and phosphate assets to be acquired are defined as the Agreed Assets.
- 4 The consideration payable for the Agreed Assets comprises¹:
 - (a) for the coal assets US\$2.66 million, which is payable as to 60% on completion of the Kiwanda Transaction, with the remaining 40% to be paid in two equal instalments of

¹ In calculating the consideration to be settled by way of the issue of shares in Phillips River, the agreement provides for adoption of the exchange rate three days prior to settlement. For the purpose of this report (consistent with the Notice of Meeting), an exchange rate of A\$1.00 = US\$0.77 has been adopted. Due to the correlation between the value of the Agreed Assets and the number of Phillips River shares to be issued, the Kiwanda Transaction is not sensitive to movements in the exchange rate.

20% on achievement of production and resource establishment milestones². The amount payable on completion comprises:

- (i) a cash payment to Lara of US\$450,000, by way of reimbursement for costs incurred by Lara in acquiring and maintaining the interests to be acquired
- (ii) the issue of 3,803,896 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each
- (iii) the “Carbhid amount” (being the acquisition cost of US\$450,000 of the shares in Carbhid S.A), by way of the issue of 1,948,052 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$ 0.30 per share

(b) for the phosphate assets:

- (i) US\$10.80 million, which is payable as to 50% on completion of the Kiwanda Transaction, with the remaining 50% to be paid in two equal instalments of 25% on achievement of production and resource establishment milestones³. The amount payable on completion comprises:
 - a cash payment to Lara of US\$320,000 by way of reimbursement for costs incurred in acquiring and maintaining the interests to be acquired
 - the issue of 21,991,342 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each
- (ii) one option to acquire one ordinary share in Phillips River for each share issued to Kiwanda pursuant to paragraph 4(b)(i) above, on the following terms:
 - the exercise period of each option shall be 3 years from the date of issue of that option; and
 - each option shall be exercisable by the payment of either A\$0.25 in year 1, A\$0.30 in year 2 and A\$0.40 in year 3 respectively for the issue of one ordinary share by Phillips River (which issue shall be subject to obtaining any required approvals).

5 Deferred amounts payable subject to the achievement of production and resource establishment milestones are to be settled as follows:

- (a) for the coal assets (being a balance of US\$0.89 million), by way of the issue of 3,834,632 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each

² In addition, Lara will receive a net production royalty (net of all production costs) of 2% of all coal produced from the coal assets.

³ Consideration payable for the phosphate assets also includes a net production royalty of 2% payable to Lara (based on specified production milestones).

- (b) for the phosphate assets (being a balance of US\$5.40 million), by way of the issue of 23,376,624 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each.
- 6 In addition to the Agreed Assets acquired by the Phillips River pursuant to the Kiwanda Transaction, Phillips River is to acquire the following assets from Kiwanda:
- (a) 40,000,000 shares in Carbhid S.A;
 - (b) phosphate exploration licences obtained by Kiwanda pursuant to settlement of discussions with the Chilean government in favour of Kiwanda; and
 - (c) coal exploration licences granted by the Colombian government on completion of a successful application by Carbhid S.A,
- (the Other Assets)
- 7 The consideration for the Other Assets will comprise:
- (a) US\$50,000 for the shares in Carbhid S.A
 - (b) in respect of the phosphate and coal exploration licences, the issue of shares by Phillips River based on a per hectare valuation adopting the same valuation methodology as applied to the Agreed Assets⁴.
- 8 The reimbursement payments to Lara and Kiwanda⁵ payable on completion are to be financed from a proposed capital raising to be undertaken by Phillips River associated with the Kiwanda Transaction. Phillips River will assume the day-to-day management and associated obligations in respect of the Agreed Assets. Lara will have the right to appoint a director to the Board of directors of Phillips River.
- 9 Kiwanda currently holds 19.9% of the issued capital of Phillips River. The proposed acquisition will therefore result in Kiwanda acquiring an interest of more than 20% in Phillips River. In addition, pursuant to the Kiwanda Transaction, Lara will also acquire an interest of more than 20% in Phillips River. Accordingly, there is a regulatory requirement for Phillips River to commission an independent expert's report (IER).

⁴ At the date of this report no independent valuation of the respective phosphate and coal exploration licences has been undertaken. Accordingly, these assets have been excluded from the transaction analysis set out in sections IV and V of our report. We note however that the consideration payable by Phillips River is to be determined on a consistent basis with that adopted in respect of the Agreed Assets, which we have concluded to be fair and reasonable.

⁵ As noted in Section III of our report, Kiwanda has advanced loan funds to Phillips River to enable it to meet the costs associated with the completion of the Kiwanda Transaction.

10 Further:

- (a) the acquisition of the Agreed Assets represents a significant change in the nature and scale of Phillips River's activities, and therefore requires the approval of Phillips River's shareholders under the ASX Listing Rules
- (b) ASX Listing Rule 7.1 requires the prior approval of shareholders if a company proposes to issue in any 12 month period, equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12 month period
- (c) Kiwanda has a significant interest in the Agreed Assets (and the Other Assets) and is a substantial shareholder in Phillips River and has Board representation. As a result, the Kiwanda Transaction is a related party transaction under the Corporations Act and ASX Listing Rules, and requires shareholder approval.

- 11 Consequently, the Directors of Phillips River have requested that Lonerган Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Kiwanda Transaction is fair and reasonable to the shareholders of Phillips River other than Kiwanda (the non-associated Phillips River shareholders).
- 12 LEA is independent of Phillips River, Kiwanda and Lara and has no involvement with or interest in the outcome of the Kiwanda Transaction other than the preparation of this report.

Summary of opinion

- 13 In our opinion, the Kiwanda Transaction is fair and reasonable to the non-associated Phillips River shareholders. We have formed this view for the reasons set out below.

Assessment of fairness

- 14 Pursuant to ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111), for the Kiwanda Transaction to be 'fair', the expected trading price of shares in Phillips River post the Kiwanda Transaction (assessed on a minority interest basis) must be equal to or greater than the estimated full underlying value of shares in Phillips River prior to the Kiwanda Transaction.
- 15 We have determined the estimated full underlying value of shares in Phillips River prior to the Kiwanda Transaction to be nominal.
- 16 In considering a trading price of shares in Phillips River post the Kiwanda Transaction (assessed on a minority interest basis) we note that shares in Phillips River are currently suspended from trading on the ASX. In considering alternative value reference points for the purpose of evaluation of the Kiwanda Transaction we have had regard to:
 - (a) the percentage interest in Phillips River shares to be held by non-associated shareholders post the transaction
 - (b) the price at which shares are proposed to be issued pursuant to the capital raising to be undertaken by Phillips River associated with the transaction.

- 17 We have determined that the indicative underlying value of the percentage interest in Phillips River shares to be held by non-associated shareholders post the transaction is around A\$870,000.
- 18 The shares to be issued pursuant to the capital raising are to be priced at A\$0.25 per share (with a total raising of around A\$5.3 million targeted). These shares represent minority interests in Phillips River. In the circumstances of the Kiwanda Transaction, we consider the issue price of A\$0.25 per share to be reasonably representative of the price at which shares in Phillips River (on a minority interest basis) are likely to trade subsequent to the transaction (at least in the short-term)⁶.
- 19 We have therefore concluded that the Kiwanda Transaction is fair to the non-associated Phillips River shareholders.

Assessment of reasonableness

- 20 Under RG111, the Kiwanda Transaction is reasonable if it is fair. Accordingly, we have concluded that the Kiwanda Transaction is both fair and reasonable.

Other matters

Share trading

- 21 Shares in Phillips River are currently suspended from trading on the ASX. Associated with the Kiwanda Transaction and concurrent capital raising, Phillips River intends to apply for the reinstatement of trading in shares in the company on the ASX. Assuming this application is successful, non-associated shareholders in Phillips River will benefit from the effective re-establishment of a market for their shares.

Dilution

- 22 Consistent with the nature of backdoor listings, the aggregate interest of non-associated shareholders (prior to the proposed capital raising) is significantly diluted pursuant to the Kiwanda Transaction. Given the current financial position of Phillips River however, it should be noted that non-associated Phillips River shareholders are likely to be diluted in any event associated with any proposal that represents an effective recapitalisation of Phillips River.

General

- 23 In preparing this report, we have considered the interests of the non-associated Phillips River shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 24 The ultimate decision whether to approve the Kiwanda Transaction should be based on each individual shareholder's assessment of their own circumstances. If Phillips River shareholders are in doubt about the action they should take in relation to the Kiwanda

⁶ In this regard, we note that subsequent to completion of the Kiwanda Transaction and an associated successful capital raising, application is to be made by Phillips River to have trading in its shares (which is currently suspended) reinstated on the ASX.

