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Listings Officer
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KARINGA LAKES POTASH PROJECT SCOPING STUDY COMPLETION

Completion of the Karinga Lakes Potash project scoping study supports the potential for future development of the Karinga Lakes potash project to produce either a sulphate of potash fertiliser or an intermediate product, a potassium magnesium sulphate fertiliser.

The Karinga Lakes project area encompasses a number of salt lakes in the southern part of the Northern Territory, approximately 200km southwest of Alice Springs. The lake system lies at eastern end of the 'Central Australian Ground Water Discharge Zone'. These lakes are located along the route of the Lasseter Highway which connects to the Stuart Highway and proximate to the Central Australian Railway, giving access to potential markets in both Asia, through Darwin and southern Australia.

The knowledge gained through the scoping study process, specifically regarding the chemistry of the brines, the potential yields, the processing methodologies and the baseline economics, form a basis from which to continue work on the Karinga Lakes Project. Furthermore, this knowledge can be leveraged into shaping exploration and development strategies for the larger salt lakes in Rum Jungle Resources' portfolio, such as Lake Torrens, Lake Frome or Lake Amadeus, subject to access approvals.

This potentially enables a strategy of a small scale, limited environmental footprint and low capital start-up at the Karinga Lakes project to start developing the regional markets for these products and generating cash for the company. This initial development could then be followed by the development of a larger scale operation in the course of time.

It is also worth noting that fertilser commodities such as potash and phosphates have actually increased in price over the last 12 months since their lows in late 2013. This is in contrast to iron, ore, coal and oil. There are no substitutes for potassium (Potash) and phosphates in agriculture. Accordingly, Rum Jungle Resources' portfolio of sulphate of potash projects combined with the Ammaroo Phosphate Project positions the company to leverage growth in demand for fertilisers in the Asia-Pacific region, including Australia.

ASX ANNOUNCEMENT

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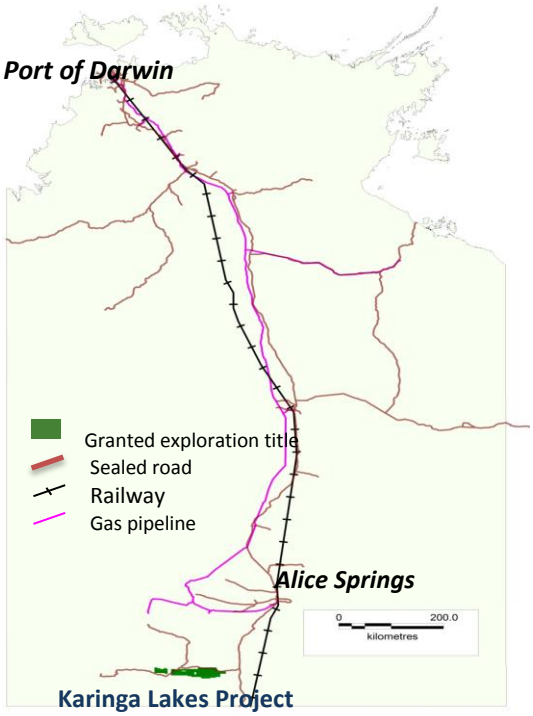


SUMMARY

Rum Jungle Resources Ltd is pleased to announce the completion of the Karinga Lakes Potash Project Scoping Study. The baseline knowledge and understanding of the chemical and physical properties of the brine resource, technical brine extraction, evaporation, mechanical processing, logistics, regional markets and pricing, now provides a basis for formal discussions with potential development and off take partners.

Partners will likely be required to fund a bankable feasibility study on an initial development of Karinga and further exploration of the other salt lakes in the portfolio. With almost all of the potassium needs of Australia, New Zealand and southern Asia met by imports, the potential evolution of a sulphate of potash industry in Australia could create significant value over time.

A review of the extractable brine resource, chemical composition and processing analytics, process flow sheet design, mass balance work and general brine extraction and processing facility layout was completed by China International Chemical Consulting Corporation (CICCC). CICCC utilised people resources that had previously been involved in the development and expansion of the Louobopo salt lake sulphate of potash operation in North Western China. GHD Australia completed scoping study level estimates of Australian capital and operating costs, based on the CICCC design. Baseline regional market studies for both sulphate of potash and potassium magnesium sulphate were also conducted.

Two development scenarios were studied to a scoping study level of accuracy (+/- 40% capital and operating costs):

Scenario 1

- 125,000 tonnes per annum of sulphate of potash (SOP) for a minimum of 10 years of production

Scenario 2

- 100,000 tonnes per annum of potassium magnesium sulphate (schoenite) for a minimum of 15 years of production.

