

Phillips River Mining Limited

Re Listing - Entitlements Investment Proposal



December 2015



Introduction

Phillips River Mining Limited (ASX:PRH)

- Shares in PRH are currently suspended – the Company will shortly apply to ASX to re-list its shares and re-open the current Entitlements Issue.
- The Entitlements Issue and associated capital raising aim to raise up to \$7.5million in total.
- Investment applications will only be accepted following ASX re-listing approval.
- Minimum amount sought from shareholders is \$2.0m
- PRH seeks shareholders to as per the Entitlements Issue prospectus.
- Phillips River primary asset is a phosphate rock deposit located at Bahia Inglesa in Chile. The deposit has been in production since the early 1990's and sells all produced product into the domestic Chilean agricultural market.
- Phosphate rock is a direct application fertiliser.



Cover – plant at Bahia Inglesa phosphate rock mine

Left – Bagged product stockpiled for delivery by road transport

Phillips River Mining Limited – Business Case

1. The phosphate rock operation has a 25 year history supplying the existing Chilean agricultural market with up to 24% direct application fertiliser at US\$115 to US\$135 per tonne.
2. The phosphate rock mining operation is carried out at the Bahia Inglesa site which is comprised of 6,100 hectares of production phosphate adjacent to 18,800 hectares of exploration blocks.
3. The deposit was a Chilean Government discovery (based upon a substantial drill program undertaken in the 1980's – but not a JORC compliant resource assessment) and comprises a large phosphate rock (P_2O_5) deposit.
4. The mining operation is simple - the seabed sedimentary phosphate deposit is on the surface and near surface. Historically mining costs have been circa US\$50 per tonne. Directors will be targeting the same level of costs.
5. Phillips River will carry on the existing production immediately following ASX re-listing. The existing processing equipment on-site is rated for in excess of 50,000 tonnes per annum of production.
6. The Company will be targeting retention of the historical gross margin between sale price of up to US\$135 per tonne and production cost of US\$50 per tonne.
7. Currently the Chilean agricultural market imports 130,000 tpa of phosphate rock. So any expansion of production will be import replacement product



**Mining operation at Bahia Inglesa
– simple equipment and surface
mining**

Business Description

Bahia Inglesa Phosphate Rock Deposit:

- Phosphate rock is a fertiliser – either used as direct application or as feedstock for enhanced fertilisers (eg superphosphate, DAP, MAP)
- Bahia Inglesa deposit of up to 24% P₂O₅ phosphate rock was originally reported by the Chilean government after a 1980s drilling program – not JORC reported.
- The mine has a 25 year mining history with product sold directly into the Chilean agricultural market as direct application phosphate.
- Existing mining contractor has been on site for many years and will continue under Phillips River ownership.
- PRH holds an additional 18,600 hectares of exploration ground immediately adjacent to Bahia Inglesa
- Bahia Inglesa phosphate rock is also highly reactive and upgradable to 28%-30% P₂O₅ with beneficiation – although this is not planned in the initial phase of activity



Movement of product at processing plant – Bahia Inglesa

Bahia Inglesa Landscape



Licensed Area – Stretches over the horizon



Current Stripping: $\frac{\text{Overburden}}{\text{Ore}} = \frac{2}{1}$

Caldera Infrastructure

Port of Caldera



Town of Caldera Infrastructure:

- Port of Caldera brings water transport access 5kms from mining operation.

Caldera Power Grid



- Bahia Inglesa mining area and adjacent exploration claims are hooked up to the National Power Grid.

The Transaction

THE TRANSACTION

The transaction is as follows:

- Phillips River Mining has acquired the assets from Kiwanda Group and Lara Exploration by issuing shares at \$0.30 each and repaying loans.
- The company's assets are the existing producing phosphate rock mine and associated phosphate rock exploration properties in Chile + producing coal mines and coal exploration properties in Colombia.
- Phillips River currently has 42,424,905 shares on issue.
- Phillips River is offering Entitlements Issue to existing shareholders to subscribe for 10,000 shares at \$0.25 each. Applications may be for more than 10,000 shares and the Company may issue up to 30,000,000 new shares in total to raise \$7.5m in total.
- Kiwanda Group has underwritten \$2.5m of the Entitlements Issue (10m shares).