Transaction, or matters dealt with in this report, shareholders should seek independent professional advice.

- 25 For our full opinion on the Kiwanda Transaction, and the reasoning behind our opinion, we recommend that Phillips River shareholders read the remainder of our report.

Yours faithfully



Martin Holt
Authorised Representative



Craig Edwards
Authorised Representative

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I The Kiwanda Transaction

Terms

- 26 In May 2014, Phillips River Mining Limited (Phillips River) announced that it had entered into a heads of agreement with Lara Exploration Ltd (Lara) and Kiwanda Mines LLC (Kiwanda) to acquire from Lara and Kiwanda certain rights and options in respect of mining projects in South America. On 14 October 2014 Phillips River announced that it had subsequently entered into a definitive agreement with Lara and Kiwanda in respect of these assets (the Kiwanda Transaction).
- 27 Pursuant to the Kiwanda Transaction, Phillips River proposes to acquire:
- (a) the coal assets, which comprise:
 - (i) an option to earn a 51% interest in the Escalones coal operation, owned and operated by central Colombian coal producer Carbhid S.A
 - (ii) an option to earn up to a 100% interest in the Pelaya coal property in northern Colombia
 - (iii) a 19.9% interest in Carbhid S.A
 - (b) the phosphate assets, which represent an option to acquire a 100% interest in the Bahia Inglesa phosphate project, including adjacent exploration rights, in northern Chile.
- 28 For the purpose of the Kiwanda Transaction and this report, the coal and phosphate assets to be acquired are defined as the Agreed Assets.
- 29 The consideration payable for the Agreed Assets comprises⁷:
- (a) for the coal assets US\$2.66 million, which is payable as to 60% on completion of the Kiwanda Transaction, with the remaining 40% to be paid in two equal instalments of 20% on achievement of production and resource establishment milestones⁸. The amount payable on completion comprises:
 - (i) a cash payment to Lara of US\$450,000, by way of reimbursement for costs incurred by Lara in acquiring and maintaining the interests to be acquired
 - (ii) the issue of 3,803,896 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each
 - (iii) the “Carbhid amount” (being the acquisition cost of US\$450,000 of the shares in Carbhid S.A), by way of the issue of 1,948,052 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$ 0.30 per share

⁷ In calculating the consideration to be settled by way of the issue of shares in Phillips River, the agreement provides for adoption of the exchange rate three days prior to settlement. For the purpose of this report (consistent with the Notice of Meeting), an exchange rate of A\$1.00 = US\$0.77 has been adopted. Due to the correlation between the value of the Agreed Assets and the number of Phillips River shares to be issued, the Kiwanda Transaction is not sensitive to movements in the exchange rate.

⁸ In addition, Lara will receive a net production royalty (net of all production costs) of 2% of all coal produced from the coal assets.

(b) for the phosphate assets:

- (i) US\$10.80 million, which is payable as to 50% on completion of the Kiwanda Transaction, with the remaining 50% to be paid in two equal instalments of 25% on achievement of production and resource establishment milestones⁹. The amount payable on completion comprises:
 - a cash payment to Lara of US\$320,000 by way of reimbursement for costs incurred in acquiring and maintaining the interests to be acquired
 - the issue of 21,991,342 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each
- (ii) one option to acquire one ordinary share in Phillips River for each share issued to Kiwanda pursuant to paragraph 29(b)(i) above, on the following terms:
 - the exercise period of each option shall be 3 years from the date of issue of that option; and
 - each option shall be exercisable by the payment of either A\$0.25 in year 1, A\$0.30 in year 2 and A\$0.40 in year 3 respectively for the issue of one ordinary share by Phillips River (which issue shall be subject to obtaining any required approvals).

30 Deferred amounts payable subject to the achievement of production and resource establishment milestones are to be settled as follows:

- (a) for the coal assets (being a balance of US\$0.89 million), by way of the issue of 3,834,632 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each
- (b) for the phosphate assets (being a balance of US\$5.40 million), by way of the issue of 23,376,624 shares in Phillips River (split 50% to Kiwanda and 50% to Lara) at a deemed price of A\$0.30 each.

31 In addition to the Agreed Assets acquired by the Phillips River pursuant to the Kiwanda Transaction, Phillips River is to acquire the following assets from Kiwanda:

- (a) 40,000,000 shares in Carbhid S.A;
 - (b) phosphate exploration licences obtained by Kiwanda pursuant to settlement of discussions with the Chilean government in favour of Kiwanda; and
 - (c) coal exploration licences granted by the Colombian government on completion of a successful application by Carbhid S.A,
- (the Other Assets).

32 The consideration for the Other Assets will comprise:

⁹ Consideration payable for the phosphate assets also includes a net production royalty of 2% payable to Lara (based on specified production milestones).

- (a) US\$50,000 for the shares in Carbhid S.A
 - (b) in respect of the phosphate and coal exploration licences, the issue of shares by Phillips River based on a per hectare valuation adopting the same valuation methodology as applied to the Agreed Assets¹⁰.
- 33 The reimbursement payments to Lara and Kiwanda¹¹ payable on completion are to be financed from a proposed capital raising to be undertaken by Phillips River associated with the Kiwanda Transaction. Phillips River will assume the day-to-day management and associated obligations in respect of the Agreed Assets. Lara will have the right to appoint a director to the Board of directors of Phillips River.

Conditions

- 34 The Kiwanda Transaction is subject to conditions including:
- (a) execution of such other documents (in addition to the definitive agreement) as may be necessary to effect the transaction
 - (b) receipt of all required shareholder, regulatory, ASX and third party approvals and compliance with all applicable regulatory requirements and conditions
 - (c) the representations and warranties of each party in the various transaction agreements being accurate at and as of the closing, and no material adverse changes in the business of the other parties having occurred; and
 - (d) the covenants, agreements and obligations in the various transaction agreements on the part of the other party to be performed or complied with at or prior to the completion of the transaction having been performed and complied with in all material respects.

¹⁰ At the date of this report no independent valuation of the respective phosphate and coal exploration licences has been undertaken. Accordingly, these assets have been excluded from the transaction analysis set out in sections IV and V of our report. We note however that the consideration payable by Phillips River is to be determined on a consistent basis with that adopted in respect of the Agreed Assets, which we have concluded to be fair and reasonable.

¹¹ As noted in Section III of our report, Kiwanda has advanced loan funds to Phillips River to enable it to meet the costs associated with the completion of the Kiwanda Transaction.

II Scope of our report

Purpose

- 35 If the Kiwanda Transaction is approved and all conditions are satisfied, the Kiwanda Transaction will result in Kiwanda and Lara holding a relevant interest of more than 20% in Phillips River.
- 36 Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.
- 37 RG 111 sets out the view of ASIC on the operation of section 611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in section 606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction including an IER.
- 38 As Kiwanda and Lara will acquire more than 20% of Phillips River's shares there is a regulatory requirement for Phillips River to commission an IER. Further:
- (a) the acquisition of the Agreed Assets represents a significant change in the nature and scale of Phillips River's activities, and therefore requires the approval of Phillips River shareholders under the ASX Listing Rules
 - (b) ASX Listing Rule 7.1 requires the prior approval of shareholders if a company proposes to issue in any 12 month period, equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12 month period
 - (c) Kiwanda has a significant interest in the Agreed Assets (and the Other Assets) and is a substantial shareholder in Phillips River and has Board representation. As a result, the Kiwanda Transaction is a related party transaction under the Corporations Act and ASX Listing Rules, and requires shareholder approval.
- 39 Consequently, the Directors of Phillips River have requested that LEA prepare an IER stating whether, in LEA's opinion, the Kiwanda Transaction is fair and reasonable to the non-associated Phillips River shareholders.
- 40 This report has been prepared to assist the Directors of Phillips River in making their recommendation to the shareholders of Phillips River, and to assist those shareholders in assessing the merits of the Kiwanda Transaction.

Basis of assessment

- 41 In preparing our report, we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG111.

