

# Quarterly Report

31 OCTOBER 2011

Phillips River Mining NL  
ABN 61 004 287 790

1315 Hay street  
WEST PERTH WA 6005

T: 08 6254 3900  
F: 08 6254 3999  
info@phillipsriver.com.au

## CONTACT

Jason Stirbinskis  
Managing Director

## WEBSITE

www.phillipsriver.com.au

## ASX CODE

PRH



\* Company type 'NL' was a transitional state. In October 2011 the company change to Ltd.



# Phillips River

## Quarterly Report for the period ending 30 September 2011

### HIGHLIGHTS

- **Signing of ~AUD\$100M offtake agreement**
- **Company re-branding complete**
- **Encouraging drill results for Queen Sheba and Gift South targets**
- **Queen Sheba Resource doubled**
- **Substantial tenement areas granted, prospective for Trilogy and Tropicana style mineralisation**

Major activities throughout the quarter were focussed on preparations for development of the Phillips River Project in 2012. The most significant of these were finalising the lead/zinc offtake agreement and rebranding the company to Phillips River Mining NL\*. Exploration success during the quarter also included encouraging results for several exploration targets and the subsequent release of revised Resources to take the global gold inventory to 0.95Moz (table 5).

### PHILLIPS RIVER PROJECT - BACKGROUND

Located on the south coast of Western Australia, the Phillips River Project (PRP) is between Hopetoun and Ravensthorpe, 180km's due west of the sea port of Esperance. PRP includes two areas of mineralisation, the polymetallic Trilogy deposit and the gold / copper deposits of Kundip comprising Flag, Kaolin and Harbour view.

On 11 February 2011 the Company announced the completion of the DFS for the PRP. The headline numbers for the DFS are:

- \$1Billion in revenue over 10 years
- NPV<sub>(8%)</sub> of \$72M, pre-tax IRR 26%, payback year 5
- 80% of revenue from copper and gold production

The project DFS Reserve is presented in table 1.

PHILLIPS RIVER PROJECT RESERVE – Announced 11/2/11							
Mine	Classification	Mt	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Trilogy Pit	Proved	0.3	2.2	45	0.4	0.2	0
Trilogy Pit	Probable	4.04	0.8	57	1.1	2.7	1.6
Trilogy U/G	Probable	0.28	1	26	1.3	1.9	1.8
<b>Subtotal Trilogy Ore Reserve</b>		<b>4.63</b>	<b>0.9</b>	<b>55</b>	<b>1.1</b>	<b>2.5</b>	<b>1.5</b>
Flag Pit	Probable	0.21	4	3.5	0.5		
Harbour View Pit	Probable	0.2	3.2	1.5	0.38		
Kaolin Pit	Probable	1.27	2.8	1.7	0.18		
Flag U/G	Probable	0.24	5	3.5	0.45		
Harbourview U/G	Probable	0.75	3.5	4	0.68		
Kaolin U/G	Probable	0.14	4.4	3.2	0.28		
<b>Subtotal Kundip Ore Reserve</b>		<b>2.81</b>	<b>3.4</b>	<b>2.7</b>	<b>0.38</b>	<b>0</b>	<b>0</b>
Subtotal Proved	Proved	0.3	2.2	45	0.35	0.15	0.01
Subtotal Probable	Probable	7.13	1.8	35	0.82	1.62	0.97
<b>Total PRP Ore Reserve</b>		<b>7.44</b>	<b>1.8</b>	<b>35</b>	<b>0.8</b>	<b>1.56</b>	<b>0.93</b>

Table 1: Phillips River Project Reserve, announced 11 February 2011

The estimated project Capital required is AUD\$133M with a large portion directed to establish the Trilogy based processing facility. The Trilogy plant is the corner stone of Tectonic's regional strategy and has a capacity of between 800ktp and 1.1mtpa depending on ore type. The plant is capable of accepting gold ores, copper ores and polymetallic copper/gold/silver/lead/zinc ores. The flexibility of the plant means that it is highly likely that any ore discovered in other areas of Tectonics substantial and prospective portfolio of tenements or in the region by other explorers will be compatible feed for the Trilogy plant. The facility will produce gold dore, copper concentrates, and bulk sulphide concentrates

## RE-BRANDING AND SHARE CONSOLIDATION

In Q2 the Company embarked on a re-branding and restructuring to reflect its focus on the Phillips River Project and to prepare for its next production phase as a significant copper and gold producer. The process was mostly complete by end of Q3 with the following major milestones achieved.

- Change of name from Tectonic Resources to Phillips River Mining
- Shareholder restructure via a 1:8 share consolidation
- Office relocation
- Substantial marketing and media campaign
- New Company constitution

The share consolidation was approved at the General Meeting held on 29 August 2011 and undertaken on 7 September 2011. The following represents the pre and post consolidation shares on issue:

Date of Consolidation	Shares on Issue	
	Pre Consolidation	Post Consolidation
7 September 2011	513,443,404	64,180,724

The transition was complete in late October with the changing of Company type from NL to Ltd. The Company is now positioned to progress activity on debt, equity and offtake fronts in preparation for development in 2012.

