

**Rum Jungle Resources Limited**



# **POSITIONED TO LEVERAGE REGIONAL GROWTH IN DEMAND FOR FERTILISERS**

**ANNUAL GENERAL MEETING**

**27 NOVEMBER 2014**

**Chris Tziolis – Managing Director**



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*The information in this presentation that relates to Mineral Resources in respect of Rum Jungle Resources Ammaroo deposit is based on information compiled by Mr Jonathon Abbott, a full-time employee of MPR Geological Consultants Pty Ltd and a member of the Australian Institute of Geoscientists. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Abbott consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*

*The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves in respect of Rum Jungle Resources' potash resources is based on information compiled by Mr Ben Jeuken, a full-time employee of Groundwater Science Pty Ltd who is a member of the Australasian Institute of Mining and Metallurgy, and the International Association of Hydrogeologists. Mr Jeuken has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jeuken consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears*

*The information in this presentation that relates to Rum Jungle Resources' projects and future work, comments on the resources estimates and economic potential of the estimated resources is based on information compiled by Mr David Muller, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Muller is Non-executive Chairman of Rum Jungle Resources and an employee of it. Mr Muller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves". Mr Muller consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*

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- Looking back over the last 12 months
- Our current status
- Creating shareholder value moving forward

# Corporate overview



ASX Code

**RUM**

Market Cap

**A\$26million<sup>^</sup>**

Shares on Issue

**385 million**

52 week price range

**A\$0.17 – A\$0.061**

Approximate Cash at Bank (November 2014)

**A\$6million\***

## MAJOR SHAREHOLDERS

Washington H Soul Pattinson & Company Ltd

**14.2%**

Farjoy Pty Ltd

**6.7%**

Lion Selection Group Ltd

**4.7%**

Brispot Nominees

**3.8%**

<sup>^</sup> As at close of trade on 26Nov 2014

<sup>\*</sup> Includes cash held on deposit as rehabilitation bonds

# Review of the last 12 months

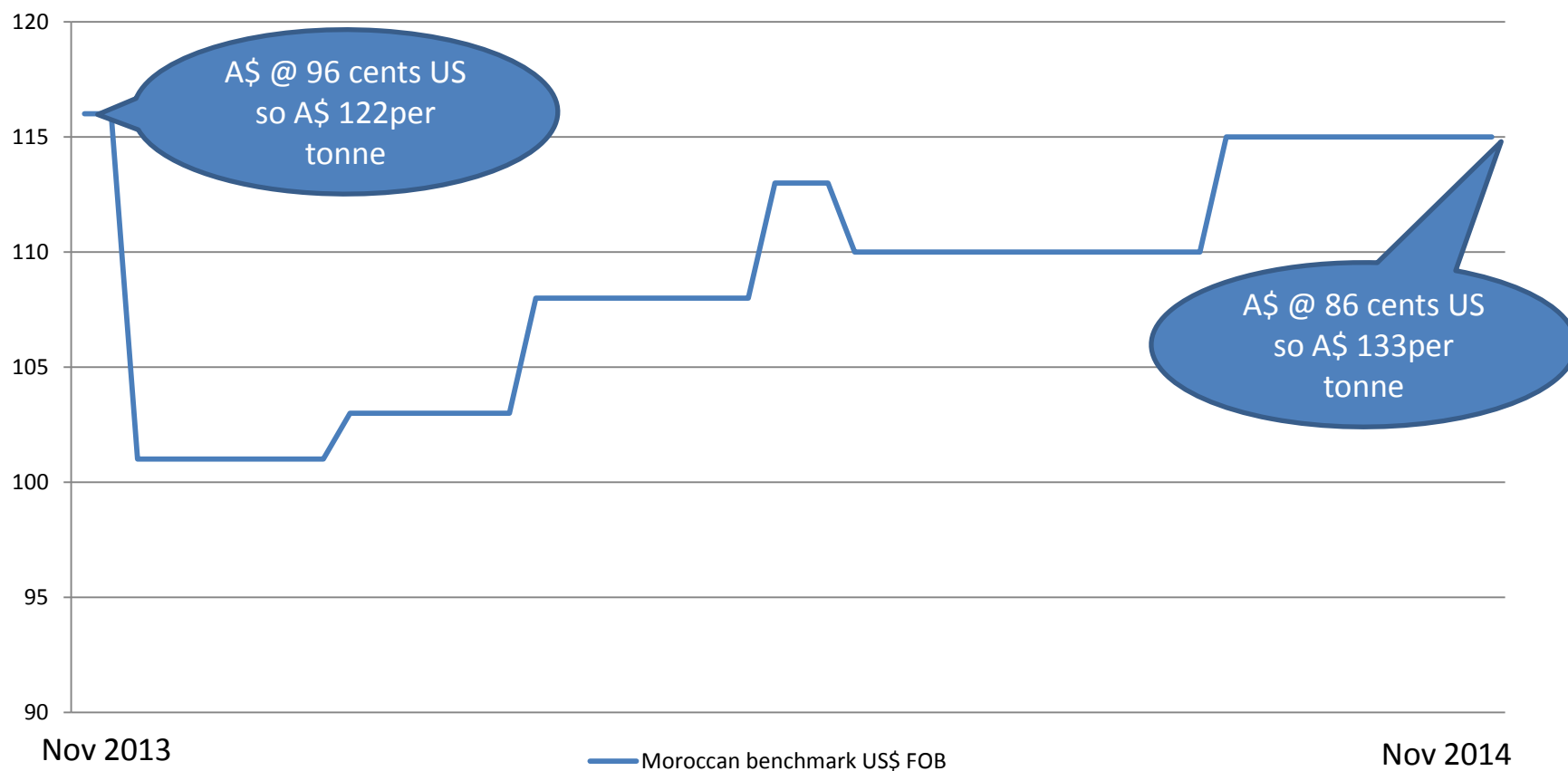
\$12.5m was raised in December 2012 and January 2013. At the time of the raising, we stated that we would achieve the following with shareholder's capital