Proposal to Investors

- Investors are invited to apply for any number of shares up to the maximum.
- Sponsors (Kiwanda Group and Spar Capital partners) will apply for shares on behalf of new investors through the Entitlements Issue and transfer the shares to investors.



Above - Product being bagged ready for sale

Below - Phosphate nodules direct from mining



Capital Structure

	Number of Shares
Shares held by Shareholders (ex Kiwanda/Lara)	12,567,538
Shares held by Kiwanda	15,247,584
Shares held by Lara	14,609,783
Total Shares on issue	42,424,905
Maximum Issue of New Shares	30,000,000
Underwritten new shares by Kiwanda	10,000,000
Available Shares to be Underwritten at \$0.25 each = \$5m	20,000,000
Shares subscribed through Entitlements Issue to be applied against Available Shares allocation	?
Total maximum number of shares on issue	72,424,905

Note - this does not include payments for milestones payments due to Kiwanda and Lara. If all milestones are achieved this would increase the shares on issue by approximately 29m shares.

Phosphate Rock

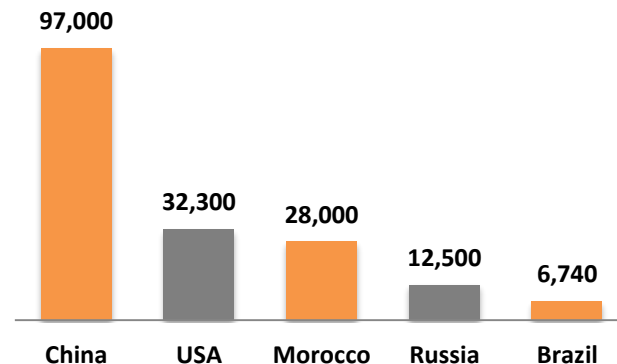
Phosphorus: Essential Element for Nutrition.

- Phosphorus is an essential element for plant and animal nutrition. Most phosphorus is consumed as the principal component of nitrogen-phosphorus-potassium fertilizers used on food crops.
- Phosphate rock minerals are the only significant global resources of phosphorus.
- “There is no substitute for phosphate rock.” - USGS

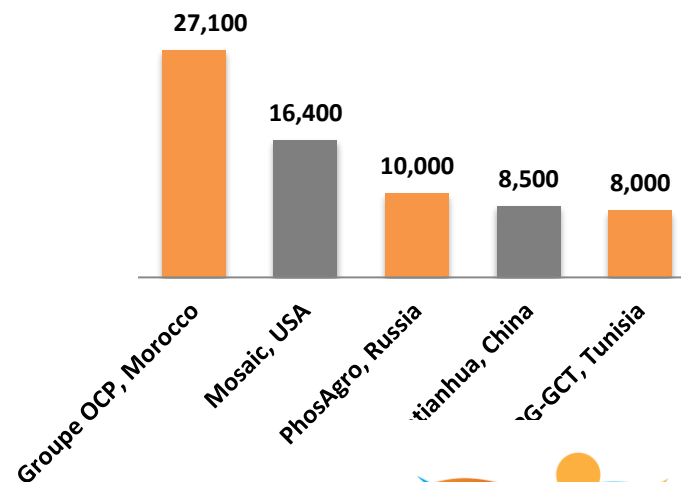
Phosphate Rock Marketplace:

- Major Producing Countries: Morocco, USA, Russia, Tunisia, South Africa.
- Major Producers: Yuntianhua Group, Mosaic Co., Groupe OCP, PhosAgro, CPG-GTC, Foskor.
- Corn and cotton are the most nutrient intensive crops and typically consume more phosphate rock than most common crops.