Schoenite is an intermediate product of the sulphate of potash process. Compared to SOP, Schoenite contains approximately half the amount of K_2O and is therefore a lower value product than SOP. It does however contain magnesium which potentially represents a certain level of value. The Scenario 2 project is approximately one fifth the size of scenario 1 and represents the potential to develop a small scale start up, using a smaller number of lakes thus decreasing the environmental footprint and significantly lower energy usage due to lower volumes of brines being pumped smaller distances and avoiding the need to create steam that is used to convert schoenite to SOP. However, the market for schoenite as a fertiliser is less well defined than the market for SOP.

RESOURCE POSITION

For scenario 1, 75% of the insitu potash brine resource is in the Measured and Indicated JORC (2012) categories. Brine for scenario 1 is to be sourced from 25 salt lakes with a total insitu brine resource of 8.36 million tonnes K_2SO_4. This resource is JORC (2012) compliant and was released to the ASX on 20 February 2014 and has not changed since. This resource incorporates only insitu potash brines and does not include any potential deeper, ground water sources of potash brines that may exist and recharge that may be present in the system.

For scenario 2, 93% of the insitu potash brine resource is in the Measured and Indicated JORC (2012) resource categories. Brine for Scenario 2 is to be sourced from 14 salt lakes with a total brine potash resource of 4.5 million tonnes K_2SO_4.

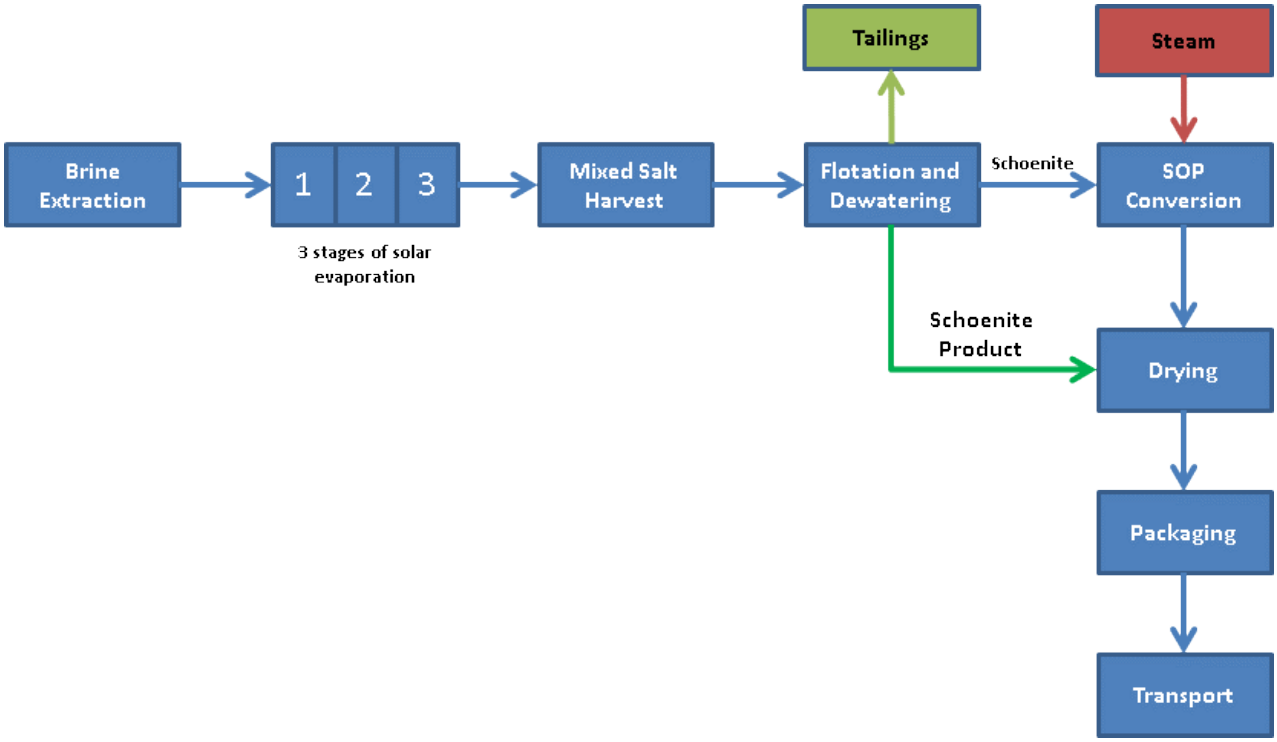
It should be noted that brine recovery rates are determined by the drainable porosity of the system; that is the rate at which brines can be extracted as determined by their ability to flow through the rock structures. This determines how much of the resource can be extracted over a given period of time. This limits the amount of the insitu resource that can theoretically be extracted. However, this recovery factor could be influenced by ground water recharge, as it is believed the lakes are controlled by fracture zones, as well as rainfall recharge that could significantly increase the amount of recoverable K_2O to underpin the project and perhaps even provide volume upside. Recharge rates remain uncertain.