		Current Status
1	Complete the take over of CEN and consolidate the phosphate projects	Complete
2	Exploration at Ammaroo to identify a 1 billion tonne phosphate resource	Complete
3	Conduct a comprehensive pre-feasibility study on the Ammaroo project	Complete
4	Progress environmental approvals and native title agreements for Ammaroo	Progressed
5	Conduct regional phosphate exploration activities	Complete
6	Conduct a scoping study on the Karinga Lakes project	Pending
7	Conduct regional potash exploration and identify additional brine resources	Complete

In contrast to iron ore and coal, the global phosphate rock US\$ price has been increasing since it lows of December 2013, and is now significantly higher in Australian dollar terms



Moroccan benchmark US\$/t FOB



Source: CRU

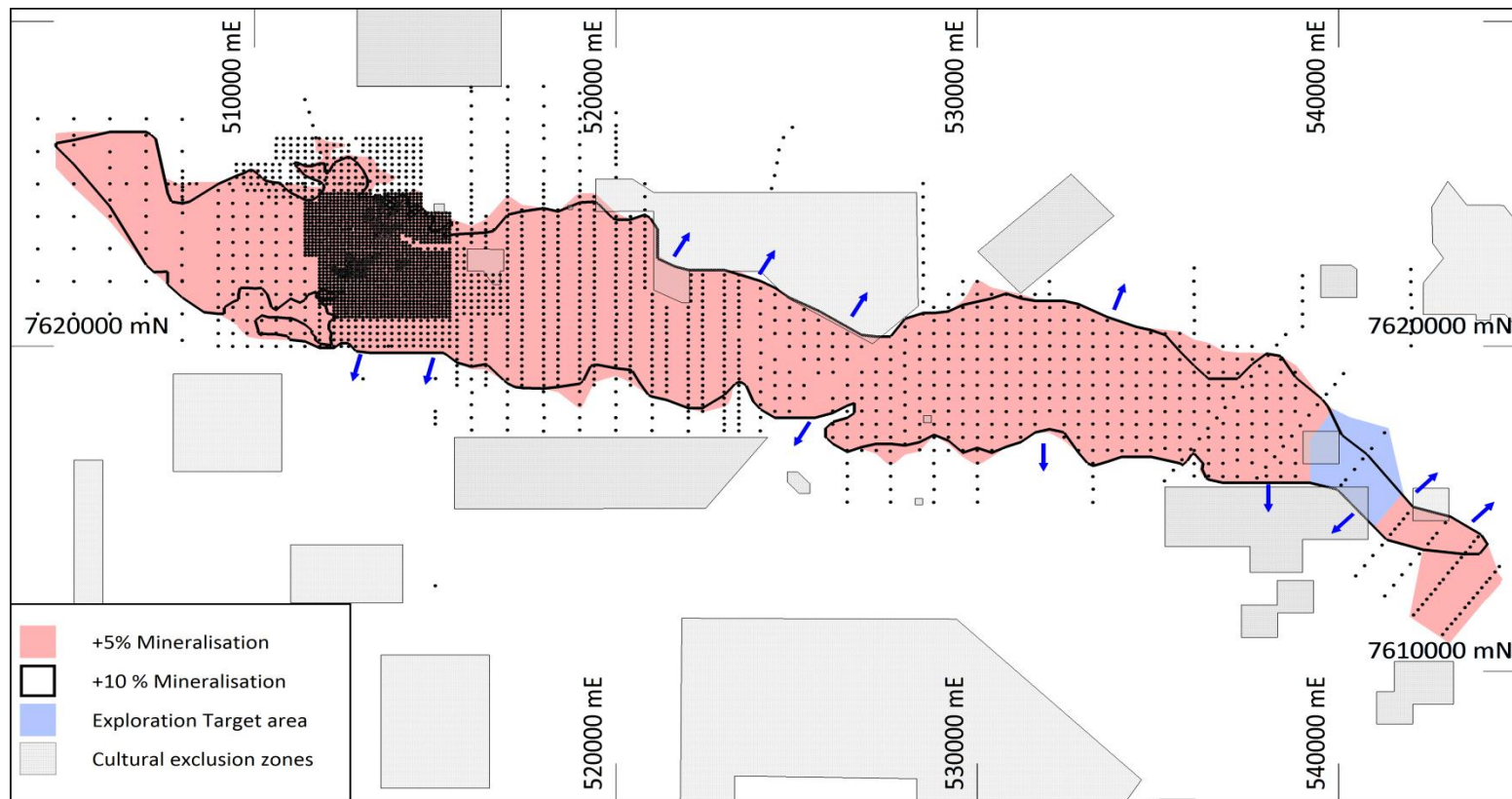
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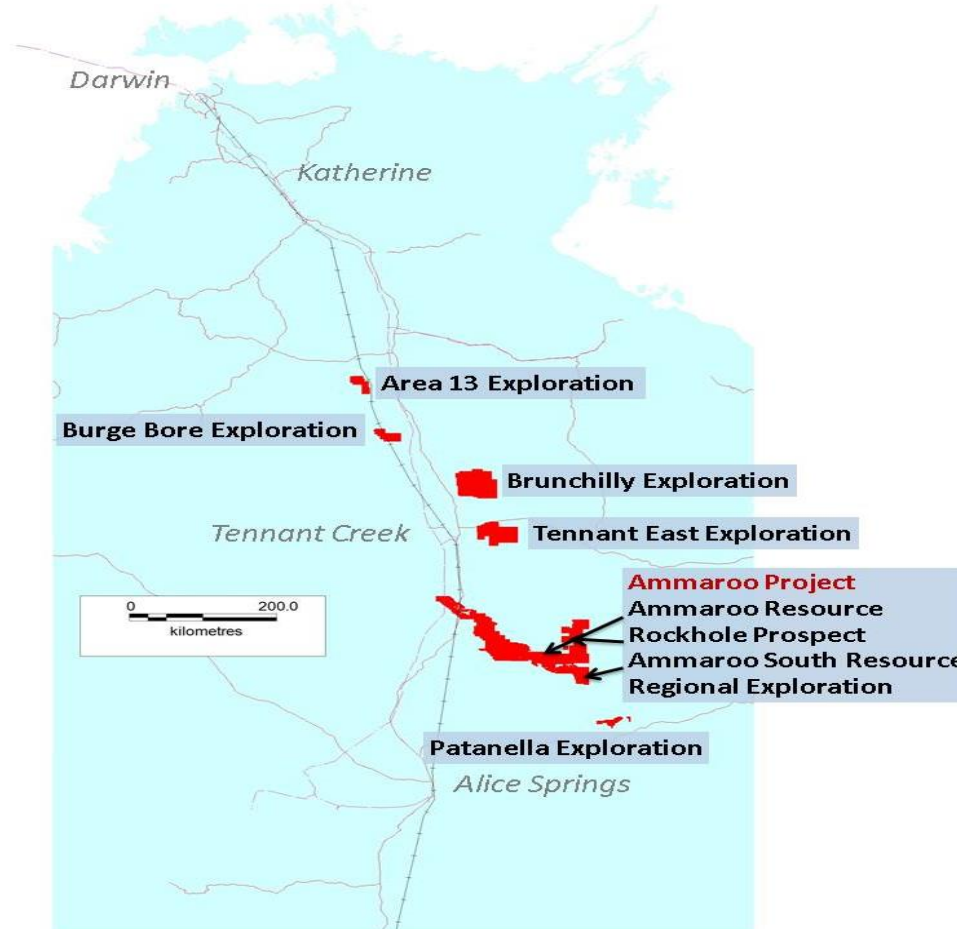
# We have a global scale resource capable of supporting multiple decades of production



Estimated resources now total 1.135 billion tonnes  $P_2O_5$  at an average grade of 14%  $P_2O_5$  using a 10% cut-off or 2.63 billion tonnes at 10%  $P_2O_5$  using a 5%  $P_2O_5$  cut-off. This was released to the ASX on 6 October 2014 and has not changed since.



The Ammaroo resource may be the entrée to a significant phosphate province located in proximity to the Central Australian Railway with access to both southern Australian and Asian markets



**The phosphate ore is relatively shallow and free digging which means mining costs will be low**



# A comprehensive pre-feasibility study has been completed keeping alive a number of production scenarios



Four project scenarios have been evolved through the study process.

## Case A

Small scale, low capital start-up rock export operation, 400ktpa of mechanically beneficiated high grade ore, leveraging existing road infrastructure and latent freight train capacity.

