

A sound strategy for growth

When Minemakers started trading on the Australian Securities Exchange in October 2006 it had a simple strategic objective to acquire concept-driven projects with proven resources and good supporting data that could be bought and developed cheaply.

By **Ron Berryman**



Minemakers managing director Andrew Drummond.

This strategy, coupled with a bullish attitude towards commodity prices, has since paid big dividends for the commodities developer.

In the May edition of *RESOURCESTOCKS*, Minemakers was the leading resource company in terms of percentage growth over a 12-month period.

Without a doubt the company's growth has been exceptional, but in looking at the commodities that it has successfully targeted, it isn't difficult to see where this investor confidence has come from.

Over time the company has been able to procure title to, or in some cases options over, a diverse collection of major mineral deposits, large old mining fields and clearly defined target zones for potential deposits of world significance.

In addition, since that time the international prices of nearly all the commodities the company has targeted have increased substantially.

With fluorspar, tin, iron ore, tungsten and phosphate projects in its portfolio, the company has chosen wisely.

Minemakers managing director Andrew Drummond was still bullish about commodities prices when talking to *RESOURCESTOCKS* recently about the company and its flagship, the Wonarah phosphate project in the Northern Territory.

Despite its apparent isolation, located about 230km east of Tennant Creek, Wonarah is surprisingly well positioned from the point of view of infrastructure.

The Barkly Highway connecting Mt

Isa with Tennant Creek runs through the tenements and the Adelaide to Darwin railway runs through Tennant Creek.

The attractiveness of the Wonarah phosphate project is supported by statistics.

It is the largest undeveloped phosphate project in Australia, with a JORC-compliant resource of 72 million tonnes at 23% phosphate at a cut-off of 15% phosphate. The price of phosphate has escalated from \$US50 a tonne to \$US400/t in the past 12 months and the growing demand for food and the pressures on global food production has placed additional pressure on phosphate supply.

Adding to the demand for phosphate is the global focus on biofuels to help ease the energy crisis.

"World rock phosphate production has changed over the years with some of the biggest producers, such as the United States and China, now concentrating on supplying their internal markets instead of exporting," Drummond told *RESOURCESTOCKS*.

"The biggest exporters are now located in North Africa and the Middle East with North America, the BRIC [Brazil, Russia, India and China] countries and Europe turning from exporters to importers.

"And global rock phosphate growth forecast is 3 to 4 percent."

While extremely pleased with the current high price, Drummond firmly believes that if the phosphate price drops back at some stage in the future, it will be a small one, but with global demands increasing for food and the emergence of biofuels, he is bullish about phosphate.

He pointed out that in mid April, North American potash miners tripled their prices.



The Barkly Highway runs through the Wonarah tenements.



Clearing land on the remote Northern Territory Wonarah tenements.

“Brazil has announced it can make fuel from sugar cane for \$US36 a barrel,” he said.

“Sugar cane produces three crops a year compared to grain crops, which are usually only one crop a year. Whatever they grow will need fertiliser and phosphate fertiliser.”

And while demand maintains the price of phosphate at current levels, Minemakers is working towards starting production at Wonarah in 2010 with an anticipated delivery price of about \$US100/t.

An Australian exporter into Asia would have a \$US20-30/t freight cost advantage over Middle East exporters because of the country’s location, and with an initial production target of 2-3 million tonnes a year for export, the Wonarah project is looking good from an economics viewpoint.

The previous phosphate price was the major reason why the project had remained undeveloped for so many years.

Discovered in 1967, Indo Mines and Rio Tinto initially drilled and assessed the deposit, with Rio estimating a 1.95 billion-tonne resource at 14.4% phosphate for the northern part of the field only, before subsequently advising a 72Mt resource in the main zone of the rock phosphate mineralisation.

Rio completed an economic study in 2002, but found the development could not be justified at \$US40/t and the company walked away from the project.

In fact, Minemakers came to the same conclusion in early 2007 when the phosphate price was \$US50/t.

But times have changed drastically in terms of price and demand.

“We’re currently looking at a very cheap mining operation with just an openpit and a small crushing and screening plant,” Drummond said. “That is the optimistic view based on the previous work by Rio

and leads to capex estimations of up to \$40 million.

“Alternatively our metallurgical testwork program may turn up something that means we may have to set up a more complex processing plant.

“But at current prices we believe we can produce it for \$US100 a tonne and sell it for \$US400 a tonne so repayment of a possibly higher capex figure would seem to be of little concern.”

Mineralisation at Wonarah is controlled by paleohighs, and some 12-16km southwest of the delineated resource, outcropping mineralisation over a 2km strike at potentially direct shipping grade was located at the Arruwurra prospect.

This target has revealed outcrop assays of more than 35% phosphate and was only lightly drilled towards the end of Rio Tinto’s involvement. It is now the prime initial target for Minemakers because mining an outcropping deposit should be less expensive than the main zone Wonarah deposit.

The company is wasting little time getting the show on the road with Lycopodium Engineering and Coffey Mining appointed to carry out a pre-feasibility study for completion later this year. If the results are positive, a full feasibility study will follow for completion late in 2009.

In the meantime a diamond and a reverse circulation (RC) rig is onsite to conduct an infill drilling program to allow for estimation of a JORC-compliant indicated resource and improve the company’s knowledge of the mineralisation in order to know what will be required to process it.

“Subject to satisfactory drilling and assaying progress, we aim to know how to mine it by the end of the second quarter, have pre-feasibility by August, then go straight into feasibility,” Drummond said.

“If all goes well we hope to be in production in two years.”

The Minemakers board is confident the project will get the go-ahead following a good desktop survey last year and excellent data left by Rio, which confirms that initial metallurgical tests showed there weren’t any unexpected “nasties” such as cadmium or uranium.

Drummond said 90% of Minemakers’ workload at the moment was concentrated on Wonarah, but it wasn’t being developed at the exclusion of the company’s other projects, in particular, the tungsten, tin and fluorspar deposits at Moina, Aberfoyle and Storey’s Creek in Tasmania.

Minemakers also owns 100% of exploration licences covering northeast Tasmania’s historic major hard rock tungsten/tin and tin mines and deposits.

With tin and tungsten prices soaring as demand grows and supply diminishes, Minemakers is working hard on them.

Metallurgical testwork is being done to evaluate the Moina prospect before looking at options to develop Australia’s biggest fluorspar deposit which also has associated tin, tungsten, molybdenum, zinc and bismuth. **RS**

minemakers
at a glance

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Market Capitalisation
\$141 million (at press time)

Major Shareholders
Paul Winston Askins 12.37%
Andrew James Drummond and parties 12%
Jerele Mining 5.75%
Golden Archer Resources 5.45%