- 42 Although the Kiwanda Transaction involves both Item 7 of section 611 of the Corporations Act and related party issues, we consider a report prepared solely for the purpose of Item 7 of section 611 of the Corporations Act to also be sufficient to meet the requirements imposed by ASX Listing Rule 10.10.2.
- 43 RG 111 states that an issue of shares requiring approval under Item 7 of section 611 of the Corporations Act¹² should be analysed as if it were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to section 640 of the Corporations Act being:
- (a) is the offer 'fair' – when assessing takeovers, an offer is 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities the subject of the offer (in this case, shares in Phillips River). This comparison should be made assuming 100% ownership of the entity
 - (b) is it 'reasonable' – an offer is 'reasonable' if it is fair. An offer may also be 'reasonable' if, despite not being 'fair', there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.
- 44 In this instance, given that the allottees (i.e. Kiwanda and Lara) will not provide any consideration directly to the issuing entity's shareholders (i.e. existing shareholders in Phillips River), the policy framework deems the 'consideration' received by the issuing entity's shareholders to be shares in the issuing entity on a post transaction basis. Accordingly, for the Kiwanda Transaction to be 'fair', the expected trading price of shares in Phillips River post the Kiwanda Transaction must be equal to or greater than the estimated full underlying value of shares in Phillips River prior to the Kiwanda Transaction (we understand that it is ASIC's view that the post transaction trading range has to be assessed on a minority interest basis).
- 45 Given the above, our report has therefore considered a range of both qualitative and quantitative factors of the Kiwanda Transaction including:

Fairness

- (a) the value of 100% of Phillips River (prior to the Kiwanda Transaction)
- (b) the value of a minority interest in Phillips River subsequent to the Kiwanda Transaction
- (c) the difference between (a) and (b) in order to assess whether the Kiwanda Transaction is 'fair' to non-associated shareholders in Phillips River

¹² In particular, the acquisition of an interest of greater than 20% in the acquiring entity by the vendor, by the issue of securities by the acquirer to the vendor as consideration for the acquisition.

Reasonableness

- (d) the impact the Kiwanda Transaction will have on the ownership of Phillips River, including the extent to which Kiwanda and/or Lara will obtain control
- (e) the price at which shares are issued pursuant to the proposed capital raising to be undertaken by Phillips River
- (f) the financial position of Phillips River post the Kiwanda Transaction
- (g) the alternatives available to Phillips River
- (h) the relevant position of non-associated shareholders in Phillips River pre and post the Kiwanda Transaction on a like-with-like basis (i.e. minority interest value versus minority interest value)
- (i) other qualitative and strategic issues associated with the Kiwanda Transaction and the extent to which, on balance, they may advantage or disadvantage existing non-associated shareholders in Phillips River if the Kiwanda Transaction proceeds or is rejected.

Limitations and reliance on information

- 46 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 47 Our report is also based upon financial and other information provided by or on behalf of Phillips River. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 48 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Kiwanda Transaction. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 49 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Kiwanda Transaction, rather than a comprehensive audit or investigation of detailed matters.
- 50 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant entities. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

51 In forming our opinion, we have also assumed that:

- (a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects
- (b) if the Kiwanda Transaction becomes legally effective, it will be implemented in accordance with the terms set out in the Notice of Meeting and Explanatory Memorandum.

III Profile of Phillips River

Overview

- 52 Phillips River is an Australian public company listed on the official list of ASX (ASX code PRH). The securities of Phillips River are presently suspended from official quotation.
- 53 Phillips River was incorporated on 18 April 1951 and first admitted to the official list of ASX on 28 January 1993, at which time it traded under the name Kornblums Furnishings Limited. Phillips River has historically operated as a materials company, with a focus on the acquisition and development of gold, silver, copper and other base metals exploration projects.
- 54 On 22 May 2013, Phillips River was suspended from official quotation immediately following a resolution at a general meeting of the company which approved a change in the nature of the company's activities. The change contemplated by Phillips River was underpinned by a Merger Agreement to acquire all of the issued shares of Afranex Gold Ltd, an unlisted public company. The conditions in the Merger Agreement were never satisfied, and the agreement was terminated on 31 January 2014.
- 55 At the date of this report, Phillips River has no current trading activities. Certain administrative expenses are incurred, primarily in relation to its listed status.
- 56 Phillips River currently has 3,205,339 shares on issue, of which 637,801 (representing a 19.9% interest) are held by Kiwanda¹³.

Financial position

- 57 The financial position of Phillips River based on the financial statements as at 30 June 2014, together with the comparative position as at 30 June 2013, was as follows:

	30 Jun 13 A\$000	30 Jun 14 A\$000
Cash and cash equivalents	8	3
Trade and other receivables	3	5
Prepayments and other assets	427	2
Total assets	438	10
Trade and other payables	25	55
Interest bearing loans and borrowings ⁽¹⁾	385	-
Total liabilities	410	55
Net assets / (liabilities)⁽²⁾	28	(45)

¹³ These shares were acquired by Kiwanda from Silver Lake Resources Limited in March 2014 for a consideration of A\$135,000.

Note:

- 1 Loan from Silver Lake Resources Limited, repaid as to A\$320,000 during the period to 31 December 2013. The balance of the loan of A\$65,000 was forgiven.
- 2 Net liabilities as at 30 June 2014 of \$45,000 broadly reflected issued share capital of A\$58.59 million offset by aggregate reported losses of A\$58.64 million.

- 58 The financial statements as at 30 June 2014 included the following statement by the auditor, Deloitte Touche Tohmatsu:

“Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 3 in the financial report which indicates that the consolidated entity incurred a net loss of \$73,284 during the year ended 30 June 2014 and, as of that date, the consolidated entity’s liabilities exceeded its assets by \$45,319. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company and consolidated entity to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business”

- 59 Note 3.4 to the financial statements (in respect of going concern) included the following comments:

“The ability of the company and consolidated entity to continue as going concerns is primarily dependent upon the ability of the consolidated entity to manage its cash flows in line with available cash resources to 28 February 2015, to finalise the Kiwanda Transaction, the successful relisting of the company on the ASX and the completion of the equity capital raising and issue of convertible notes as described above.

If the matters set out above are not successfully achieved prior to 28 February 2015, the directors of the company currently intend to wind up the company and therefore the company and consolidated entity would cease to be going concerns after 28 February 2015. At the date of signing the financial report, the directors are of the view that there is a reasonable basis upon which to form the opinion that the matters set out above will be achieved and that the company and consolidated entity will continue as going concerns.

If the matters are not achieved, there is material uncertainty whether the company and consolidated entity will be able to continue as going concerns and realise their assets and extinguish their liabilities in the normal course of business.”

Valuation of Phillips River

- 60 RG111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- (a) the discounted cash flow (DCF) methodology
- (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
- (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
- (d) the quoted price of listed securities when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on 100% controlling interest basis
- (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

61 In considering a valuation of Phillips River for the purpose of this report we note that:

- (a) Phillips River has yet to establish a profitable earnings stream or positive operating cash flows
- (b) based on the latest reported financial position as at 30 June 2014, Phillip River's ability to meet other than its short-term financial obligations (which are being met by way of a loan from Kiwanda) required the raising of additional equity capital
- (c) in the period to 31 January 2014, Phillips River was unsuccessful in its attempts to raise new equity capital in relation to a proposed merger with Afranex Gold Limited.

62 In the circumstances, we consider the value of Phillips River shares in the absence of the Kiwanda Transaction (or similarly structured proposal) to be nominal.

63 We note that in March 2014, Kiwanda acquired a 19.9% interest in Phillips River from Silver Lake Resources Limited (Silver Lake) for a consideration of A\$135,000.

64 Taken in isolation (and ignoring the minority interest nature of the shareholding acquired) this would suggest a pro-rata value for 100% of the shares in Phillips River of A\$675,000.

65 The shares were acquired by Kiwanda as an initial step in the overall Kiwanda Transaction, which effectively represents a backdoor listing of the interests held by Kiwanda (and Lara) in the Agreed Assets.

66 Given that one of the key inherent characteristics of backdoor listings is the spread of shareholders in the backdoor vehicle (in this case Phillips River) it would be contrary to the transaction objective to assume that a price paid (in this instance) for a 19.9% interest would be representative of consideration for a 100% interest. It is readily apparent that in such hypothetical circumstances the key intangible asset (the spread of shareholders) would no longer exist.

- 67 Accordingly, we do not consider the share transaction between Kiwanda and Silver Lake to represent a basis on which to consider the value of a 100% interest in Phillips River¹⁴.

¹⁴ The value attributed to existing non-associated shareholders in the Kiwanda Transaction is considered further in section V of our report.

IV Agreed Assets

- 68 Kiwanda has interests in a phosphate rock asset (and adjoining exploration acreage) in Chile and two coking coal assets in Columbia, which for the purpose of the Kiwanda Transaction are defined as the 'Agreed Assets'. An overview description of the Agreed Assets is set out below.