## Case B

2 Mtpa of high quality phosphate rock concentrate beneficiated through floatation. Dedicated logistics supply chain infrastructure

## Case C

500ktpa (100%  $P_2O_5$ ) of merchant grade phosphoric acid for export. Minimum beneficiation (combined mechanical and flotation) approach to create feedstock to acid plant, integrated sulphuric acid plant, gypsum management and dedicated logistics supply chain infrastructure

## Case D

1mtpa of ammonium phosphate fertilisers. Case C plus the addition of an ammonia plant and granulation plant less liquid export infrastructure and storage.

# **A broad range of expertise was bought to bear to complete the PFS**



- **WorleyParsons – Study Management and discipline expertise including US based expertise in phosphate geology and phosphate beneficiation**
- **Coffey – Mining**
- **Bureau Veritas – metallurgical test work**
- **Prayon – rock analysis, phos acid and DAP/MAP pilot testing**
- **Balance Resources – Transport Logistics Commercials**
- **CRU Resources – market and pricing studies**
- **Origin Capital - Valuation**

# And the economics should look attractive to industry players



		Case A	Case B	Case C	Case D
Phosphate Rock Sold	Mtpa	0.4	2	-	-
Phosphoric Acid Sold	Mtpa	-	-	0.5	-
MAP/DAP Sold	Mtpa	-	-	-	1.02
Mine Life	Years	10	20	20	20
Assumed First Production		Q4 2016	Q1 2018	Q2 2019	Q4 2019
Assumed Price at first production	US\$/t	113	149	684	523
Sales Revenues	A\$M	550	9,100	10,520	20,100
Operating Costs/Transport/Royalties	A\$M	420	5,090	5,320	7,965
Total Capital Cost	A\$M	64	780	1,400	1,830
Contingency included in total capital	A\$M	9	85	112	123
Bankable feasibility study cost included in Total Capital Cost	A\$M	3	11	21	26
Indicative 50% Geared NPV @ 8%	A\$M	20	570	390	1,470
Geared IRR	%	23	25	14	21
Payback	Years	4.5	5	7.5	5.5

- US\$ to A\$ exchange rate assumed to decline from current levels to be \$0.80 from 2018
- Market prices of products based on CRU's market study and proprietary pricing forecasts
- Indicative NPVs are after tax project NPVs and do not include corporate overhead or marketing costs
- Cases B, C & D include approximately \$200M in rail infrastructure and rolling stock capital. This could be held off balance sheet with a commensurate increase in operating costs

\* PFS level of accuracy defined as +/- 25% of capital and operating costs. Case D ammonia and granulation plant at +/- 35% or scoping study level of accuracy



# Government approvals progressing for Ammaroo

- **Environmental baseline studies completed in early 2014**
- **Notice of intent submitted in April 2014 to commence environmental approvals process**
- **EPA's terms of reference for the environmental impact statement (EIS) were publically advertised last week. Positioned to complete EIS in parallel with a BFS**
- **Draft Native Title Agreement expected from Central Land Council shortly. This is a pre-cursor to granting of minerals leases at Ammaroo**
- **Potential for project to be granted major project status by the NT Government in the near future**

# **Ammaroo Phosphate Project – comparative advantages (1/2)**

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- **Global need for growth in phosphate production over ensuing decade with demand growing at circa 2% per annum. There is no substitute for P in agriculture**
- **Located to leverage agricultural growth and demand growth for phosphate fertilisers in southern and eastern Asia, eastern Africa and Australia**
- **Located in a stable OECD country compared to Northern African , Middle Eastern and Central African countries where most developable and expandable phosphate resources exist**
- **Ammaroo is a large resource base capable of supporting multiple decades of production. PFS level 20 year mine plans just used measured and indicated resource which make up less than 20% of total resource**



