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## Four major events took place during the final quarter of calendar year 2012.

### They were:

- **The visit to Australia by the President of the Philippines, His Excellency Benigno Aquino III.**
- **Significant progress by Glencore in its bid to acquire our Tampakan Copper-Gold Project partner, Xstrata.**
- **The announcement by the project's operating arm Sagittarius Mines Inc (SMI) and project manager Xstrata Copper that they were issuing an updated development plan that outlines the potential for commercial production to commence in 2019.**
- **Underpinned by a new Mining Policy that requires local government units (LGUs) to comply with national laws as well as a timely government-based opinion on the illegality of the related LGU ordinances, on 8 November the Philippine Government issued a further directive requiring LGUs to 'strictly comply' with the Constitution and national laws governing mining and the right to mine by open pit methods.**

During his Australian visit, President Aquino spoke strongly – publicly and privately – about the role Australia can play in Philippines' minerals development. In one public address in Sydney on 25 October, he said: *"Mining in the Philippines is an industry with great potential. This is an industry that is worth looking into, especially for Australian mining companies who have the size, expertise and global best practices to take on large, long-term developmental projects in the Philippines."*

On the Glencore acquisition of Xstrata, there are some near-term approvals still required. In respect of Tampakan, Indophil looks forward to the opportunity of working with the revamped group to realise the Tampakan Project's enormous potential.

Even with a revised timeline of first production in 2019, the Tampakan Project still ranks as one of the leading near-term world-class copper development and production projects.

Finally, the various initiatives to take minerals development forward in the Philippines, delivered before and after the visit to Australia by President Aquino, are certainly welcome. Indophil and its shareholders encourage the Philippine Government to continue with a pro-development and foreign investment stand, in line with its often-stated support for responsible mining.

**Richard Laufmann**  
CEO & MD  
24 January 2013



## TAMPAKAN – UPDATED DEVELOPMENT PLAN

On 12 December 2012, Sagittarius Mines Inc (SMI), the operating arm for the Tampakan Copper-Gold Project, provided project partners (including Indophil and the Philippine Government) with an updated development plan that outlines the potential for commercial production to commence in 2019.

SMI cited the reasons for the revised project development plan as:

- Extending the timeframe to obtain approval for project development from the affected communities; and
- Completing resettlement plans along with formalising consent of the Indigenous Peoples in the project area.

SMI highlighted challenges facing project development as:

- Restrictions on field activities resulting from security issues;
- A change of approach and redevelopment of power supply options;
- Ongoing uncertainty resulting from a local government ordinance that defies the Constitution and national laws; and
- The determination of an appeal to the Office of the President following the denial of a key environmental approval by the relevant national government department.

In commenting on the updated project development plan and the circumstances leading to it, Indophil made the following observations:

- Xstrata, as manager of the Tampakan Project, has set and maintained high standards of design and technical project management performance, including the use of world-class specialists;
- Indophil has for some time disagreed with several key assumptions made by Xstrata, and it is Indophil's view that with regard to these particular aspects a different approach is warranted;
- The Tampakan Project awaits a significant watershed in the form of the near-term acquisition of Xstrata by Glencore, which already has a significant and well-established presence in the Philippines. In this context, and underpinned by a considerable level of domestic support and expertise available through Indophil's Filipino shareholders, Glencore's involvement in the Tampakan Project will represent an opportunity to address Indophil's concerns regarding the project. To that end, in late 2012 Indophil invited Xstrata to include a representative from Glencore and engage in a mediation process.
- The period leading up to the May 2013 elections in the Philippines provides a unique opportunity to strengthen understanding of the benefits that a flagship project like Tampakan can bring to the economy and the people of the Philippines, while seeking to deliver a renewed vision of in-country support for the project.

## TAMPAKAN STUDY PROGRAM

Xstrata Copper is the operator of the Tampakan Project through SMI, in which Indophil holds its 37.5% Tampakan interest.

No drilling was conducted during the reporting period and no new assay results were received.

Discussions with the preferred power station developer in respect of the Maasim site progressed. A Joint Development Agreement and a Framework Agreement covering ongoing development activities for the power station have been signed.

## TAMPAKAN AT A GLANCE

The Tampakan copper and gold deposit, discovered in 1992, is one of the largest-known undeveloped copper-gold deposits in the world. Tampakan is a 2.94 billion tonnes mineral resource at 0.51% copper when measured at a 0.2% copper cut-off grade. It is estimated to contain 15 million tonnes of copper and almost 18 million ounces of gold, with potential for growth.

The Tampakan Mine Project Feasibility Study outlines a proposed mining operation that involves:

- An initial 17 year life-of-mine, with potential for extension;
- A start-up mining and milling capacity of 66 million tonnes per annum;
- Annual copper production of 450,000 tonnes and annual gold production of 435,000 ounces over the first five years of operation;
- An average life-of-mine copper production rate of 375,000 tonnes per year;
- An average life-of-mine gold production rate of 360,000 ounces per year; and
- A development cost of US\$5.9 billion, including the provision of US\$900 million for a power station.

First production is now scheduled for 2019.