Phosphate Assets

- 69 Kiwanda has an interest in the Bahia Inglesa phosphate project, located on the coast in Copiapo in Chile. The Bahia Inglesa project has two components, a licensed mining operation conducted over 6,100 hectares, and 18,600 hectares of licensed exploration tenements immediately adjacent to that mining operation.
- 70 The Bahia Inglesa phosphate deposit was discovered by the Chilean Geological Survey in the 1980s. Since discovery, the Chilean Government has conducted a significant drill program and has reported a non-JORC compliant resource of 88 million tonnes¹⁵. A small scale mining operation has been carried on since the 1990s, with current annual production levels of 10,000 to 12,000 tonnes of phosphate which is sold into the Chilean agricultural market as direct application fertiliser.
- 71 Kiwanda intends to prove up the resource to a JORC compliant status and, subject to a subsequent detailed feasibility study, scale up production on the site in two stages. An initial increase from the current production level of around 10,000 tonnes per annum to 100,000 tonnes per annum is planned, to be followed by a subsequent significant increase in production to approximately 1.5 million tonnes per annum.

Coal Assets

- 72 Kiwanda has interests in two coal assets in Colombia, the Escalones coal operation, which is presently a producing mine, and the Pelaya coal project, a coking coal exploration project.

Escalones Coal Operation

- 73 The Escalones coal operation is a licensed mining operation in the Boyaca Department of Colombia. Currently coal is being mined using an underground bord and pillar method at a rate of around 800 tonnes per month from two mine shafts. The 2015 production target is 1,500 tonnes per month, based on completion of a third mine shaft currently under development.
- 74 The Escalones coal operation produces semi-soft coking coal, which is currently being sold unwashed as high energy thermal coal to a local power station. Kiwanda aims to scale up capacity and sell production into the Colombian coking coal market, at a premium to the current contracted thermal coal price.

Pelaya Coal Project

- 75 The Pelaya coal project is a 1,642 hectare exploration claim, located in the Cesar Department of Colombia. The project is adjacent to major exploration efforts being carried out by

¹⁵ With average phosphate grades of around 10%.

Glencore, and south of major coal mines operated by Glencore, Drummond and interests associated with Goldman Sachs.

- 76 Initial field work, including geophysics, conducted on the project's exploration claim indicated a conceptual resource target of between 20 and 100 million tonnes of coking coal. A five hole, 2,000 metre diamond drill program has been designed with an aim to establish a JORC compliant resource.

Valuation of the Agreed Assets

- 77 Pursuant to the definitive agreement between the parties, the consideration payable for the Agreed Assets is based on the mid-point valuation of the assets determined by an independent valuer. For the purpose of the Kiwanda Transaction, Phillips River commissioned Salva Resources Pty Ltd (HDR Salva) to undertake an independent valuation of the Agreed Assets¹⁶. The respective valuations were based on information supplied to HDR Salva by Kiwanda and Phillips River.
- 78 LEA has reviewed the HDR Salva reports on the Agreed Assets. In this regard, we note that in undertaking the valuations HDR Salva had regard to factors including:
- (a) the existing mining being carried on at the Bahia Inglesa phosphate mine and Escalones coal project, noting the small scale of current operations
 - (b) the related potential to upscale production at each of the above projects based on the indicated level of possible resources
 - (c) the early stage nature of the Pelaya coal project
 - (d) the location of the projects, including proximity to both other mine operations or projects and required infrastructure
 - (e) the availability of required infrastructure and the likely timing thereof
 - (f) the coal types targeted and/or established at Escalones and Pelaya based on drilling undertaken to date
 - (g) the impact on value of the current depressed investor sentiment towards both early stage mining exploration/development projects and the coal sector generally
 - (h) recent comparable transactions in respect of South American based¹⁷ phosphate assets and Columbian based coal assets.

¹⁶ The HDR Salva reports are available on the Phillips River website www.phillipsriver.com.au

¹⁷ HDR Salva noted only one recent comparable transaction in respect of phosphate assets in Chile. To base their valuation assessment on a broader comparable data set phosphate projects located throughout South America were considered.

79 Based on the above, HDR Salva determined values for the Agreed Assets, as follows:

	Low⁽¹⁾	High⁽¹⁾
	US\$m	US\$m
Phosphate assets		
Bahia Inglesa mining operations	6.10	12.20
Adjacent exploration rights	1.10	2.20
	<u>7.20</u>	<u>14.40</u>
Coal assets⁽²⁾		
Escalones coal operation	1.27	1.63
Pelaya coal project	0.41	1.64
	<u>1.68</u>	<u>3.27</u>
Total	<u>8.88</u>	<u>17.67</u>

Note:

- 1 The values assessed by HDR Salva reflect 100% interests in each of the projects.
- 2 HDR Salva did not assess the value of the 19.9% interest in Carbhid S.A

Consideration payable

80 The consideration payable by Phillips River for the Agreed Assets is set out in paragraphs 4 and 5 of our report.

81 We have been advised that in determining the consideration payable the parties had regard to:

- (a) the percentage interest to be acquired (by way of option) in the respective projects, noting that the assessed HDR Salva valuations reflected 100% interest in the projects
- (b) the quantum and timing of future expenditure obligations in respect of the projects.

82 As noted previously, 50% of the consideration payable for the phosphate assets and 40% of the consideration payable for the coal assets is to be deferred until the achievement of production and resource establishment milestones¹⁸.

83 Furthermore, shares to be issued to Kiwanda and Lara as (part) consideration for the Agreed Assets are to be issued at a deemed price of A\$0.30 per share. In contrast, the proposed capital raising is to be priced at A\$0.25 per share.

84 A summary of the shares to be issued as (part) consideration for the Agreed Assets is as follows:

¹⁸ We would expect the achievement of these milestones to be value accretive for all Phillips River shareholders.

	On completion 000	Deferred 000	Total 000
Phosphate assets⁽¹⁾			
Kiwanda	10,996	11,688	22,684
Lara	10,996	11,688	22,684
	<u>21,992</u>	<u>23,376</u>	<u>45,368</u>
Coal assets			
Kiwanda	2,876	1,917	4,793
Lara ⁽²⁾	2,876	1,917	4,793
	<u>5,752</u>	<u>3,834</u>	<u>9,586</u>
Total	<u>27,744</u>	<u>27,210</u>	<u>54,954</u>

Note:

- 1 In addition, Lara will be reimbursed for expenditure of US\$320,000 in respect of these assets on completion.
- 2 The consideration for the coal assets payable on completion includes a payment of US\$450,000 to Lara by way of reimbursement of costs incurred in acquiring and maintaining the coal projects to be acquired.

V Evaluation of the Kiwanda Transaction

Summary of opinion

85 In our opinion, the Kiwanda Transaction is fair and reasonable to the non-associated Phillips River shareholders. We have formed this view for the reasons set out below.

Assessment of fairness

86 Pursuant to ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111), for the Kiwanda Transaction to be ‘fair’, the expected trading price of shares in Phillips River post the Kiwanda Transaction (assessed on a minority interest basis) must be equal to or greater than the estimated full underlying value of shares in Phillips River prior to the Kiwanda Transaction.

87 In section III of our report we have determined the estimated full underlying value of shares in Phillips River prior to the Kiwanda Transaction to be nominal.

88 In considering a trading price of shares in Phillips River post the Kiwanda Transaction (assessed on a minority interest basis) we note that shares in Phillips River are currently suspended from trading on the ASX. In considering alternative value reference points for the purpose of evaluation of the Kiwanda Transaction we have had regard to:

- (a) the percentage interest in Phillips River shares to be held by non-associated shareholders post the transaction
- (b) the price at which shares are proposed to be issued pursuant to the capital raising to be undertaken by Phillips River associated with the transaction.

Change in ownership interest

89 Phillips River currently has 3,205,339 shares on issue. As set out in section IV of our report, a further 27.74 million shares are proposed to be issued associated with the consideration payable for the Agreed Assets on completion of the Kiwanda Transaction¹⁹.

90 For transaction evaluation purposes, we consider having regard only to the proposed share issues on completion of the transaction to be appropriate, as the deferred share issue components of the consideration are contingent on the achievement of production and resource establishment milestones (which by their nature are inherently uncertain)²⁰. Furthermore, the timing and extent of any share issue associated with any future option exercise is also inherently uncertain²¹.

¹⁹ Consideration payable on completion also includes cash payments to Lara and Kiwanda totalling US\$770,000 (settlement of which is effectively dependent on the success of the planned capital raising), together with the issue of the initial tranche of options as part consideration for the phosphate assets.

²⁰ In addition, we would expect the achievement of the milestones that give rise to the share issues to be value accretive for all Phillips River shareholders.