2013 Highest Producing Countries
(thousand tons)



Largest Producers Annual Capacity
(thousand tons)



Sources: USGS Mineral Commodity Summary:
Phosphate Rock 2013
CRU Group Phosphates 2013



Phillips River

Global Phosphate Rock Markets

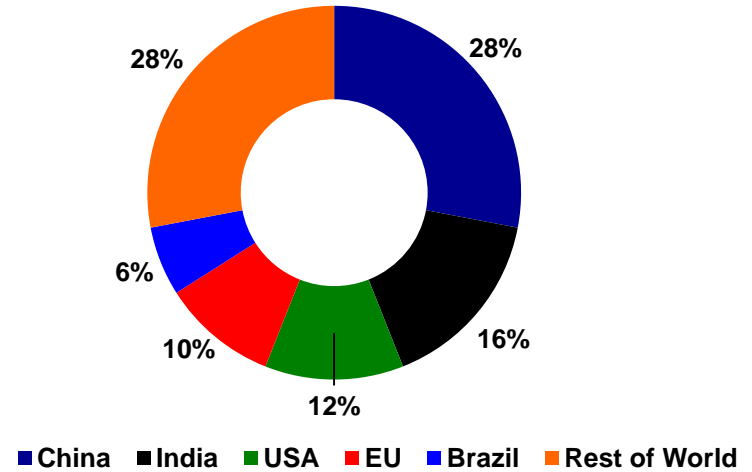
Phosphate Rock Demand Growth

- Expected growth rate in global demand for phosphate-based fertilizers is 2%pa.
- 71% of future growth is expected to come from Asia.
- South Asia is expected to account for 35.8% of future growth.
- East Asia is expected to account for 33.8% of future growth.
- Latin America is expected to account for 19.3% of the future demand growth for phosphate rock.

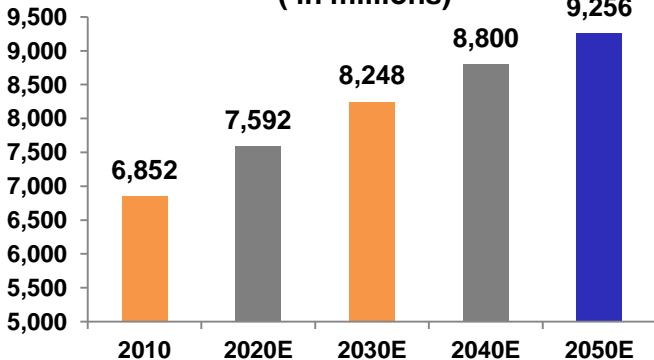
Population Growth

- Global population is expected to reach over 9 billion by 2050.
- Global crop yields will have to increase to keep up with the growing populations demand for food.

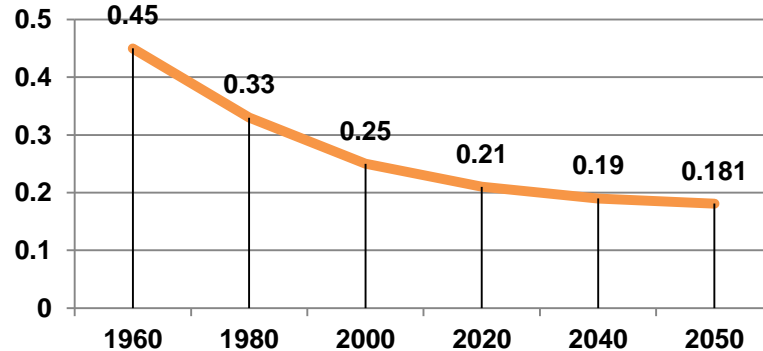
2013 Global Phosphate Consumption



Global Population Growth Estimates (in millions)



Global Arable Land (hectares per person)



Reduction in Arable Land

- As global population increases arable land decreases.



Latin American Phosphate Rock Markets

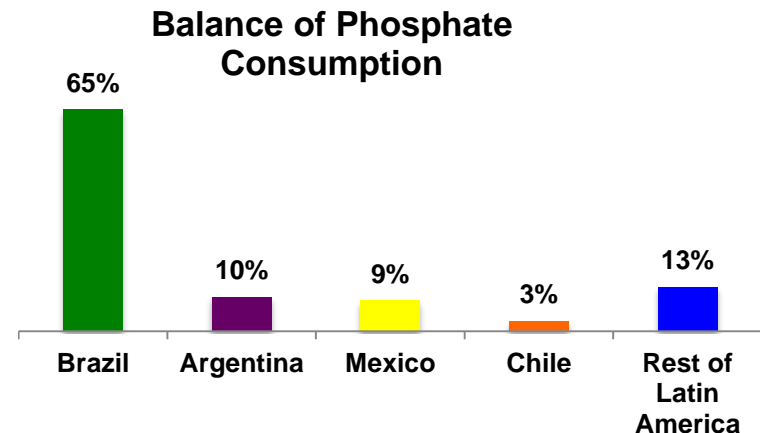
Brazil is Latin America’s largest fertiliser consumer.