Indophil holds a strategic 37.5% stake in SMI and hence in the Tampakan Project while Xstrata holds the balance. In turn, as the holder of the Columbo Financial and Technical Assistance Agreement, SMI acts as a contractor to the Philippine Government on behalf of the people of the Philippines.

## FINANCIAL REPORTING AND CASH BALANCE

Indophil's cash balance at the end of the December 2012 quarter was \$235.0 million (previously \$240.2m). The Company's main expenditure commitment for the quarter – \$5.1 million – was to the Tampakan Project.

## EMPLOYEE OPTION PLAN

On 20 December 2012, Indophil advised that the Board had resolved to make an issue of options under the Company's existing Employee Option Plan (EOP). The purpose of the EOP is to act as an employee incentive scheme for current and future employees. Under the EOP, 2,760,750 options were issued to employees who are not Directors. Detail is provided in the announcement to the ASX of 20 December 2012.

## EXPLORATION PROGRAM – THE PHILIPPINES

At Indophil's Itogon Gold Project in Northern Luzon, the first two holes (ITDH047 and ITDH048) of a four-hole program to test the Frog vein system below the 1300 level were completed. The core has been logged and submitted for assay.

Drill hole ITDH046 at Itogon South, testing a potential porphyry copper target defined by Induced Polarisation geophysics, was completed last quarter. All assays have now been received, with no significant copper or gold intersections.

In Central Mindanao, Indophil had three tenement applications in the Buda area as well as a joint venture with Freeport McMoRan over two blocks of tenement applications at Mt Kinabalin and Buda.

Following the issuing of Executive Order 79 by the Philippine Government and changes in the Mines and Geosciences Bureau (MGB) approach to permitting matters, Indophil's applications were denied as part of an industry-wide policy change. After due consideration and consultation with Freeport McMoRan, Indophil has opted to no longer pursue the applications.

In Eastern Mindanao, Indophil holds a 25% interest in the Manat Gold Project. The Declaration of Mining Project Feasibility (DMF) has been submitted to the Philippine Government. On 9 January 2013, the DMF successfully passed through the regional MGB process and has been referred to the MGB Central Office in Manila for review and approval considerations.

## CORPORATE INFORMATION

ASX listed code	IRN
Total listed shares	1,203,146,194
Unlisted options	3,374,750

Share price trading range for the December 2012 quarter:

High	32¢
Low	21.5¢
Current	27.5¢

*All currencies in Australian dollars unless stated otherwise.*

## DIRECTORS

Non-Executive Chairman	Brian Phillips
CEO and Managing Director	Richard Laufmann
Executive Director	Tony Robbins
Non-Executive Director	Kyle Wightman
Non-Executive Director	David Carland
Non-Executive Director	Nicasio Alcantara
Non-Executive Director	Frederic DyBuncio
Company Secretary	Kay Donehue
Chief Financial Officer	Anita Krauser

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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Appendix 5B  
Mining exploration entity quarterly report

Rule 5.3

## Appendix 5B

### Mining exploration entity quarterly report

Name of entity

Indophil Resources NL

ABN

45 076 318 173

Quarter ended ("current quarter")

31 December 2012

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(850)	(3,071)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,941)	(8,756)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2,956	11,986
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(248)	(248)
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(83)</b>	<b>(89)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(23)	(119)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities – SMI Tampakan Project	(5,062)	(26,988)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>(5,085)</b>	<b>(27,107)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(5,168)</b>	<b>(27,196)</b>

+ See chapter 19 for defined terms.

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,168)	(27,196)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares	-	67,700
1.15	Proceeds from sale of forfeited shares	-	614
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share raising costs	-	(1,944)
	<b>Net financing cash flows</b>	-	66,370
	<b>Net increase (decrease) in cash held</b>	(5,168)	39,174
1.20	Cash at beginning of quarter/year to date	240,205	195,863
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>235,037</b>	<b>235,037</b>

**Payments to directors of the entity and associates of the directors.**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	225
1.24	Aggregate amount of loans to the parties included in item 1.10	5,062

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Interest Income  
\$8,795,193 has been recorded as interest income on advances to associate entities for the period 1 January 2012 to 31 December 2012. The interest income is recorded as additional advances in the accounts and therefore is a non-cash settlement.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Financing facilities available**

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	5,000
4.2 Development	-
4.3 Production	-
4.4 Administration	500
<b>Total</b>	<b>5,500</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	841	680
5.2 Deposits at call	234,196	239,525
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>235,037</b>	<b>240,205</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	1,203,146,194	1,203,146,194		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options/ Performance Rights</b> <i>(description and conversion factor)</i>	614,000 920,250 920,250 920,250	Nil	Exercise price \$0.41 \$0.25 \$0.28 \$0.31	<i>Expiry date</i> 3 April 2014 19 December 2015 19 December 2016 19 December 2017
7.8 Issued during quarter	920,250 920,250 920,250	Nil	\$0.25 \$0.28 \$0.31	19 December 2015 19 December 2016 19 December 2017
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

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**Mining exploration entity quarterly report**

7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Kay Donehue, Company Secretary  
24 January 2013

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.