²¹ We consider any exercise of options would be beneficial to existing non-associated Phillips River shareholders as the option exercise price per share of A\$0.25 in year 1, A\$0.30 in year 2 and A\$0.40 in year 3 significantly exceeds our assessed value of Phillips River shares in the absence of the Kiwanda Transaction.

- 91 We set out below a summary of shares on issue in Phillips River before and after the Kiwanda Transaction (prior to the associated capital raising):

	Current		Post Kiwanda Transaction	
	000	%	000	%
Non-associated shareholders	2,567	80.1	2,567	8.3
Kiwanda	638	19.9	14,510	46.9
Lara	-	-	13,872	44.8
	3,205	100.0	30,949	100.0

Note:

Rounding differences may exist.

- 92 As noted, non-associated shareholders retain an interest of 8.3 % in Phillips River subsequent to the Kiwanda Transaction. Having regard to the current financial position of Phillips River, this effectively represents the interest in the Agreed Assets 'paid-away' by Kiwanda and Lara in the transaction²².
- 93 Whilst the values attributed by HDR Salva to the Agreed Assets were wide-ranging (reflecting the current status of the projects), the values attributed to the phosphate assets in particular were significant (in the context of the transaction).
- 94 Adopting for evaluation purposes the low range values attributed by HDR Salva indicates a post transaction value of the aggregate interest of non-associated shareholders of around A\$870,000 as follows:

	HDR Salva ⁽¹⁾ US\$m	Interest acquired %	Value of Phillips River interest US\$m
Phosphate assets	7.20	100	7.20
Coal assets	1.68	51	0.86
	8.88		8.06

Interest attributable to non-associated shareholders

8.3% thereof:

US\$m

0.67

A\$m

0.87⁽²⁾

Note:

- HDR Salva assessed the value of a 100% interest in each of the projects. HDR Salva did not assess the value of the 19.9% interest in Carbhid S.A.
- Based on the exchange rate adopted for the purpose of this report of A\$1.00 = US\$0.77.

²² The percentage interest retained by non-associated Phillips River shareholders is towards the higher end of retained interests based on observed backdoor listing transactions generally.

Proposed capital raising

- 95 Associated with the Kiwanda Transaction, Phillips River proposes to undertake a capital raising by way of an entitlement offer and placement. The shares are to be priced at A\$0.25 per share, with a minimum raising of A\$1.5 million and a total raising of A\$5.3 million targeted. Phillips River proposes to appoint a registered and duly qualified securities broker for the purpose of the capital raising.
- 96 Proceeds from the capital raising will be applied towards the cost reimbursement payments to Lara and Kiwanda in respect of Bahia Inglesa and Escalones, the costs of the Kiwanda Transaction and in meeting planned expenditure and related obligations in respect of the coal and phosphate projects²³.
- 97 The shares to be issued pursuant to the capital raising represent minority interests in Phillips River. In the circumstances of the Kiwanda Transaction, we consider the issue price of A\$0.25 per share to be reasonably representative of the price at which shares in Phillips River (on a minority interest basis) are likely to trade subsequent to the transaction (at least in the short-term)²⁴.
- 98 In summary therefore, given the indicative underlying value of the percentage interest retained together with the likely post-transaction trading range of Phillips River shares, we have concluded that the Kiwanda Transaction is fair to the non-associated Phillips River shareholders based on the guidelines set out in RG 111.

Assessment of reasonableness

- 99 Under RG111, the Kiwanda Transaction is reasonable if it is fair. Accordingly, we have concluded that the Kiwanda Transaction is both fair and reasonable.

Other matters

Share trading

- 100 As noted in Section III of our report, shares in Phillips River are currently suspended from trading on the ASX. Associated with the Kiwanda Transaction and concurrent capital raising, Phillips River intends to apply for the reinstatement of trading in shares in the company on the ASX. Assuming this application is successful, non-associated shareholders in Phillips River will benefit from the effective re-establishment of a market for their shares.

Dilution

- 101 The aggregate interest of non-associated shareholders (prior to the proposed capital raising) is set out in paragraph 91 above. Consistent with the nature of backdoor listings, this aggregate interest is significantly diluted pursuant to the Kiwanda Transaction.
- 102 Given the current financial position of Phillips River however, it should be noted that non-associated Phillips River shareholders are likely to be diluted in any event associated with any proposal that represents an effective recapitalisation of Phillips River.

²³ Future expenditure associated with the planned significant up-scaling of operations at Bahia Inglesa and Escalones, together with expenditure commitments on exploration projects, will likely require subsequent future capital raisings over the short to medium term.

²⁴ In this regard, we note that subsequent to completion of the Kiwanda Transaction and an associated successful capital raising, application is to be made by Phillips River to have trading in its shares reinstated on the ASX.

Implications if the Kiwanda Transaction is not approved

- 103 If the Kiwanda Transaction is not approved, the acquisition of the Agreed Assets (and the Other Assets) will not proceed. In the absence of an alternative proposal, this is likely to have a number of adverse implications for Phillips River shareholders, including:
- (a) the possible liquidation of Phillips River if suitable alternative backdoor listing opportunities cannot be found. Given the absence of net assets and the costs associated with any liquidation, liquidation can be expected to realise significantly less than the value of Phillips River shares implied by the Kiwanda Transaction²⁵
 - (b) further dilution should Phillips River need to raise additional capital in order to cover the costs of investigating other backdoor listing opportunities
 - (c) the continued suspension of shares from the ASX until such time as Phillips River identifies an alternative backdoor listing opportunity.

²⁵ Effectively, the prospects of any return to Phillips River shareholders in the circumstances of a liquidation of the company would be remote.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Phillips River shareholders in connection with the Kiwanda Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$30,000 plus GST.
- 9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 15 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 16 This report was prepared by Mr Martin Holt and Mr Craig Edwards, who are each authorised representatives of LEA. Mr Holt and Mr Edwards have over 25 years and 19 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 17 This report has been prepared at the request of the Directors of Phillips River to accompany the Notice of Meeting to be sent to Phillips River shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Kiwanda Transaction is fair and reasonable to Phillips River shareholders not associated with Kiwanda.

Interests

- 18 At the date of this report, neither LEA, Mr Holt nor Mr Edwards have any interest in the outcome of the Kiwanda Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 19 LEA has had no prior business or professional relationship with Phillips River or Kiwanda prior to the preparation of this report.

Indemnification

- 20 As a condition of LEA's agreement to prepare this report, Phillips River agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Phillips River which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 21 LEA consents to the inclusion of this report in the form and context in which it is included in Phillips River's Notice of Meeting.

Glossary

Abbreviation	Definition
AIFRS	The Australian equivalents to International Financial Reporting Standards
Agreed Assets	The coal and phosphate assets described in paragraph 2.
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
DCF	Discounted cash flow
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
HDR Salva	Salva Resources Pty Ltd
IER	Independent expert's report
JORC	Joint Ore Reserves Committee.
Kiwanda	Kiwanda Mines LLC
Kiwanda Transaction	The agreement between Phillips River, Lara and Kiwanda.
Lara	Lara Exploration Ltd
LEA	Lonerган Edwards & Associates Limited
Other Assets	The coal and phosphate assets described in paragraph 6.
Phillips River	Phillips River Mining Limited
RG 111	ASIC Regulatory Guide 111 – <i>Content of expert reports</i>
Silver Lake	Silver Lake Resources Limited

ANNEXURE B

COMPETENT PERSON'S REPORT

CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA

Annexure to Notice of General Meeting Explanatory
Statement

General Meeting

to be held at K&L Gates, Level 31, 1 O'Connell Street,
Sydney NSW 2000 on 15 May 2015 commencing at
11.00am (AEST)

JORC Code, 2012 Edition – Table 1 report Phosphate

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> Phillips River has done no phosphate rock sampling from any- where on the Bifox or the Ki projects. Bifox Ltda has a 20+ year history of small-scale open-pit mining through producing and selling direct application phosphate rock fertilizer with a nominal 16-19% P₂O₅ content into the local Chilean markets. An on-site laboratory at Bifox runs routine P₂O₅ analyses on the granular phosphate and fine powder phosphate products that are shipped to end users. The company believes that the information relating to the P₂O₅ content, the contents of some selected oxides (K₂O, CaO, MgO, CO₃ and SO₄) and the upper limits of contents of several elements (B, Zn, Mn, Ni, Cu, Cd, As Pb, Hg) that is branded on the 50-kg bags of granular phosphate and on the 1000 kg big-bags of powdered phosphate is reasonably accurate.
Drilling techniques	<ul style="list-style-type: none"> <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> Phillips River has not yet drilled the Bifox or the Ki project areas. There has been some historic drilling and pitting on the Bifox project during phosphate exploration programs in the 1980’s. This information would not be usable in a JORC compliant mineral resource but is relevant from an exploration perspective as it could be used to guide future exploration work.
Drill	<ul style="list-style-type: none"> <i>Method of recording and</i> 	<ul style="list-style-type: none"> Not applicable. There has been no

Criteria	JORC Code explanation	Commentary
sample recovery	<p>assessing core and chip sample recoveries and results assessed.</p> <ul style="list-style-type: none"> Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	drilling.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Not applicable. There has been no drilling.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Not applicable. There has been no drilling.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, 	<ul style="list-style-type: none"> Not applicable. No laboratory work has been undertaken.