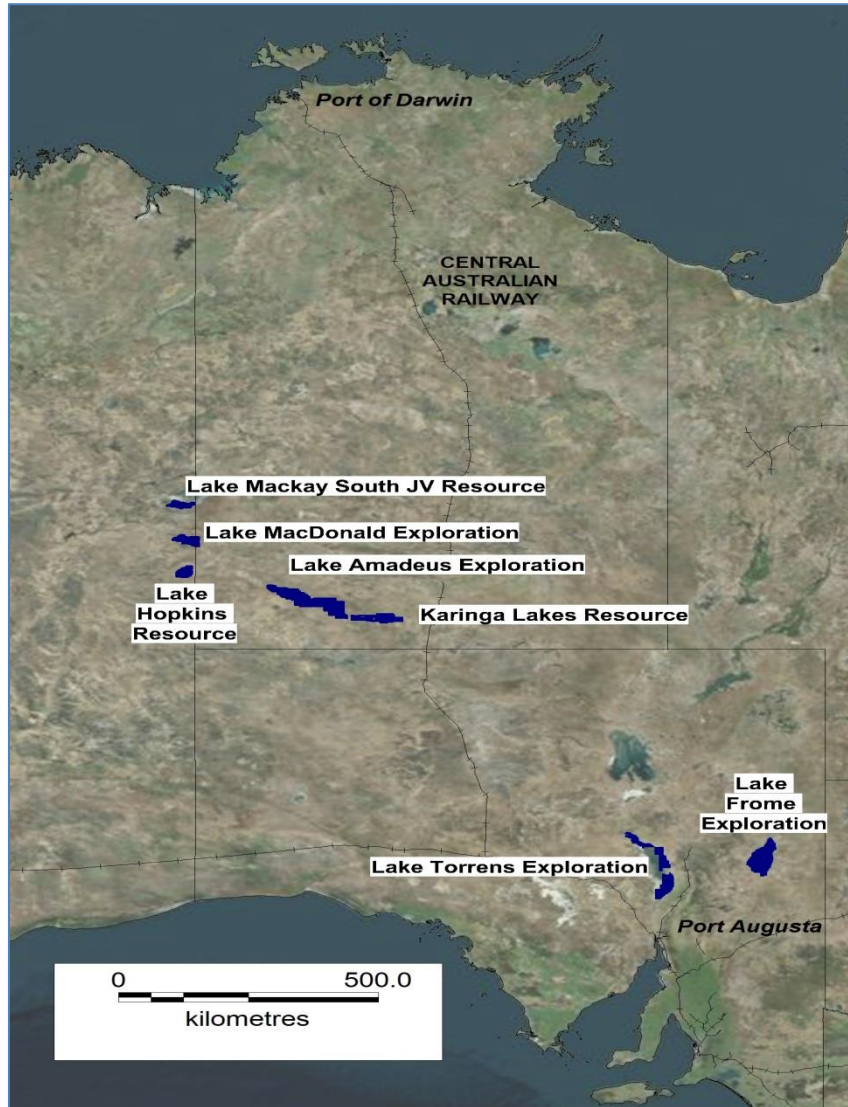
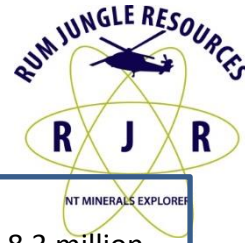
# **Ammaroo Phosphate Project – comparative advantages (2/2)**

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- **Low mining and processing costs potentially create competitive advantage for downstream phosphate fertiliser production at site**
- **Competitively priced gas likely to be available in the NT to support ammonia production. Significant unutilised ground water resources in the region**
- **Physical and chemical specifications of beneficiated phosphate rock meet existing market specifications and can be converted into good quality merchant grade phosphoric acid and ammonium phosphate fertilisers.**
- **Low carbonate levels reduces sulphuric acid consumption in downstream production improving economics of phosphoric acid.**
- **Ammaroo is closest to existing rail and gas pipeline infrastructure of the western Georgina Basin phosphate resources. Existing port capacity available in Darwin**
- **Product can be distributed north to Darwin for export and south to southern Australian markets via the Central Australian Railway**

# Portfolio of salt lakes with potassium brines potential - as identified in a recent Geosciences Australia study



## Karinga Lakes

- Measured, Indicated and Inferred Brine Resource of 8.3 million tonnes of  $K_2SO_4$  at an average aquifer thickness of 15 m. This equates to a schoenite (potassium magnesium sulfate) resource of 19 million tonnes (JORC 2012 Resource announced to ASX 20 Feb 2014 and has not changed since)
- Potential to grow resource through deeper drilling and potential paleo channel exploration in region
- Located on pastoral lease, on the Lassiter Highway in proximity to the Central Australian Railway giving better access to transport and markets than other competing Australian projects
- Proximity to potential sources of gas to supply power and steam