In the case of scenario 1, without reasonable ground water and rainwater recharge, it may be difficult to extract sufficient brines from the system to achieve 125,000 tonnes per annum of SOP production for a minimum of 10 years. Another method of mitigating risk around resource recovery rates is through further exploration and the identification of deeper brine aquifers under the lakes that can be added to the resource and increase the recovery rates of the brines. If these deeper brine aquifers are present, a larger scale SOP production facility may be possible and bring to bear better economies of scale.

For scenario 2, it is considered that there are sufficient recoverable brines in the known insitu resource and without recharge to support the 15 year operation envisaged.

PROCESS ROUTE

A simplified flow sheet of the processing route is outlined below.



The potash brines are extracted from beneath the lakes via collection trenches or from bores. The brines are pumped to the evaporation ponds, whereby solar evaporation concentrates the salts, increases the potassium concentrations and drops out most of the sodium chloride. After three stages of solar evaporation, the mixed salts are harvested and undergo flotation to remove remaining sodium chloride impurities. The product that is created post flotation is schoenite (Potassium Magnesium Sulphate) that can be used as a fertiliser. The conversion of schoenite to SOP requires steam to remove the magnesium and other remaining impurities. This is called fractional re-crystalisation. Due to the requirement for steam, the conversion of schoenite to SOP is reasonably energy intensive.

ENERGY

For scenario 1, the development of a larger scale SOP operation, requires substantial energy, firstly electricity to pump large volumes of brines over a large project area that encompasses 25 salt lakes versus 14 salt lakes for scenario 2. Secondly, the conversion of schoenite to SOP requires significant amounts of steam. Accordingly, approximately 1.5 peta-joules of gas per year will be required for scenario 1. Two gas scenarios have been examined during the study, compressed natural gas (CNG) delivered by truck from Alice Springs and the potential for sources of piped natural gas from fields in the near by region, that are currently being investigated by their owners and have the potential to be developed.

The cost of CNG per gigajoule is estimated to be approximately twice the price of gas piped form a nearby field sold at current wholesale price expectation.

MARKETS

Baseline marketing studies conducted by independent consultants with market expertise in this space, have indicated that SOP is a high value fertiliser product delivering potassium and sulphur to certain crops. The potash that is predominantly traded around the world is potassium chloride. There are many crops grown and soils within the region that prefer potassium sulphate rather than potassium chloride. Specifically, fruits, nuts and vegetables prefer potassium sulphate to chloride and the yield uplift is apparently significant. Market research has indicated that the current retail price for SOP in Australia is approximately A$1,200 per

tonne at the farm gate, largely because the product is difficult to obtain in significant quantities, meaning that the market in Australia is relatively small. It is envisaged that there is significant potential to develop a market in Australia and that wholesale prices in the order of A$750-A$800 could be attainable.

Other potential target markets for SOP include SE Asian countries such as Indonesia and Malaysia, Japan, Korea, India and potentially the east coast of Africa. China is a significant market but currently only imports less than 10% of its sulphate of potash needs. Moreover, China has an internally controlled price for SOP that at this stage is well below the price attained in the US and regionally within Asia. This may of course change over time as demand in China increases.

The market for schoenite is not as well defined as the market for SOP but none the less, market research suggests that a potassium magnesium sulphate product of the specifications envisaged could be sold in Australia and within South East Asia. The combination of potassium, sulphur and magnesium could be highly suitable for areas with sandy soils and high rainfall, especially for horticulture and dairy and for crops such as potatoes, onions, and grapes. It is estimated that in order to be competitive with alternate sources of potassium, magnesium and sulphates, primarily in blends, pricing in the range of A$400-A$450 could be attainable.