Criteria	JORC Code explanation	Commentary
	<p>spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</p> <ul style="list-style-type: none"> • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> • Not applicable. There has been no sampling.
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> • Not applicable. There has been no drilling.
Data spacing and distribution	<ul style="list-style-type: none"> • Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<ul style="list-style-type: none"> • Not applicable. There has been no sampling.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the 	<ul style="list-style-type: none"> • Not applicable. There has been no sampling.

Criteria	JORC Code explanation	Commentary
	<i>orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Not applicable. There has been no sampling.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> Not applicable. There has been no sampling.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Bifox project covering 6090 ha is collectively owned by SCM Bahia Inglesa Ltda and Compania Minera de Fosfatos Naturales Bifox Ltda. This area is located immediately south of the town of Caldeira on the Bahia Inglesa in northern Chile. The Ki project, 53 licenses covering 19,900ha is adjacent south and east from the Bifox mining ground and is 100% owned by the Kiwanda Alliance BVI Ltd. (Lara-Kiwanda). Phillips River has an option to acquire 100% interest in the Bifox mining rights and the right to acquire 100% of the Kiwanda Phosphate Alliance project. The documentation related to mining and exploration properties associated with the BiFox and Ki projects as presented in the reports, is accurate and the information is up to date.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The phosphate mineralization was initially located on follow up of airborne radiometric anomalies by the Chilean state agencies CORFO (Corporación de Fomento) and CCHEN (Comisión Chilena de Energía Nuclear). The focus of initial investigation was to locate a potential uranium resource. Phosphate was subsequently discovered at the site.

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> • CORFO/CCHEN conducted an extensive exploration program in the project area from 1983 to 1985. Work included geologic mapping, 929 meters of reverse circulation drilling in 50 drill holes, 154 vertical meters of pitting in 27 pits and surface sampling, various metallurgical testwork and resource studies. CORFO/CCHEN calculated total resources in all categories of 87 million tons at greater than 7.5% P2O5. This estimate was completed in the 1980's and is not compliant with the JORC mineral reporting code.
Geology	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The Bahia Inglesa phosphate deposits are typical of sedimentary hosted phosphate deposits and are hosted in the Miocene to Pliocene formations of the Bahia Inglesa Formation. This is comprised of up to 42 m siltstones, fine sands, shelly coquinas pebble beds, and phosphate-rich rocks deposited on a crystalline basement, composed of Paleozoic metamorphic rocks and Cretaceous granitoids. These deposits represent a near shore shallow marine setting. It is partially covered in some localities by a thin cover of Pliestocene clastic and chemical sediments. • The principal target area lies in a 20 km by 12 km graben-like basin along the coast between Bahia Inglesa and the Copiapó River. • Within the broad target area outliers of basement occur and there are a number of sub-basins separated by basement highs. • Phosphate mineralization occurs in the upper part of the Bahia Inglesa Formation in 3 different stratigraphic locations. The Lower Phosphate Manto is an extensive unit 0.1 to 0.4 meters

Criteria	JORC Code explanation	Commentary
		thick and is hosted within the lower part of a sandstone-siltstone unit. One to 2 meters above the Lower Phosphate Manto is the Main Manto which is up to 2 meters thick and consists of a phosphate pebble conglomerate. The third type of mineralization is described as fluvial deposits which are up to 7 meters thick and consist of conglomeratic units interbedded with phosphatic sandstones. Clasts in the conglomerates are described as consisting of 70% phosphorite and 30% basement lithologies.
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> Not applicable. There has been no drilling.
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such 	<ul style="list-style-type: none"> Not applicable. There has been no drilling.

Criteria	JORC Code explanation	Commentary
	<p><i>aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></p> <ul style="list-style-type: none"> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> Not applicable. There has been no drilling.
<i>Diagrams</i>	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> Not applicable. No discoveries have been made.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> Not applicable. There are no exploration results.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> Not applicable. There has been no other substantive exploration data.

Criteria	JORC Code explanation	Commentary
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Not applicable. No work has been undertaken.

JORC Code, 2012 Edition – Table 1 report Coal

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<i>Sampling techniques</i>	<ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent</i> 	<ul style="list-style-type: none"> Escalones Project: Phillips River has not taken any coal samples for quality control purposes from the Escalones project area. Carbhid SA has been conducting small-scale underground coal mining since 2013 and selling the product to a local thermal power generator. Carbhid, as most other coal producers in the district, uses underground workings to locate and follow the coal seams. It is believed that the power generator does carryout frequent coal quality analyses on the coal it is purchasing from Carbhid and its other suppliers. Mr. P. O’Dowd, who prepared a NI 43-101 report in Jan 14 on the Escalones project for the Andean Coal Alliance, reports the analyses of coal quality for four samples collected by Carbhid in 2012 and 2013, two from the coal seam 7 (El Diamante mine) and two from the coal seam 4 (Carbhid 2 mine) that Carbhid is exploiting in the Escalones project. O’Dowd also reports the results of two coal samples he collected, one from each of the same two coal seams sampled by Carbhid, and found that his results were in close agreement to those obtained by Carbhid. (Further details

Criteria	JORC Code explanation	Commentary
	<p><i>sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></p>	<p>in the section below “Exploration done by other parties”).</p> <ul style="list-style-type: none"> • Pelaya Project: No coal sampling has been carried out by Phillips River and there are no records of any coal occurrences on the property. The project is located to the south from a well known coal producing area in the Cesar District of northern Colombia. This project is a conceptual exploration play. Geological data and interpretation of seismic data from the northern part of the Pelaya area is suggestive that the widespread Quaternary alluvium cover may be covering coal-bearing units of the Umir Formation which is known to host multiple coal beds elsewhere.
Drilling techniques	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> • Escalones Project: No drilling has been done by Phillips River however one historic diamond core hole (Cucaita 1) is reported to have been drilled in 2011 in the northern part of the project as part of an oil and gas exploration program (details below). • Pelaya Coal Property: Phillips River has not carried out any drilling on this project.
Drill sample recovery	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> • Not applicable. No drilling has occurred.
Logging	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc)</i> 	<ul style="list-style-type: none"> • Not applicable. No sampling has occurred.

Criteria	JORC Code explanation	Commentary
	<p>photography.</p> <ul style="list-style-type: none"> • The total length and percentage of the relevant intersections logged. 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> • Not applicable. No sampling has occurred.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> • Not applicable. No laboratory work has been undertaken.
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. 	<ul style="list-style-type: none"> • Not applicable. No sampling has been undertaken.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> Not applicable. No drilling has occurred.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Not applicable. No exploration has occurred.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> Not applicable. No sampling has been undertaken.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Not applicable. No sampling has been undertaken.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> Not applicable. No sampling has been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral	<ul style="list-style-type: none"> Type, reference 	<ul style="list-style-type: none"> Escalones Project: the project

Criteria	JORC Code explanation	Commentary
<i>tenement and land tenure status</i>	<p><i>name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <ul style="list-style-type: none"> <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i> 	<p>comprises 90.58 ha and is part of the mining agreement FGL-111 (area of 154.237 ha) issued to Mr. Hector Vargas Cruz on Dec 6, 2012 and valid through to Dec 5, 2042. Carbhid SA signed an operating contract with Mr. Cruz on Sept 11, 2013, valid through to Dec 5, 2042. Under the operation agreement Carbhid is entitled to the income from 95% of the coal sold from Escalones and Mr. Cruz to the remaining 5%. Additionally, the contract contains an exclusion zone to the north of the Carbhid 2 mine that refers to the coal layer number 4 (or Cerrejoncito Dos) from which production is the exclusive right of Mr. Cruz.</p> <ul style="list-style-type: none"> Andean Coal (BVI) Ltd. holds a 25% interest in Carbhid S.A.. Kiwanda and Lara formed the Andean Coal Alliance in 2013 and have since negotiated an option to acquire a 51% interest in the Carbhid Escalones mining rights. The Escalones mining area is fully licensed for mining and Carbhid is producing from three separate mines. Phillips River has the right to acquire the Andean Coal Alliance's option to earn 51% interest in the Carbhid's Escalones mining rights and to acquire Andean's 25% interest in Carbhid S.A. Lara Exploration has a net product royalty of 2% of coal production, which is payable on all coal production above 50,000 tons of annual production. Pelaya Project: The Pelaya project is formed by two licenses; KCA 09491 (1609 ha) and KCA 09492X (33 ha). Carbones de Pelaya SAS has negotiated an operating contract with the underlying owner of these two licences. The Andean Coal Alliance has negotiated an option to acquire from