- Accounting for 57% of all Latin American fertiliser consumption.
- Over 50% of fertiliser consumed in Brazil is imported

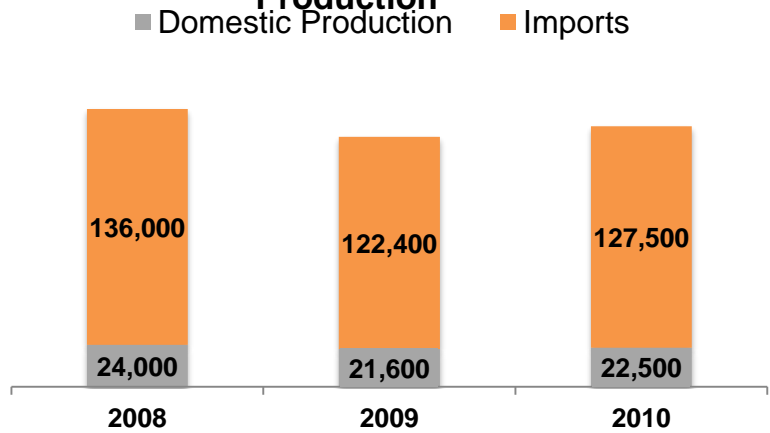
Argentina is the region’s 2nd largest fertiliser consumer.

- 2nd largest phosphate importer in the region.

Phillips River will be positioned to service Latin America’s largest phosphate importers.



Chile Phosphate Imports vs. Production



Chilean Phosphate Market:

Chile currently imports 85% of its annual phosphate rock and phosphate-based fertiliser needs.

- Super Phosphate, Diammonium Phosphate from USA and Mexico.
- Monomonium Phosphate from USA.

Objective is to satisfy Chilean demand for phosphate and phosphate based fertilisers, followed by other nearby markets

Sources: CRU Group 2013
 Agrium 2011 Annual Report
 USGS Minerals Industry of Chile 2012



Mining Team: South America

Carlos Theune	Geologist	<p>Mr. Theune is based in Santiago, Chile. He is a professional exploration geologist and industrial minerals expert with over 35 year of experience. Mr. Theune began his career as a field geologist exploring for brown coal in Galicia, Spain. In 1978, Mr. Theune began working as a geologist working for the Federal Institute for Geosciences and Natural Resources of Germany in Hannover, which included field work in the German Geologist Mission in Uruguay. From 1984-1991 Mr. Theune was the Manager of Industrial Minerals for Empresa de Programacion Sistemas Ltda, carrying out field geology, evaluation and assessment of phosphate rock, gypsum, salt, lithium, borates and others.</p> <p>Mr Theune carried out the original work at Bahia Inglesa and its 87million tonne resource of phosphate rock.</p> <p>Mr. Theune attended Universidad Catolica, Santiago for Engineering from 1969-1970, studied Geology at University of Braunschweig (West Germany) from 1970-1977 including time on the faculty. Ms. Sc. Geologist since March 24, 1977. Mr. Theune is a citizen of both Chile and Germany.</p>
Brant Peters	Consulting Engineer – MEC Mining	<p>Brant is a engineer with over 13 years of experience in the global mining industry. Brant has been active in senior roles constructing and engineering mines in Australia, Indonesia, Argentina, Chile and Colombia. Brant began his career as a Mining Engineer for Henry Walker Eltin Group Ltd in 2000. He operated as a mining engineer and drill blast engineer at HWE operated zinc and iron ore mines. Between 2002 and 2005 Brant was a project manager for Sandvik and Freeport’s copper/gold mining (underground) operation in Indonesia. In 2005 Brant transitioned to an Application Engineering role for the Latin American Region for Sandvik, primarily based in Argentina. Between 2009-2010 Brant moved within Sandvik to act as Region Product Line Manager for Latin America, based in Chile. Between 2010 and 2013 Brant was the Chief Operations Officer for Australis Mining Ltd, a Chilean iron ore producer.</p> <p>Brant holds a Bachelors Degree in Engineering (Mining) from the University of Ballarat and has a Quarry/Mine Managers Certificate. He is fluent in Spanish and is currently a resident living in Santiago, Chile.</p>