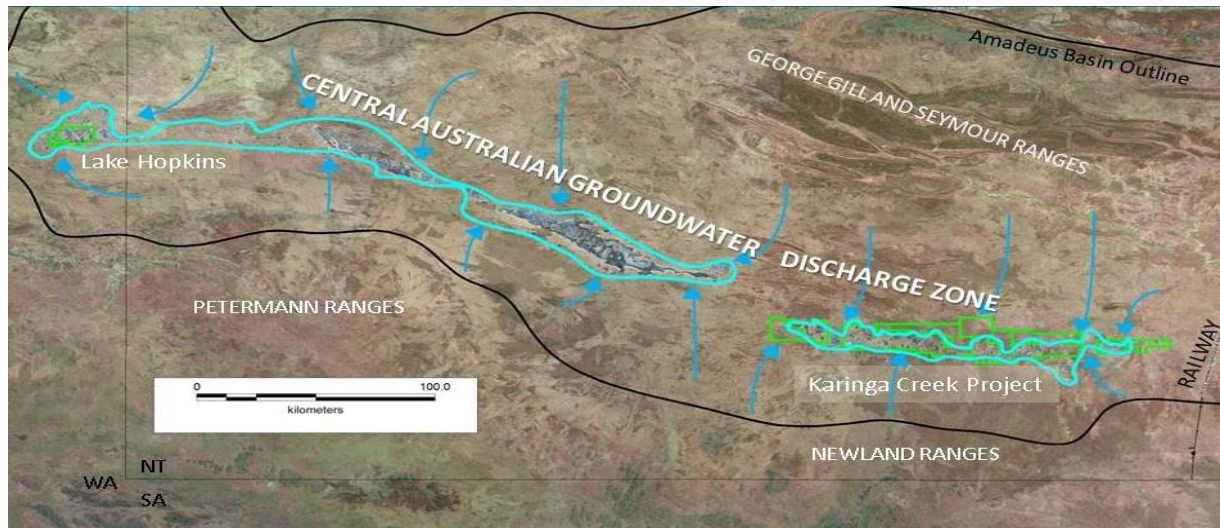
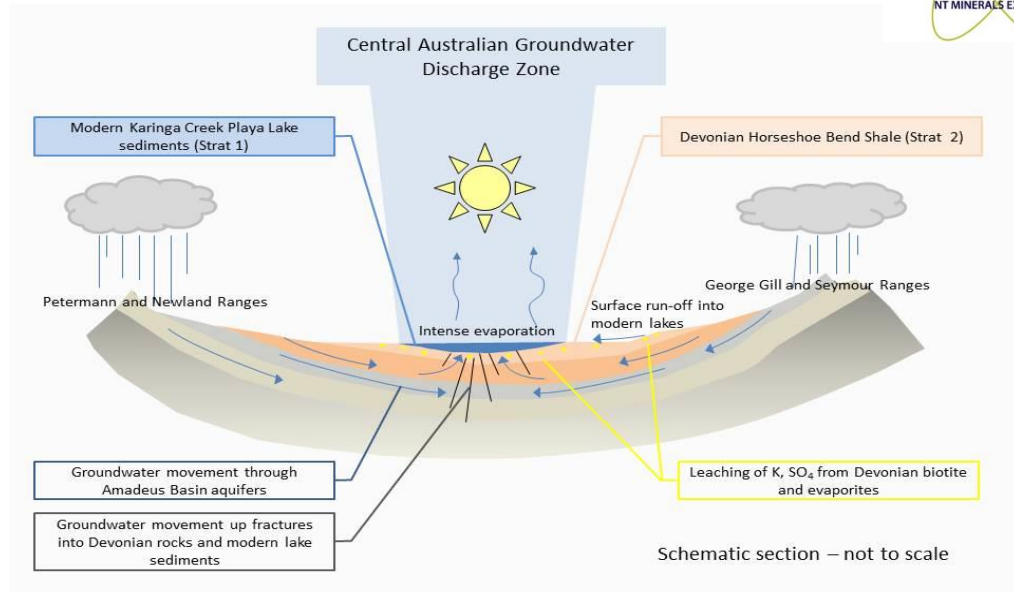
## Lake Hopkins

- Maiden Inferred JORC brine potash resource of 4.5 million tonnes  $K_2SO_4$  announced to the ASX on 12 September and hasn't changed since

## Lake Mackay JV

- Maiden JORC brine potash resource of 13 million tonnes  $K_2SO_4$  announced to the ASX on 9 September 2014 and hasn't changed since. RUM has 51% of the potash rights