Criteria	JORC Code explanation	Commentary
		<p>Carbones de Pelaya up to a 100% interest in the Pelaya coal property.</p> <ul style="list-style-type: none"> • Phillips River has the right to acquire the Andean Coal Alliance's option to earn up to a 100% interest in the Pelaya coal property. • Lara is entitled a 2% net product royalty on all production from the Pelaya coal project.
Exploration done by other parties	<ul style="list-style-type: none"> • Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> • Escalones Project: Carbhid has obtained data and drill logs for a vertical diamond core drill hole (Cucaita 1) drilled on the Escalones project in 2011 by a government agency in partnership with a local university in the area to the east of the position of the El Diamante coal mine portal. The hole was abandoned at 290 m after passing through a zone of faulting. Coal seams are reported both above and below the fault zone with a cumulative 11.25m of coal. Carbhid has not been able to locate any of the drill core nor has Carbhid been able to determine the exact location of the hole as the general area indicated by local residents has since been disturbed for potato cropping. • Carbhid has been producing and selling coal since 2013 and now has three underground fronts (El Diamante, Carbhid 2 and Carbhid 4) developed for artisanal coal extraction utilizing room and pillar extraction techniques for a combined mining rate of over 800 tonnes per month and plans to bring this to 1000 tpm to full-fill a contract with a local thermal power plant. The mining shafts, inclined 35 degrees, range in depths from 100 meters to 120 meters and are lined with tracks for rail cars to hoist the coal. • Carbhid analysed four (4) coal samples, two of 4 kg each from the ore bin at the El Diamante mine (producing area in coal seam # 7) and two of 4 kg each from the stockpile at

Criteria	JORC Code explanation	Commentary
		<p>the Carbhid 2 mine (coal seam #4). These were analyzed at Interlabco SAS Laboratorio Quimico International, Ubale, Cundinamarca, Columbia, a laboratory conforming to international standards ASTM, ISO9001:2008 and ICONTEC.</p> <ul style="list-style-type: none"> • The samples were analyzed for Proximate Analysis and determination of the FSI (Free Swelling Index). Results were reported for % Moisture total, % Ash, % Volatile matter, % Fixed carbon, % Sulfur, Gross Calorific value (Kcal/kg), and FSI. O'Dowd collected two samples of 2 kg each, one from the El Diamante ore bin and the other from the stock pile at Carbhid 2 and had Interlabco do the same Proximate Analysis and determination of FSI as done for the Carbhid samples. Results for the O'Dowd samples were very similar to those of Carbhid. From the data O'Dowd concluded that the coal, although classified by Carbhid personnel as metallurgical or coking coal, should more correctly be classified as a Semi-soft Coking Coal. Based on the gross calorific value (7,700 kcal/kg dry) the Carbhid samples correspond to High Volatile A bituminous coal and High Volatile B bituminous coal according to international standard SSTM D-388. • Pelaya Coal Property: An extensive Quaternary alluvium covers the Pelaya property. Shallow west-ward dipping Cretaceous age sediments of the Simiti and La Laguna Formations are reported along the eastern margin of the property and field mapping by Carbhid has tentatively identified tropically weathered outcrops of Lower Umir sedimentary strata supposedly in the Pelaya Property. In the Cesar coal field to the north from Pelaya the Umir Formation is the host to multitude of open-cut coal mines. • Carbhid have obtained two seismic sections from a survey covering part of the northern part of the Pelaya property. Interpretation of these two

Criteria	JORC Code explanation	Commentary
		<p>sections indicates that the alluvial cover is relatively thin and is possibly underlain by shallow-dipping sedimentary sequences possibly correlating with the coal-bearing strata of the Umir Formation. Carbid have also obtained results for a series of 20 resistivity depth soundings in the Pelaya area carried out in order to attempt to determine the depth of the Quarternary Alluvium which overlies the interpreted sedimentary sequences. Most readings are in the 8 to 14 m range with a maximum of 20 m. While the technique utilized to collect this data is relatively reliable, simple to execute and analyze, it is not infallible and a false depth to basement may be caused by variations in the salinity of groundwater or conductive layers (such as clay beds) within the profile.</p>
<p><i>Geology</i></p>	<ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralization</i> 	<ul style="list-style-type: none"> Escalones project: The project is underlain by Upper Cretaceous to Tertiary terrigenous sediments forming the axial zone of the Albarracin-Tunja syncline. The oldest units, outcropping to the NW of the project, consist of up to 350 m of sandstones and mudstones-siltstones of the Plaeners Fm and Arenisca Tierna Fm of the Upper Cretaceous Guadalupe Group. The coal seams in the Escalones project are hosted in the Middle Mudstone succession. The Upper Member is not observed on the property. At Escalones 11 different, gently ESE-dipping coal seams (known locally as “Mantos”) are present and have an average cumulative thickness of approximately 15 metres. Individual seams can be up to 5 m thick but are generally much thinner at of the seams by faulting to 2 m thickness. Lateral continuity of seams can be for kilometers but small-scale faults frequently cause off-setting of the

Criteria	JORC Code explanation	Commentary
		<p>seams.</p> <ul style="list-style-type: none"> • Pelaya Coal property: This property is underlain by extensive Quaternary alluvium and outcrops of shallow-west-dipping sediments of the Simiti and La Lunar Formations (Cretaceous age) are known along the eastern margin of the property. • In the Cesar coal fields the La Lunar Formation is overlain by the Umir Formation (Campanian-Maastrichtian age)which is dominantly carbonaceous mudstones and hosts multiple coal seams as indicated below: • Interpretation of the seismic sections are suggestive that the stratigraphy underlying the widespread Quaternary Alluvium present at Pelaya is represented by the La Lunar and the Lower, Middle and Upper Umir Formations. • This is very much a grass roots /greenfields project based on conceptual geological targets.
<i>Drill hole Information</i>	<ul style="list-style-type: none"> • <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> • <i>If the exclusion of this information is justified on</i> 	<ul style="list-style-type: none"> • Not applicable. No drilling has been undertaken.

Criteria	JORC Code explanation	Commentary
	<p><i>the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></p>	
Data aggregation methods	<ul style="list-style-type: none"> • <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> • Not applicable. No exploration results are being reported.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> • Not applicable. No exploration results are being reported.
Diagrams	<ul style="list-style-type: none"> • <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should</i> 	<ul style="list-style-type: none"> • Not applicable. No drilling has occurred.

Criteria	JORC Code explanation	Commentary
	<i>include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> Not applicable. No exploration results are being reported.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> Not applicable. No exploration results are being reported.
<i>Further work</i>	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive 	<ul style="list-style-type: none"> Not applicable. No further work is planned.

Phillips River Mining Limited

Independent Mineral Asset Valuation

HDR Salva

Chilean Phosphate Assets
November 2014

Executive Summary

Phillips River Mining Limited ("Phillips") has engaged Salva Resources Pty Ltd ("HDR Salva") to prepare an independent opinion on the market valuation of the SCM Bahia Inglesa phosphate mine & surrounding exploration tenements (BIFOX and KI sub-projects) in Chile (collectively termed as "BI Project").

HDR Salva understands that this report will be relied on within the Independent Expert's Report ("IER") as part of the proposed transaction to be presented to Phillips River Mining Limited (Phillips) shareholders. Phillips is a publically listed explorer and developer (ASX: PRH). Phillips have signed a Heads of Agreement with Lara Exploration Ltd (TSXv: LRA) and its partner Kiwanda Mines LLC ("Kiwanda") to acquire certain rights and options associated with the BI Project.

The Bahia Inglesa phosphate project (the "BI Project") is located south of Bahia Inglesa on the Chilean coast near town of Caldera in the Atacama region of Chile. The BI Project is well connected to major Chilean highway "Panamericano Norte" by access roads. Phosphate mineralisation at the BI Project are typical of sedimentary hosted phosphate deposits known as fosforitas of marine sedimentary origin. The limited exploration conducted so far has provided significant evidence of extensive mineralisation. Historical exploration was mostly conducted by government agencies during 1970s and 1980s including drilling and subsequent Mineral Resource modelling, however a Mineral Resource has not been reported to the guidelines of an internationally recognised reporting standard like the JORC Code 2012. The grades were estimated to be at or above 10% P₂O₅.