## OFFTAKE SIGNED

In September the Company announced that an offtake agreement had been reached with LN Metals for the Phillips River Project lead/zinc concentrate. The agreement is for life of mine production of lead / zinc concentrate commencing in 2013 and represents roughly \$100M in revenue. This is an extremely significant milestone for the Company as securing life of mine production effectively and substantially de-risked the Phillips River Project.

The Company is now focussed on securing the Copper Concentrate off take which is in excess of 4 times the value of the lead / zinc concentrate off take. Conversations on this front have been encouraging and the Company is targeting to secure an agreement by end of Q4.

The Company has also concurrently been progressing debt conversations and expects to also see these conclude in 2011.

## EXPLORATION SUCCESS

Phillips River Mining holds a substantial portfolio of both copper/gold and base metal targets within the region which range from early stage which have achieved encouraging exploration results to date, to advanced prospects with JORC compliant Resource which were not included in the feasibility study. The quarter saw significant progress on 2 of the numerous targets within the extensive portfolio.

An updated Resource estimate was announced for **Queen Sheba** following drilling results announced the previous quarter. The updated resource nearly doubles the previous, and is displayed as table 3. The company is particularly excited by the recent activity at Queen Sheba as it suggests the mineralisation maybe similar in style to the Trilogy deposit just 2kms away and forming part of the Phillips River Project Reserve. Compounding the Company's enthusiasm for Queen Sheba is that zones geologically prospective for base metal mineralisation appear to substantially wider than Trilogy's. Further drilling is planned to test the down-plunge limits to mineralisation.

QUEEN SHEBA - RESOURCE TABLE: AUGUST 2011				
RESOURCE CATEGORY	Tonnes (000)	Au g/t	Ag g/t	Cu %
MEASURED				
INDICATED				
INFERRED	802	1.90	4.0	0.04
<b>TOTAL</b>	<b>802</b>	<b>1.90</b>	<b>4.0</b>	<b>0.04</b>
GLOBAL RESOURCE TABLE: CONTAINED METAL				
	(000)	(000 Oz)	(000 Oz)	(000 t)
MEASURED				
INDICATED				
INFERRED	802	49.0	102.6	0.3
<b>TOTAL</b>	<b>802</b>	<b>49.0</b>	<b>102.6</b>	<b>0.3</b>

Table 3: Queen Sheba Resource Table

Based on wire-framing to drill holes on a 0.8g/t Au cut-off for and reporting to a 1g/t Au cut-off.

Results from air core drilling at **Gift South** were released 28/8/11. Better results included

- 2m @ 7.23g/t Au from 5m
- 2m @ 5.94g/t Au from 8m
- 2m @ 3.50g/t Au from 7m
- 4m @ 3.07g/t Au from 4m
- 2m @ 3.99g/t Au from 3m
- 2m @ 2.83g/t Au from 4m

The Gift South prospect is located within the existing Kundip mining leases. The mineralisation is between 4 to 12m below surface and remains open at both ends and is interpreted as alluvial in nature. The mineralisation occurs in unconsolidated sands suggesting that mining costs will be low. It is also expected that the mineralisation will respond well to gravity separation and therefore Gift South could prove to be a potentially very economically attractive supplement to the Phillips River Project. In 2012 the Company will also embark on a program of exploration for other potential alluvial targets in the immediate area and 'upstream' exploration in an endeavour to locate the source of the gift source alluvial gold.

On the back of the Air core results and RAB drilling conducted the previous quarter the Company announced a **maiden resource** for the prospect on 12/10/11 (table 4).

GIFT SOUTH RESOURCE TABLE - OCTOBER 2011		
Resource Category	Tonnes (000)	Gold (g/t)
Measured		
Indicated		
Inferred	941	0.76
<b>TOTAL</b>	<b>941</b>	<b>0.76</b>
RESOURCE TABLE - CONTAINED GOLD		
Resource Category	Tonnes (000)	Ounces (000)
Measured		
Indicated		
Inferred	941	23
<b>TOTAL</b>	<b>941</b>	<b>23</b>

Table 4: Gift South Resource Table: Announced 12<sup>th</sup> October 2011  
Resource estimated using Ordinary Kriging using Surpac software. Mineralised solids based on target 0.20g/t Au low cut, minimum 1m wide drill intersection, and extended through sub-grade material where geological continuity is evident. Resource reported to 0.25g/t Au cut-off. Assays based on 50gm fire assay by Arum Laboratories, from variously riffle split sub-sample or whole of sample, followed by standard sample preparation

## NEW TENEMENTS

Phillips River Mining announced the granting of two tenement parcels during the quarter taking its total tenement portfolio to nearly 2500km<sup>2</sup>.

