

Smaller focus for Rum Jungle

Rum Jungle Resources Ltd will look to put one of its smaller assets into production while weighing up development options for its flagship Ammaroo phosphate project in the Northern Territory.

The ASX-listed junior has flagged the near-term development of either the Karinga Lakes sulphate of potash (SOP) project or the Dingo Hole silica project in a bid to generate cash flow to underpin future plans for Ammaroo, about 200km south-east of Tennant Creek.

Both projects, also in the Northern Territory, are smaller in scale and have lower capital requirements than Ammaroo.

Karinga Lakes seems the most likely development option

given the company has completed a scoping study on the project and is currently working on a PFS to be released in the first half of 2016.

A PFS on Ammaroo was released last year and updated in August, reaffirming the project with a resource of 1.145bt @ 14.5% P2O5 (for a 10% P2O5 cut-off) could support at least two decades of phosphate production.

However, Rum Jungle – with a current market cap of \$21 million – will need help from a much bigger player to have any chance of funding the \$755 million price tag attached to the project.

The company began a global search to secure a cornerstone investor for Ammaroo earlier this year and it is likely that financier will become a JV partner and have associated off-take agreements.

Rum Jungle managing director Chris Tziolis said his company was holding talks with fertiliser companies, predominantly from India and North America, as well as Australian private equity groups over potential funding arrangements.

“The reality is a small ASX-listed junior with limited access to capital will find it difficult to take on the Ammaroo project alone,” Tziolis told **Paydirt**.

“A small scale start-up on either the SOP or silica projects are possible for a small company to manage on its own, so we’re going to focus on getting one of those options up and running and hopefully start generating some cash for this company.”

The Ammaroo PFS assessed the viability of three different production scenarios – 2 mtpa of phosphate rock concentrate, 500,000 tpa of phosphoric acid (100% P2O5) and 1.02 mtpa of ammonium phosphate fertilisers.

Each scenario carries an initial mine life of at least 20 years and payback within five years of first production. Indicative NPV ranges from \$790 million in the 2 mtpa rock phosphate scenario to \$1.28 billion and \$2.25



Rum Jungle is weighing up three different production scenarios for Ammaroo

billion for phosphoric acid and fertiliser production respectively.

Rock phosphate production could begin in early 2018 while the other two scenarios would start 15-21 months later.

It is expected the JV partner will determine which production route the company will pursue for the BFS.

Tziolis said the market was still yet to recognise the true value of Ammaroo.

“This is the big challenge for companies like us because these projects aren’t exploration plays anymore,” Tziolis said.

“It’s already had its big share price uplift a couple of years ago, based on its initial exploration results, and we’re now in that part of the life cycle of a company where another round of hard work has started. We’ve discovered something and now we’ve got to commercialise it, monetise it and get it technically right to attract the capital to fund it through to development, with a key objective being the generation of value for our long-standing shareholders.”

Rum Jungle has started work on a PFS for Karinga Lakes, targeting 40,000 tpa of SOP production for less than \$80 million of project capital and operating costs below \$300/t.

A drilling campaign to confirm the presence of deeper potassium salt aquifers to increase the resource at Karinga Lakes is slated to begin this month.

Proposed project timelines suggest production from Karinga Lakes could begin in late 2017, pending finance and all the necessary approvals, including environment and Native Title agreements.

Rum Jungle is also assessing options for Dingo Hole. Early test work has indicated its silica product could attract attention from high purity quartz markets because of its potential applications in semiconductors, fibre optics and solar panels.

“We’ve got enough funds to push forward one of the smaller-scale projects towards development, but obviously taking Ammaroo forward is a much bigger equation,” Tziolis said.

“Over time, I think we’ve got all the bones of being a future mid-cap fertiliser and industrial minerals player.”

Also working in the company’s favour is that all projects are in close proximity to the Amadeus gas pipeline and the Central Aus-

tralian Railway which runs from Darwin port to south-eastern Australia.

“I hear lots of talk about infrastructure deficiencies [in the Northern Territory] and lots of capital needing to be invested in transport, infrastructure and things like that, but the reality is we’ve got a great, big railway line running up through the middle of the country and established ports at either end, but they are underutilised,” Tziolis said.

“There’s a number of projects that sit within 100km of that rail line, so you actually don’t need a huge amount of infrastructure expenditure to make things happen.

“What we’ve got to do now is get the economic and technical settings right to ensure we attract global capital to take our plans forward.”

– Michael Washbourne



Ammaroo’s resource stands at 1.145bt @ 14.5% P2O5 (for a 10% P2O5 cut-off)