At the time of writing of this report, a small scale artisan mining activity was going on the BIFOX sub-project. The current mining operation is neither methodical nor based on technical studies and does not follow any mining sequence. The mined rock phosphate ore is processed in a small scale processing plant with no other beneficiation needed to produce a saleable product. The process plant is currently processing an average of 10,000 to 12,000 tonnes of natural phosphate per year across two 2 different products.

While some resource modelling has been completed in the past, there insufficient information about the resource estimation process to give any confidence about the continuity of the phosphate resources to value project on cash flow basis. Therefore for the purpose of valuation, HDR Salva has considered the BIFOX sub-project as an advanced exploration project and valued the project based on market comparable.

The KI Exploration area (KI sub-project) is an early stage exploration project, where most of the exploration activity is carried out on the northern side of the tenement. In HDR Salva's opinion, the KI exploration area is an early stage exploration project and valued based on market comparable.

HDR Salva's opinion of the fair market value for the 100% of the BI Project is in the range of US\$7.2M to US\$14.4M with a preferred value of US\$11.8M. A summary of HDR Salva's valuation of the BI Project is presented in Table below.

Valuation Summary - BI Project (US\$M, 100% Asset Basis)

Sub - Project	Market Value (US \$M)		
	Lower	Higher	Preferred
BIFOX	6.1	12.2	10.1
KI	1.1	2.2	1.7
Valuation (US\$M 100% Asset Basis)	7.2	14.4	11.8

Competent Persons and Experts statement

Mineral asset valuation in this report was prepared by, or under the supervision of Manish Garg (B.Eng (Minerals Engineering), MAusIMM). Mr Garg has sufficient assessment and valuation experience, which is relevant to the activity that they are undertaking to qualify as an Expert as defined in the 2005 Edition of the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (VALMIN Code).

Phillips River Mining Limited

Independent Mineral Asset Valuation

HDR Salva

Escalones and Pelaya Coal Projects
November 2014

Executive Summary

Phillips River Mining Limited ("Phillips") has engaged Salva Resources Pty Ltd ("HDR Salva") to prepare an independent opinion on the market valuation of the Escalones and Pelaya Coal Projects in Colombia. HDR Salva understands that this report will be relied on within the Independent Expert's Report ("IER") as part of the proposed transaction to be presented to Phillips shareholders. Phillips is a publically listed explorer and developer (ASX: PRH). Phillips have signed a Heads of Agreement with Lara Exploration Ltd (TSXv: LRA) and its partner Kiwanda Mines LLC ("Kiwanda") to acquire certain rights and options associated with the Escalones and Pelaya Coal Projects in Colombia.

Lara Exploration and its coal alliance partner, Kiwanda Mining LLP (through their Andean Coal JV alliance) is acquiring rights to own direct and indirect interests in the Escalones Property through agreeing to acquire a interest in Carbhid S.A.S. ("Carbhid"), a Bogota, Colombia based coal producer. Carbhid holds an operating contract on the 90.58 hectare Escalones Concession in the Boyacá district, where it is developing underground coal mining operations.

The Escalones Property covers a 90.58 hectare portion of Mining Concession Agreement FGL-111, located in the coal producing Boyacá Region of Central Colombia. Since December of 2012, Lara Exploration and Andean Coal have invested approximately US\$330,000 (of an approximately US\$409,000 commitment) in development work on the Escalones Property to acquire a 19.9% interest in Carbhid. These funds were mostly invested to develop the El Diamante and Carbhid 2 mines.

Andean Coal also holds an option to acquire a 75% interest in the Pelaya Project, in the Cesar district of northern Colombia. The approximately 1,642 hectare Pelaya prospect lies at the southern end of one of the principal coal-producing basins of Colombia, covering an area not previously drill tested.

The coal-bearing Umir Formation is not exposed in the Prospect area, but is interpreted as being present, based on the stratigraphy that is exposed, historical oil and gas drilling in the district and seismic surveys lines run across the Prospect. Furthermore, the Umir Formation is interpreted as lying at relatively shallow depths, under thin Quaternary age cover sediments. The Alliance is targeting coals seams of the mid and upper sequences of the Umir Formation, which reach thicknesses of up to 5 metres and, if present, could be amenable to large-scale open pit mining. In HDR Salva Opinion, the Escalones Project is an advanced exploration project where some of the tenement area has been explored in detail but no mineral resource estimate in accordance with JORC (2012) has been reported. Information on the project economics is not at an advanced stage to allow for a determination of meaningful NPV using valuation methods based on an Income Approach. Therefore considering the location, geological factors and other micro and macro-economic parameters which could affect the project economics, HDR Salva has assigned the lower bound and upper bound for the implied value of the Escalones project at US\$14,000/ha to US\$18,000/ha with preferred value of US\$16,000/ha. This valuation range can be considered appropriate for the project at its current stage of development. Therefore, in HDR Salva's opinion, a range of US\$1.27M to US \$1.63M with a preferred value of US\$1.45M is deemed appropriate for the Escalones Project, reflecting the uncertainty of potential coal resource delineation and eventual extraction of a number of seams.

The Pelaya Project is a greenfield exploration project with no confirmed occurrences of coal at the site, however regional geological interpolation suggests that there is potential for coal bearing measures to be present. HDR Salva has opted to value the project using comparable market transactions due to the project being in an early-stage exploration phase. After considering other transactions which involved assets where coal quality was not confirmed, HDR Salva used this as a basis and assigned the lower bound and upper bound for the implied value of the Pelaya project at a preferred value of US\$625/ha with a range of US\$250/ha to US\$1,000/ha. Therefore, in HDR Salva's opinion, a range of US\$0.41M to US \$1.64M with a preferred value of US\$1.03M is deemed appropriate for the Pelaya Project, reflecting the uncertainty of potential coal resource delineation and eventual extraction of a number of seams. A summary of HDR Salva's valuation of the Escalones and Pelaya Project is presented in Table below.

Valuation Summary - Colombian Coal Assets

Project	Area (ha)	Values (US\$M)		
		Low	High	Preferred
Escalones Project (100%)	91	1.27	1.63	1.45
Pelaya Project (100%)	1,642	0.41	1.64	1.03
Total US\$M 100% Asset Basis		1.68	3.27	2.48

Competent Persons and Experts statement

Mineral asset valuation in this report was prepared by, or under the supervision of Manish Garg (B.Eng (Minerals Engineering), MAusIMM). Mr Garg has sufficient assessment and valuation experience, which is relevant to the activity that they are undertaking to qualify as an Expert as defined in the 2005 Edition of the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (VALMIN Code).

PHILLIPS RIVER MINING LIMITED
(ACN 004 287 790)
(Company)

PROXY FORM

Shareholder Details

Name:.....
Address:
Contact Telephone No:.....
Contact Name (if different from above):.....

Appointment of Proxy

I/We being a shareholder/s of **Phillips River Mining Limited** and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of **Phillips River Mining Limited** to be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney NSW 2000 on 15 May 2015 at 11.00am (AEST) and at any adjournment of that meeting.



The Chairman of the meeting
(mark with an 'X')

IMPORTANT:

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do not wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:
Write the name of that person in the box below.

 %

You must specify the % of your votes that you authorised your proxy to exercise if:

If you hold two (2) or more Shares in Phillips River Mining Limited you may appoint a second proxy:

Write the name of your second proxy in the box below.

 %

*you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
if you have appointed 2 proxies under this proxy form*

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Phillips River Mining Limited to be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney NSW 2000 on 15 May 2015 at 11.00am (AEST) and at any adjournment of that meeting.

Voting directions to your proxy - Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

Special Business [we need this to reflect the 5 resolutions]

Resolution 1.

For

Against

Abstain

☐☐☐

Resolution 2 – Acquisition

☐☐☐

Resolution 1.

☐☐☐

Resolution 2 –
Acquisition

☐☐☐

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual 1 or Shareholder 1

**Sole Director and
Sole Company Secretary**

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

How to complete this Proxy Form

1. Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note you cannot change ownership of your securities using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3. Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a sole director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6. Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting, i.e. no later than 11.00am (AEST) on 13 May 2015. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company secretary at Level 7, 92 Pitt Street, SYDNEY, NSW, AUSTRALIA, 2000 or sent by facsimile to +61 2 9513 2399 before 11.00am (AEST) on 13 May 2015.