Mining Team: South America & Australian Financial Controller

Dr. Carlos Caceres	Geologist	<p>Dr. Caceras is a professional geologist, based in Bogota, with over 35 years of exploration and mining experience in copper, phosphate rock, gold, coal and oil & gas internationally. Dr. Caceres has decades of experience in leading field teams through greenfields exploration, drilling, sampling and geochemistry, as well as structural geology and analysis for mine building projects.</p> <p>Dr. Caceras has degrees in Geology, Geophysics and Structural Geology & Geotectonics from National University in Bogota, Colombia. Dr. Caceras also holds a post-graduate diploma from the Colorado School of Mines. Dr. Caceras has published more than 20 geological maps, surveys and analysis of the sedimentary basins of Colombia.</p>
Gildardo Perez	Geologist	<p>Mr. Perez is a professional geologist with nearly 40 years of experience in the mining and energy industry. Mr. Perez specialises in stratigraphy and structural geology, particularly applied to mine design and mine building. Mr. Perez has overseen the construction of numerous mines in Colombia, including the Escalones Mine with 5 separate underground operating fronts. Mr. Perez also has extensive experience in the Colombian oil and gas sector as an stratigraphy and well evaluation expert.</p> <p>Mr. Perez has a degree in Geology from the National University of Colombia in Bogota and a degree in Business Administration from the University del Rosario in Bogota.</p>
Rolando Tinoco	Financial Controller	<p>Rolando brings enormous experience to our mining financial team, with a long standing background in the ASX mining sector, particularly with operations in foreign jurisdictions. Most recently with Indochine Mining Limited and its operations in PNG and previously with Rey Resources with its diversified interests and in particular resources in Chile. Prior to that Rolando had experience in Spain and Peru.</p> <p>Rolando is a CPA with a Masters in Applied Finance and other post graduate achievements from the University of Sydney, the School of Business Administration in Lima Peru, and a Bachelor of Industrial Engineering from the University of Lima to round out his technical contribution to the team.</p>

Pablo Mir	Attorney	<p>Admitted to Practice in Chile since 1987. Mr. Pablo Mir's practice area focuses on Natural Resources, Mining and Energy, and Public Works Concessions. He received his J.D. degree, cum laude, from the Universidad de Chile.</p> <p>Pablo Mir is a Member of the Rocky Mountain Mineral Law Foundation, the International Mining Professionals Society (IMPS), and the Latin American Mining Lawyers (AMLA). He is also a member of the International Bar Association's Section on Energy, Environment, Natural Resources and Infrastructure (SEERIL), the Prospectors and Developers Association of Canada (PDAC). In Chile, he is a member of the Chilean Bar Association and the legal affairs commission of the National Mining Association (SONAMI).</p> <p>He has been highlighted in numerous opportunities by specialize publications as one of the best mining lawyers in Latin America. In 2012, 2013 and 2014 Pablo Mir was included by Who's Who Ranking in the top 10 list of the most recognized mining lawyers in the world and Chambers and Partners Latin America 2013, awarded him as the most recognized Chilean lawyer (Star Individual) in Mining.</p> <p>Pablo Mir has advised several mining companies and mining investments banks in their projects in Chile and also projects in Argentina, Peru, Ecuador and Colombia. He is currently on the board of Lundin Gold Inc.</p> <p>He led the team that obtained approval for the first exploration project under the Chile-Argentina Mining Treaty. He led the legal team that constructed the Gas Pacifico pipeline that transports natural gas from Argentina to the 8th Region of Chile. Mr. Mir also led the legal team in Lundin Mining's \$1.2 billion acquisition of the Candelaria Mining and Transport Complex in Copiapo in 2014</p> <p>Mr. Mir has participated as consultant to several work groups and commissions of the Chilean Government to improve mining and energy regulations. And is a frequent speaker in international mining law conferences and seminars.</p>
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