# Potentially long life assets through ongoing accumulation of potassium salts occurs via groundwater recharge



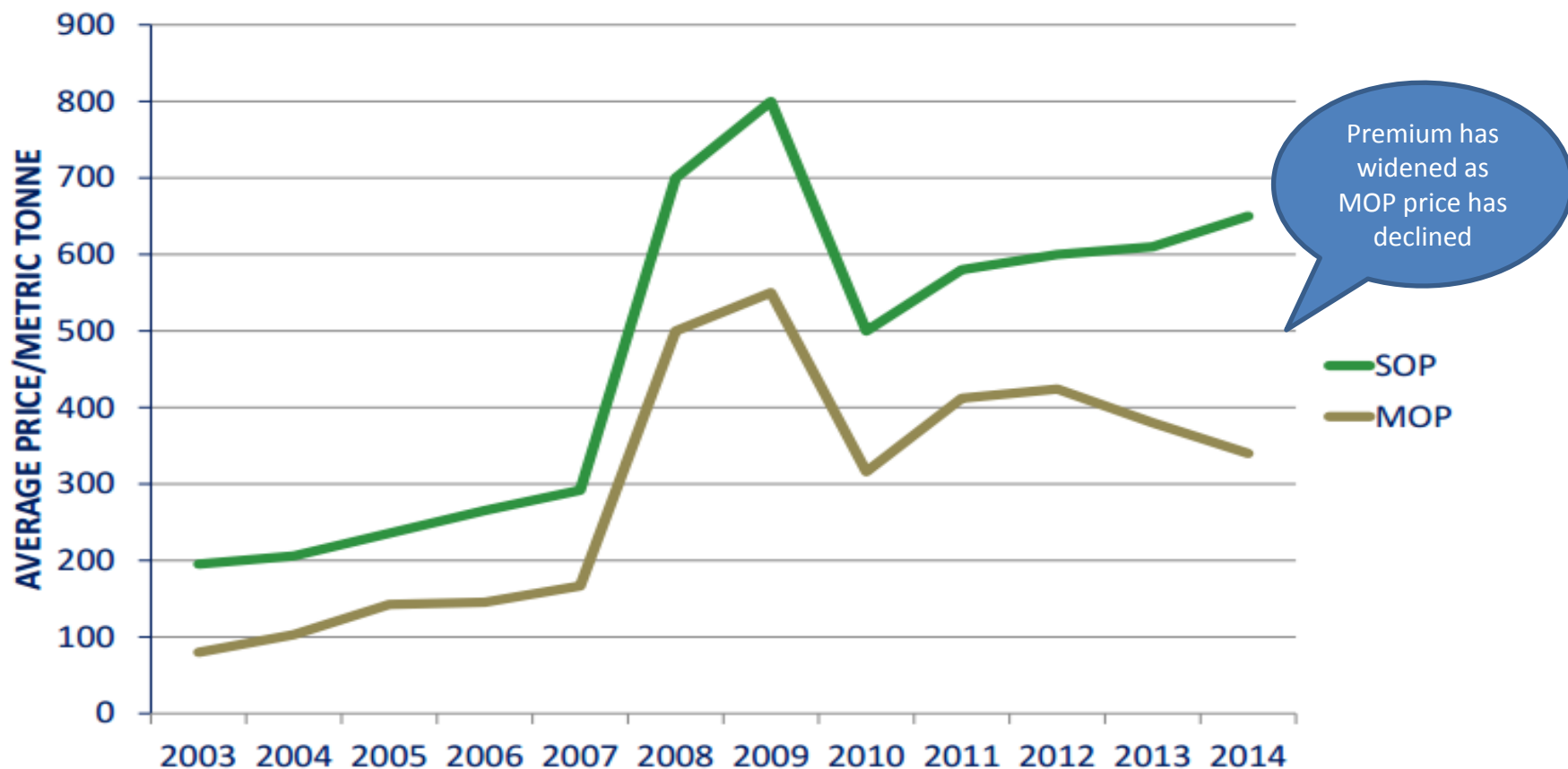
# Karinga Lakes Project – Scoping study update



- Initial resource exploration completed and maiden JORC resource defined
- Baseline laboratory scale test work complete.
- On site evaporation trials and pump testing complete
- Scoping study commenced in March 2014 and being conducted by China International Chemical Consulting Corporation that includes expertise involved in the development of similar Chinese operations:
  - Site visit conducted
  - Chemical analysis and processing test work completed
  - Brine extraction, evaporation, flotation and SOP conversion production flow sheet design completed
  - Handover and verification workshop conducted
- Initial sulphate of potash and potassium magnesium sulphate market study completed
- Study now in hands of GHD to develop scoping study level (+/- 35%) Australianised capital schedule and operating cost assessments
- Two production scenarios being studied
  - 100ktpa SOP production
  - 100ktpa of an intermediate potassium magnesium sulphate product which has potential to be a small scale, low environmental footprint, low capital start-up operation
- Expect to release results in early December



# Sulphate of Potash (SOP) continues to trade at a premium to Muriate of Potash (MOP) in the US



Sources: Green Markets, IFA, Corporate Reports, Analyst Reports

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# **There are three potential outcomes that could create shareholder value from these resources**



- 1. The company or individual projects are acquired by their natural owner – a global fertiliser producer or a consortium of fertiliser producers or agri-business investment companies**
- 2. The formation of joint ventures at the project level with fertiliser producers and agri-business investment companies and the subsequent development of one or both projects**
- 3. The development of one of the projects, with acceptable capital costs, return metrics and risks, such that it can be funded by existing shareholders**



