



Target's statement

21 October 2014

Dear Shareholder

On 9 October 2014, CI Resources Ltd (**CII**) announced an intention to make an off-market takeover offer (**Takeover Offer** or **Offer**) to acquire all of the issued shares in Phosphate Resources Ltd (**PRL**) by offering 40.3 CII shares in exchange for each PRL share it does not hold.

The Offer is formally made under a bidder's statement dated 20 October 2014 (**Bidder's Statement**).

As you would be aware, CII have a controlling interest holding 63.05% of the issued shares in PRL but has no other material assets or liabilities. As a result, the effect of the Offer is for minority PRL shareholders to replace their direct interest in PRL with the same indirect (through CII) interest. For example, if you hold 1% of PRL, then upon accepting the Offer, you will hold 1% of CII which will hold 100% of PRL.

CII is listed on Australian Securities Exchange (**ASX**), and further information on CII (including its annual report for the year ending 30 June 2014) can be obtained from www.asx.com.au.

As CII currently holds in excess of 30% of PRL and 3 directors of CII are also directors of PRL, *Corporations Act 2001* (Cth) requires an independent expert's report opining on whether the Offer is fair and reasonable and giving its reasons. Accordingly, the independent directors of PRL, namely Messrs Lai, Chan and myself (**Independent Directors**) appointed RSM Bird Cameron Corporate Pty Ltd to prepare an independent expert's report which is attached. RSM Bird Cameron Corporate Pty Ltd opines that the Offer is fair and reasonable for PRL shareholders.

The Independent Directors unanimously recommend that shareholders should accept the Offer as it is both fair and reasonable, and additionally provides the significant advantage of conferring liquidity on your interests, and in the best interests of PRL. The liquidity means that you or your heirs will be able to dispose of your shares for cash at any time by accepting the prevailing price for the shares trading on the ASX.

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Phosphate Resources Limited ABN 77 009 396 543
trading as Christmas Island Phosphates



In our view there is no realistic likelihood of any superior proposal or offer emerging for your PRL shares, and there will be less of a market for PRL shares following the Offer. Non-accepting shareholders should also be aware of the risks as a minority PRL shareholder if CII does not acquire 100% of PRL. These risks may be increased following the Offer.

The Offer is scheduled to close on 27 November 2014. To accept you need to return the form attached to the Bidder's Statement which for your convenience we have also included with this target's statement. You may hand these in or mail together with your share certificate to our offices in Perth, Christmas Island, Kuala Lumpur or Singapore

We have attached a formal target's statement on the proposal together with the report from RSM Bird Cameron Corporate Pty Ltd and a detailed overview of the taxation issues prepared by RSM Bird Cameron.

You should consult any independent financial adviser you may have and your taxation accountant on this matter to check the impact of acceptance on your individual situation.

If you have any concerns or if you require further information please do not hesitate to contact me on +61 427 240 005 or Kevin Edwards, the Company Secretary, on +61 421 916 229.

Clive Brown
Chairman



TARGET'S STATEMENT

This document

This document is a target's statement (**Target's Statement**) issued by Phosphate Resources Ltd ACN 009 396 543 (**PRL**) under Part 6.5 Division 3 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in response to a bidder's statement lodged by CI Resources Limited (**CII**) and dated 20 October 2014 (**Bidder's Statement**) and the offer made in the Bidder's Statement to acquire all of the fully paid ordinary shares in PRL that CII does not hold.

This Target's Statement is accompanied by an independent expert's report prepared by RSM Bird Cameron Corporate Pty Ltd for the purposes of section 640 of the Corporations Act. A copy of this Target Statement and the Independent Experts Report was lodged with ASIC on 21 October 2014. Neither ASIC nor its officers take any responsibility for the content of this Target Statement or the Independent Experts Report.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice.

For Australian resident shareholders, you should note that scrip-for-scrip capital gains tax rollover relief may be available if you accept the Offer and CII acquires more than 80% of PRL. That is, if you elect when you complete your tax return then no capital gains event will arise for you on receipt of the CII shares. You will only have a capital gain event when you eventually sell your CII shares. However, depending on your circumstances, you may be liable for capital gains tax on any gain from accepting the Offer if CII acquires less than 80% of PRL.

A detailed outline of the taxation issues prepared by RSM Bird Cameron is attached. The tax consequences will depend upon your individual circumstances. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer. Shareholders outside Australia are encouraged to seek their own advice in relation to any financial or taxation consequences in their home country that may arise as a consequence of accepting the Offer.

Neither PRL nor any of its officers or advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect to the taxation consequences themselves.



Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Reasons You Should Accept the Offer

As required by the Corporations Act, Messrs Clive Brown, Lai Ah Hong, Chan Khye Meng (together the **Independent Directors**) each recommend that PRL shareholders accept the Offer for all of their PRL Shares, for the reasons set out below.