PRODUCTION, CAPITAL AND OPERATING COST ASSUMPTIONS

The following table summarises the scoping study level economic assumptions for the project:

		Scenario 1	Scenario 2
SOP Sold	tpa	125,000	
Schoenite Sold	tpa		100,000
Minimum Life	years	10	15
Estimated wholesale market price	$A/t	$750-$800	$400-$450
Estimated operating costs including transport	$A/t	$300-$370	$140-$160
Estimated Total Capex	$AM	340	93
Contingency included in Total Capex	$AM	50	14

tpa – tonnes per annum
$A/t – Australian dollars per tonne
$AM- millions of Australian dollars

The opex range provided in the table above is determined by the gas supply scenario. The upper bound is when gas is delivered by CNG from Alice Springs and the lower bound assumes gas supplied via pipeline from emerging regional production.

OPPORTUNITIES AND RISKS

The key opportunities include the potential to gain first mover advantage as a regional producer of these types of products. The Karinga Lakes, because of its proximity to existing transport infrastructure and therefore access to markets, potential proximity to sources of gas for energy and steam, may represent a competitive option for establishing a small scale start up, despite the relatively small size of the insitu resource and the distribution of the lakes over a large area. The rate of recharge from deep underground brine sources remains an unknown but potentially could increase the amount of brine resource that is recoverable over time.

Furthermore, the knowledge gained from this scoping study could be leveraged into the bigger lakes that are held in the portfolio creating alternate options for developing an SOP production industry in Australia. There are also opportunities to optimise the process route and equipment design to potentially reduce capital and operating cost assumptions. This could be further enhanced as labour and construction costs in Australia are impacted by a forecast downturn in activity.

Another potential opportunity that hasn't been examined in this study, could be the ability to export high purity sodium chloride (halite) to industrial salt markets in Asia. Pure sodium chloride is a by-product of the first evaporation stage and dependent on price and costs of transport could represent an additional revenue stream for the project.

The major risk to the project, in particular for the larger scale production of SOP scenario, is the ability to extract sufficient brine from the insitu resources over a period of at least 10 years to underpin the production assumptions. Further understanding of the presence and rate of ground water recharge or further deeper drilling to identify deeper aquifers will be necessary to underpin the SOP scenario at Karinga.

The most significant risk for scenario 2 is the market and in particular the ability to consistently sell the schoenite product at prices that underpin the economics of the project and displace, at least to some degree, alternate sources of potassium, magnesium and sulphur that are currently used by farmers in the Asia Pacific region.

In addition to the normal pricing, foreign exchange, financing, contracting, commercial, operational and product specification risks; environmental approvals and native title agreements are not yet in place and there is no certainty that they will be attained on a timely basis.

MOVING FORWARD

In order to take one of the development scenarios forward to a bankable feasibility study, it will be necessary to secure funding through the establishment of a joint venture. As previously announced to the ASX, Flagstaff Partners have been engaged to facilitate a formal investment process. Clearly the investment thesis regarding Karinga Lakes and the broader portfolio of salt lakes with potassium resources or potential potassium resources will be incorporated into the process.

In addition to securing finance to proceed toward a development, key technical work that will need to be conducted before a bankable feasibility study could be completed include the following:

- A program of deeper drilling at Karinga to investigate the presence of deeper aquifers and to better understand the potential of ground water recharge
- Additional and larger scale processing test work to optimise the process flowsheet and to ensure that yields and specifications of the products can be consistently replicated at a commercial scale
- Broader geotechnical work in the Karinga region to delineate clay resources for the construction of evaporation ponds
- Broader engagement with Australian and regional fertiliser distributers to establish the potential of markets and secure off-takes if possible

- Secure a licence to operate through environmental approvals and native title agreements
- Gain access to the larger lakes in the portfolio and continue exploration and the creation of development options

Shareholders are reminded that the completion of a scoping study does not mean that the project is financeable and that no financing decision has been made to develop the project. The project is at an early stage of development and as identified, investment in the program of work to underpin a bankable feasibility study will be required to enable the project to move forward. We remain confident that the portfolio of Australian salt lakes will be attractive to either global fertiliser producers, existing SOP producers in the USA, Europe, the Middle East or China and financial investors that can see the potential to unlock value.

This announcement contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. Although Rum Jungle Resources believes that the expectations reflected in the forward looking statements in this presentation are reasonable, no assurance can be given (and Rum Jungle Resources does not give any assurance) that such expectations will prove to be correct. Undue reliance should not be placed on any forward looking statements in this announcement, particularly given that Rum Jungle Resources has not yet made a decision to proceed to develop the Karinga Lakes Project or any other project, and Rum Jungle Resources does not yet know whether it will be able to finance this project.

Chris Tziolis
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