

RUM JUNGLE RESOURCES

RESOURCESTOCKS

FINDING MORE FERTILE GROUND

Early exploration successes give Rum Jungle Resources an inside track to the burgeoning fertiliser industry.

RISING PRICES FOR fertiliser lynchpins phosphate and potash have put Rum Jungle on a two project fast track to become Australia's first potash producer and develop its discovery of what could be a world class phosphate province in the Northern Territory.

In late 2009, Rum Jungle decided to switch its attention from uranium to concentrate on fertiliser commodities.

This led to the discovery of the big Barrow Creek phosphate deposit, which Rum Jungle hopes to have in production within four years, and its joint ventured Karinga Creek potash project, with early success pointing to production in two years.

Both are shallow, high grade discoveries with low exploration, development and sales costs. Barrow Creek is just 90 kilometres from the Alice Springs-Darwin railway and Karinga sits on Lasseters Highway, about 250km south west of Alice Springs.

The Barrow Creek discovery dates back to 2006 when the surrounding Ammaroo phosphate project was acquired by veteran explorer and company builder David Muller. Phosphate was first found in the region in 1968, but with minimal exploration since.

"I identified some old oil wells and had a closer look at the western side of the Georgina Basin," Muller told *RESOURCESTOCKS*. "All the previous work had been done on the eastern side in Queensland. Exploration knowledge had also been advanced by a study of phosphate content in over a thousand water bores conducted by the NT Geological Survey."

"Assay results and work since has confirmed a massive near surface [within six metres of surface] blanket of shallow phosphate mineralisation.

"It's an exciting find and I believe Barrow Creek is going to be a great project, possibly in the order of billions of tonnes incorporating mid level grades."

Rum Jungle was floated in 2007 with Muller as its managing director.

The company's first drilling program at Ammaroo found high grade, shallow phosphate grading up to a high 32% P_2O_5 (phosphorus pentoxide, a phosphate yardstick) late last year at Barrow Creek-1 near the Sandover Highway, 350km north east of Alice Springs. Drilling also confirmed lower grade deeper mineralisation at Ammaroo, about 90km to the east, suggesting a blanket of phosphate spread over hundreds of square kilometres.

Best results from a recent

widespread 72-hole, 3500 metre air core drilling program at Barrow Creek-1 yielded (from different holes): 2m at 31.9% P_2O_5 from 4m, 3m at 31.2% from 15m, 2m at 30.2% from 6m, 2m at 28.8% from 16m, 5m at 27.2% from 14m, 4m at 26.9% from 20m and 5m at 25.3% from 24m.

The company has a first half 2011 exploration budget of \$1 million for resource drilling at Barrow Creek-1. It has secured two drill rigs to start a 350-hole program when the rain stops and the water clears, hopefully before the end of March. A trench was recently excavated into the phosphate horizon where it occurs within 6m of the surface and a 1 tonne sample sent for metallurgical beneficiation testing. Results from that were expected in early May.

This will be followed by a resource calculation and feasibility study, with Muller hoping for production in two to four years using a target model for a 20-year operation at 2Mt per annum. This will ideally come from a shallow, open cut without any need for drilling/blasting and some simple crushing/screening, with the product railed to Darwin.

A future option is a spur line from the mine to the Alice Springs-Darwin railway. Using other parallels, early rail costs are estimated at about \$35 a tonne for a product worth up to \$160/t.

Muller said other significant capital costs were likely, but the grade and shallow mining would offer huge advantages over other likely operators in other parts of the basin.

The Darwin Port Authority has confirmed the available capacity for export via existing port facilities. Rum Jungle also has had discussions with several potential buyers as to product quality, requirements and

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DAVID MULLER
RUM JUNGLE RESOURCES



supply. Early assumptions are for phosphate strata at 30% P₂O₅ being shipped as direct shipping ore valued free-on-board Darwin Port at \$140-160/t.

This is the world price for rock phosphate, and it is rising.

Muller said demand existed into Asian ports ex-Darwin, offering much lower shipping rates than northern hemisphere freight rates.

Not far from Barrow Creek, Rum Jungle (operator) and 50-50 partner Reward Minerals are looking to become Australia's first potash producer from Karinga Creek.

Karinga Creek potential is highlighted by Australia's 2002-2007 potash importation of an average 346,000 tonnes a year, worth about \$173 million a year at current prices.

Potash is selling at \$400/t on international markets down from dizzy heights of just under \$900/t in 2009. Shipping rates from Canada to Australia are in the range of \$100-120/t, giving a landed price of potash in Australia of around \$500/t. However, potash prices are forecast to increase about 10% in 2011. The premium product, sulfate of potash, is worth even more.

At Karinga Creek, the joint venture is investigating the brine potential of salt lakes to produce potassium sulfate (K₂SO₄) and potassium magnesium sulphate (schoenite) via simple, low cost, solar evaporation ponds from water pumped out of salt lakes.

The JV has approved a \$500,000 exploration budget for this year, with a view to having a JORC compliant inferred resource by the end of September. While these are early days, Muller is targeting production of 200,000tpa within two years.

The results to date bode well for

just such an outcome. Potassium mineral precipitation trials have been carried out on brine bulk samples from Karinga Creek. With values above 2,000 milligrams per litre potassium considered potentially economic, the results from the recent brine samples were highly encouraging and included 12,000mg/L, 11,000mg/L, 8400mg/L, 8000mg/L, 7700mg/L, 7500mg/L and 7100mg/L.

The Karinga Creek drainage system contains hundreds of salt lakes representing the eastern extension of Lake Amadeus in the Simpson Desert.

Late last year a 28-hole, 1300m air core drilling program was completed to an average depth of 46m. Twenty water samples were also collected and analysis revealed highly elevated background levels of potassium, magnesium and sulfate in ground water surrounding and draining into the Karinga Creek salt lakes.

Four trenches were dug and pump testing was carried out to determine recharge rates. Up to 75,000L was pumped from the trenches over three days and the recharge rates were up to 58L per minute from trenches up to 8m in length. These recharge rates are good, given production trenches in the salt lakes may be 2-3km long.

Work to date has confirmed that near lake brines have been intersected up to 400m from the lake edges at shallow depths of 4-5m maximum.

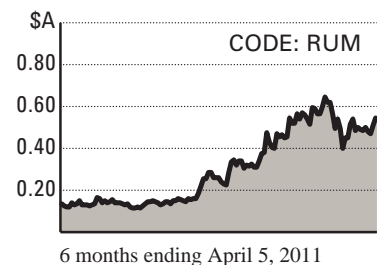
Subsurface springs and aquifers surrounding the salt lakes also contain water enriched with potassium, magnesium and sulfate, and further concentrated by evaporation.

A number of salt water aquifers have also been identified, along with potential fresh water aquifers for use during mineral processing.

– **Mark Mentiply**

Investigating potash-rich lake brine at what could be Australia's first potash mine at Karinga Creek

RUM JUNGLE RESOURCES AT A GLANCE



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MARKET CAPITALISATION

\$A77.85 million (at press time)

QUOTED SHARES ON ISSUE

142,851,900

MAJOR SHAREHOLDERS

Aragon Resources 12%
JP Morgan Nominees 10%
David Muller 6.3%
Merryl Lynch Nominees 6%