Messrs Tee Lip Sin, Dato' Kamaruddin bin Mohammed and Tee Lip Jen are each directors of CII, and Phua Siak Yeong is associated with a major shareholder of CII and for that reason decline to make a recommendation.

1. An equivalent exchange

The proposed conversion of your PRL shares to CII shares at a ratio of 1: 40.3 is a fully equivalent exchange.

CI Resources has 72,874,102 issued shares and holds 1,808,580 PRL shares and disregarding the current nominal cash asset, this is the sole and entire asset of CI Resources.

By division each PRL share is therefore the equivalent of 40.2935 CII shares. For ease of calculation this has been rounded up to 40.3 CII shares.

There are another 1,059,727 PRL shares which at 40.3 CII shares is the equivalent of a further 42,706,999 shares. Hence on a fully merged basis CI Resources would have 115,581,101 shares on issue.

If you hold 5,000 PRL shares you have 0.174% of the total issued shares in PRL being 2,868,307. On acceptance of the Offer you will hold 201,500 CII shares which is again 0.174% of the total issued shares in CII being 115,581,100. In effect your economic interest in PRL's assets will not change as a result of accepting the Offer and CII acquiring all of PRL's issued shares.



The Independent Expert has arrived at a similar comparison by a valuation of shares on a net tangible asset basis as disclosed in the audited accounts of the two companies. The holding of a PRL share is valued at \$44.14 and the post-merger exchange value for 40.3 CII shares becomes \$44.29 (the slight increase arises from your share of the cash already in CII).

2. CII shares can be readily sold through stock market

Your CII shares can continue to be sold privately like PRL shares but they are also tradeable on the Australian Securities Exchange (**ASX**) whenever you wish to sell all or part of your new shareholding.

All of the major Australian banks operate broking services for ASX transactions and if you are a customer will provide these services to you.

If you reside on Christmas Island and do not have an account with a stockbroker in Perth, the local manager of the Westpac bank can assist you if you wish to sell all or part of your new CII shares through the ASX.

The increase in the liquidity of your interest will be a major benefit to shareholders and give them and their families' greater flexibility to realize the benefit of their shareholding when they want to convert it to cash.

3. No changes to current operations.

The merged board will essentially be the same with the Independent Directors all joining the merged board and no changes in the management and operations is proposed.

There is no change proposed to the current managers, employees and employment arrangements in the Christmas Island mining operations.

However, by merging the companies into one listed on ASX the way is open for your Board and Management to expand into other mining and plantation operations. It will enable the merged company to more readily raise capital to undertake expansions to allow us to diversify our income base and create ongoing employment opportunities and value for shareholders well into the future.

4. Independent expert opines that the Offer is fair and reasonable

RSM Bird Cameron Corporate Pty Ltd have opined that the Offer is fair and reasonable to PRL shareholders. Their report sets out reasons for their opinion, and PRL's Independent Directors recommend that all shareholders read this report in full.



Bidder's Statement

Further information on CII (including rights under the CII shares) and the Offer are contained in the Bidder's Statement, a copy of which accompanies this Target's Statement. PRL's Independent Directors recommend that all shareholders read the Bidder's Statement in full.

Directors Disclosure

The current directors of PRL have the direct and indirect interests in the shareholdings of PRL and CII as set out hereunder.

Name	Date of last transaction	PRL (Direct)	PRL (Indirect)	CI Resources Direct	CI Resources Indirect
Clive Brown		0	0	0	0
Lai Ah Hong	17-Jun-14	35,161	15,300	1,702,988	0
Dato' Kamaruddin bin Mohammed		0	0	0	0
Chan Khye Meng	29-Oct-08	1	13,000	31,181	0
Tee Lip Sin	25-Jan-13	18,600	195,500	0	14,566,876
Tee Lip Jen	26-Oct-12	30,500	164,600	0	
Phua Siak Yeong	16-Aug-10	11,000	0	0	0

The independent Directors who have shares in PRL (Messrs Lai and Chan) each intend to accept the Offer for all of the shares they hold.

Consents

PRL's directors have each given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, their written consent to statements attributable to them in this Target's Statement in the form and context in which the statements appear.

RSM Bird Cameron Corporate Pty Ltd has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as independent expert and for its report to accompany this Target's Statement.



No other material information

This Target's Statement is required to include all the information that PRL shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any director of PRL.

The Independent Directors are of the opinion that the information that PRL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in the documents lodged by PRL with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Independent Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the PRL directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent PRL Directors have had regard to:

- (a) the nature of the PRL shares;
- (b) the matters that PRL Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to PRL Shareholders' professional advisers; and
- (d) the time available to PRL to prepare this Target's Statement.