# RUM JUNGLE RESOURCES - CONCEPTUAL DEVELOPMENT PROGRAM

## SEQUENCING RUMs DEVELOPMENT PROGRAM—NEXT THREE YEARS



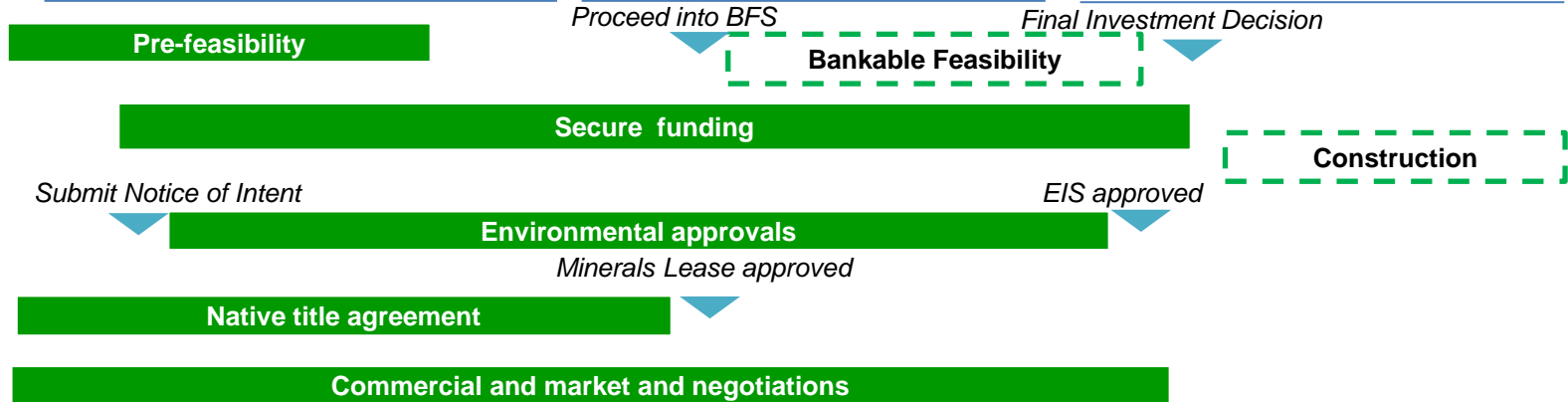
Strategic objective

CY14

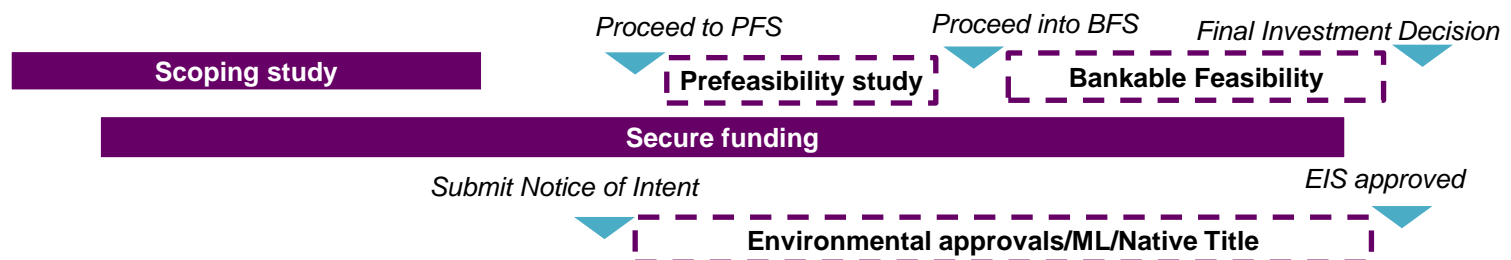
CY15

CY16

Develop the  
Ammaroo  
Phosphate Project



Develop the  
Karinga Lakes  
Potash Project



Other  
complimentary  
strategic  
initiatives and  
strategic  
partners



# Next Steps



- **Flagstaff engaged as corporate advisors to facilitate an investment process**
- **Commence a formal investment process with global fertiliser producers and agri-business investors to establish a Joint Venture and/or offtake agreements to underwrite the progression of at least one of the projects toward a BFS, environmental approvals and subsequent development**
- **Complete Karinga Lakes scoping study**
- **Progress native title agreement negotiations to attain a mineral leases over Ammaroo**
- **Commence Ammaroo BFS and EIS once funding is secured**
- **Secure funding and continue to progress sulphate of potash projects**

# In conclusion – the investment thesis



- ✓ New sources of global phosphate supply will need to be developed over the coming years to meet demand
- ✓ Ammaroo phosphate project is Australia's largest JORC rock phosphate resource and is now at a pre-feasibility level of development with attractive economics. Process underway to establish funding for a bankable feasibility study
- ✓ Most of the world's seaborne traded phosphate products emanate out of the Middle East and North Africa. In comparison, Australia's geopolitical stability offers opportunity for buyers to diversify and de-risk supply.
- ✓ Karinga Lakes sulphate of potash project is undergoing a scoping study and may represent an opportunity for a small scale, low capital start-up operation.
- ✓ Significant portfolio of salt lakes that could represent a number of development options
- ✓ Significant misalignment between the market capitalisation of the company and the potential value of the projects
- ✓ Unlike other seaborne traded bulk commodities, phosphate and potash prices have been increasing in recent times having hit lows in late 2013
- ✓ Agriculture is a key plank in 'Developing Northern Australia' initiative underpinning support from both the NT and Federal governments
- ✓ Institutional shareholder base of over 35% with a demonstrated history of support

If marginal Chinese production shuts down, as some project, the phosphate market may tighten considerably by 2018

We are evaluating options for owned offshore phosphate rock reserves

*Agrium Investor Day Presentation November 2014*

Indian government owned and managed Rashtriya Chemicals and Fertilisers Limited (RCFL) is considering floating an independent subsidiary for acquiring fertiliser mineral assets and investing in joint ventures (JVs) overseas

*Mining Weekly.com 24 November 2014*