The most significant parcel in terms of size was the **Munglinup** parcel which is 1,667 km<sup>2</sup> of new exploration tenements on the Albany-Fraser Belt. The Albany Fraser Belt is one of Australia's most significant emerging gold belts, which hosts the 5Moz Tropicana gold deposit. The tenements are located predominantly on cleared agricultural land, with native title agreements reached and the Company will commence exploration for Tropicana style mineralisation in the new year. .

The Company was also granted two new exploration tenements close to existing exploration tenement holdings and planned milling infrastructure of the Phillips River Project. E74/462 is 46km<sup>2</sup> and located immediately west of the Trilogy deposit, and has been subject to previous modern exploration which has delineated anomalous intersections of 9m @ 0.22% Cu from 19m, and 7m @ 0.24% Cu from 38m to end of hole in RAB drilling. E74/474 is 11km<sup>2</sup> and located within the Albany-Fraser Belt, which is considered prospective for Tropicana style mineralisation. This tenement adds to the Munglinup tenement package mentioned above.

<b>GLOBAL RESOURCE TABLE: October 2011</b>							
<b>GOLD AND COPPER RESOURCE TABLE: KUNDIP PROJECT AND OTHERS*</b>							
<b>CATEGORY</b>		<b>Mt</b>	<b>Au</b>	<b>Ag</b>	<b>Cu</b>	<b>Pb</b>	<b>Zn</b>
			<b>(g/t)</b>	<b>(g/t)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
MEASURED		0.00	0.00	0.0	0.0		
INDICATED		4.39	3.41	2.5	0.4		
INFERRED		4.55	2.10	2.1	0.3		
<b>SUB TOTAL</b>		<b>8.94</b>	<b>2.74</b>	<b>2.3</b>	<b>0.3</b>		
<b>BASE METAL RESOURCE TABLE: TRILOGY PROJECT**</b>							
MEASURED		0.31	2.4	41	0.3	0.1	0.0
INDICATED		5.75	0.7	48	1.1	2.1	1.3
INFERRED		0.18	0.6	12	0.8	0.2	0.2
<b>SUB TOTAL</b>		<b>6.24</b>	<b>0.82</b>	<b>47</b>	<b>1.0</b>	<b>2.0</b>	<b>1.2</b>
<b>GLOBAL RESOURCE TABLE: GRADE</b>							
MEASURED		0.31	2.4	41.2	0.3	0.1	0.0
INDICATED		10.14	1.9	28.3	0.8	1.2	0.7
INFERRED		4.74	2.0	2.5	0.3	0.0	0.0
<b>GRAND TOTAL</b>		<b>15.19</b>	<b>1.95</b>	<b>20.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.5</b>
<b>GLOBAL RESOURCE TABLE: CONTAINED METAL</b>							
		Mt	M Oz	M Oz	t (000)	t (000)	t (000)
MEASURED		0.31	0.02	0.41	0.9	0.4	0.0
INDICATED		10.14	0.62	9.21	78.1	122.5	73.9
INFERRED		4.74	0.31	0.39	16.2	0.3	0.3
<b>GRAND TOTAL</b>		<b>15.19</b>	<b>0.95</b>	<b>10.01</b>	<b>95.3</b>	<b>123.3</b>	<b>74.3</b>

Table 5: Phillips River Mining – Global Resource including Resources announced since 30<sup>th</sup> September 2011

\*- Based on wire-framing to drill holes on a 1.0g/t Au cut-off for shallow resource, and 3.0g/t Au. for deeper mineralisation, and reporting to a 1g/t Au cut-off.

\*\* -Based on wire-framing to drill holes on a 0.5% Cu equivalent cut-off and reporting to a 1% Cu equivalent cut-off.

Oxide Cu eq. = (Au ppm \* 9775) + (Ag ppm \* 150.4) + (Cu ppm):

Sulphide Cu eq. = (Au ppm \* 4720) + (Ag ppm \* 75.5) + (Cu ppm) + (Pb ppm \* 0.2384) + (Zn ppm \* 0.1925)

### Competent Person's Statement

The information in this report that relates to Exploration Results, and information in this Ore Reserve statement that relates to Mineral Resource estimates defined as part of the June 2010 Mineral Resource are based on information compiled by Mr Bruce Armstrong, who is a Member of The Australasian Institute of Geoscientists. Mr Armstrong is a full time employee of Phillips River Mining, and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this Ore Reserve statement that relates to Ore Reserve estimates is based on information compiled by Mr Geoff Davidson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Davidson is a Principal Consultant

*and Director of Mining and Cost Engineering Pty Ltd and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The Competent Persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

*This announcement contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward-looking statements. No representation or warranty, express or implied, is made by Phillips River Mining that the material contained in this presentation will be achieved or prove to be correct*

