

Mercantile Investment Company Limited

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AN IMPORTANT MESSAGE FROM MERCANTILE INVESTMENT CO LTD (MVT) TO SHAREHOLDERS OF PHOSPHATE AUSTRALIA LTD (POZ)

The Board of MVT's view is that POZ Shares are simply not worth 15.6c. Even following the release of this valuation, POZ shares have not traded anywhere near this price. Indeed, the highest price paid since then was 2.7 cents per share (and that was for just over of \$4,000 worth of shares). Clearly, that valuation has not gained traction in the market.

POZ was floated at 20c per POZ Share in 2008. POZ Shares reached a low of 0.8c (80% of 1 cent) in June 2014.

POZ has been trying to sell its flagship Highland Plains project without success. MVT understands that the Highland Plains project requires significant investment (more than \$400 million) to construct its mine and any pipeline to the coast. POZ's other projects have not produced any precious metal in 7 years.

POZ's only non-speculative asset is cash in the bank. POZ's cash is stated to be approximately \$4 million (equal to approximately 2.4c per POZ Share). If POZ distributed that cash to POZ Shareholders, the (total cash) distribution of approximately 2.4c per POZ Share would be higher than MVT's best and final Offer Price of 2.2c per POZ Share.

HOWEVER, THE POZ BOARD HAS NOT INDICATED THAT IT WILL DISTRIBUTE POZ'S CASH TO SHAREHOLDERS.

Instead, MVT expects that POZ's \$4 million in cash resources will likely be used to pay Directors' fees, legal fees, general administration, rental payments, and POZ's other internal costs.

MVT's OFFER OF 2.2c per POZ SHARE IS FINAL, AND WILL NOT BE INCREASED OR EXTENDED.

IT WILL CLOSE ON 14 MAY 2015.

Ron Brierley
CHAIRMAN
MERCANTILE INVESTMENT CO LTD
8 May 2015