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## JUNE 2013 QUARTERLY ACTIVITIES REPORT

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31 July 2013

### HIGHLIGHTS

#### **JDCPHOSPHATE, INC. (JDCP) (MINEMAKERS 6.3%)**

- JDCP's Improved Hard Process (IHP) demonstration plant in Florida is in the commissioning phase
- The plant is mechanically complete in all material respects with vessel integrity testing, final instrumentation installation and calibration underway
- Superphosphoric acid production is planned for September
- JDCP has acid off-take arrangements in place, hence revenue will be generated
- Minemakers negotiated and executed a new licence agreement with JDCP to improve and extend the exclusive right to utilise IHP in Australia
- A further investment of US\$1.0M was made in JDCP increasing Minemakers shareholding in JDCP to 6.3%

#### **WONARAH PHOSPHATE PROJECT, (WONARAH) NORTHERN TERRITORY (Minemakers 100% equity)**

- Northern Territory Environmental Protection Authority approved Mining Management Plan assessment process for Wonarah

#### **CAPITAL TRANSACTIONS**

- In April, Vulcan Phosphates became a strategic cornerstone investor in Minemakers, subscribing for 14M shares at \$0.18 per share and 14M 4 year options exercisable at \$0.30 per share
- Minemakers, through Mawarid Mining LLC's on market offer for UCL Limited, sold its holding in UCL at \$0.31 per share, realising a net value of \$4,429,632

#### **Major Corporate Activities**

- Unmarketable parcels of Minemakers shares (less than \$500 in value) were accumulated, reducing shareholder numbers by 1,615 to 5,600
- An on-market share buy-back initiative was announced
- Mr Andrew Drummond resigned as Non-Executive Chairman and Director of Minemakers in May 2013. Mr Dick Block was appointed as Non-Executive Chairman of the Board
- On market Director purchases totalling 500,000 shares
- Cash balance at 30 June, 2013 was \$28.3M

**Cliff Lawrenson, MD of Minemakers commented "This has been a very productive quarter for Minemakers as we continue to focus on generating shareholder value. Significantly, we have continued to progress Wonarah whilst reducing our ongoing operating costs. More importantly, first acid production utilising the IHP is expected from JDCP's demonstration plant in September. This is an exciting time as our belief in IHP to produce SPA is on the cusp of becoming a reality and we look forward to updating the market as we make further progress."**

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# 1. WONARAH PHOSPHATE PROJECT, NORTHERN TERRITORY (100% Equity)

## 1.1 INTRODUCTION

Minemakers Limited’s (Minemakers or the Company) 100% owned Wonarah is the largest known phosphate deposit in Australia. To date, only 15% of the known mineralisation has been sufficiently drilled to enable a resource estimate to be defined.

Minemakers aims to take advantage of Australia’s political stability and Wonarah’s favourable installed and available infrastructure to develop a major centre for the production of superphosphoric acid (SPA). Wonarah’s advantages, apart from its size and grade, include:

- Situated in a stable political jurisdiction
- Northern Territory Government support and designation as a Major Project
- A life of mine Mining Agreement in place with Traditional Owners which covers mining, processing and fertiliser production
- Proximity to a regional population centre at Tennant Creek
- Access to an established bulk commodity port at Darwin
- Bitumen highway access
- Proximity to a standard gauge railway with spare freight capacity
- Proximity to a natural gas supply, the pipeline for which closely follows the railway line
- Proximity to ample groundwater
- Silica available on site and petroleum coke readily available regionally
- Growing importance of technical grade phosphoric acid and fluid fertilisers both globally and locally

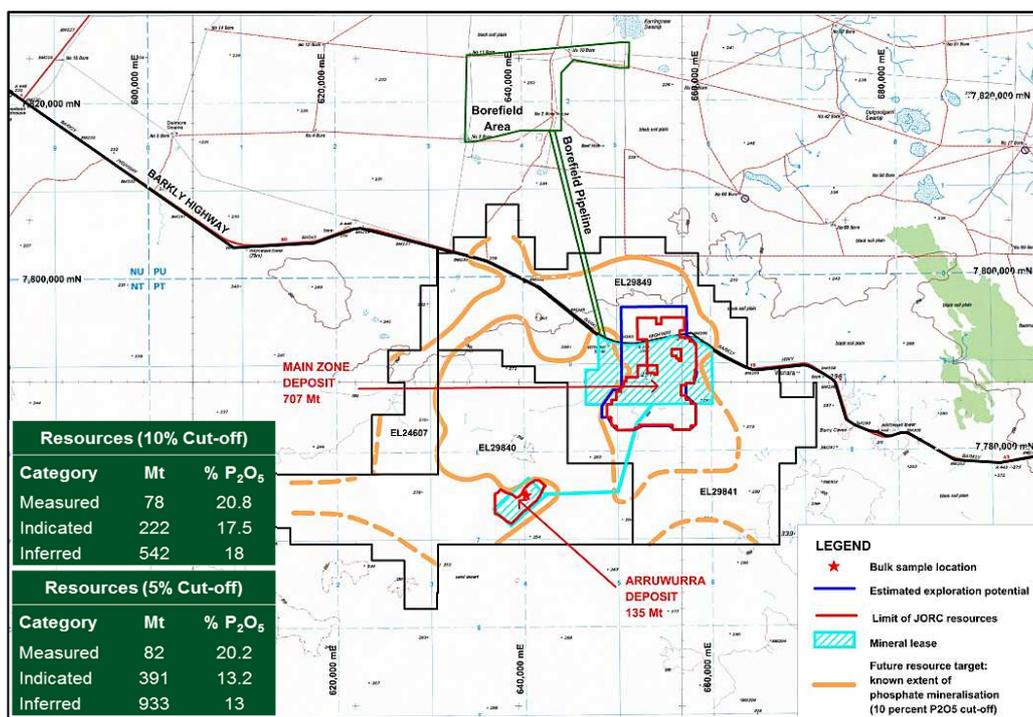


Figure 1: Wonarah Deposit

Note: The current estimated mineral resources are set out in Figure 1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be classified as mineral reserves. There is no assurance that any part of the Inferred resources will ultimately be converted to mineral reserves.

## 1.2 JDCPHOSPHATE, INC. – FLORIDA DEMONSTRATION PLANT PROGRESS

As reported in early June 2013, JDCP advised that while significant progress had been made on the IHP demonstration plant in Florida and its pre-start-up activities, the process of validating IHP technology would be somewhat delayed due to construction related issues.

While the start-up of any new process can encounter unexpected problems or delays, the current status of the IHP demonstration plant and JDCP's plans for the start-up follow:

- The plant is mechanically complete in all material respects with vessel integrity testing, final instrument installation and calibration underway. Non-process related construction activity will wind down by mid-August
- The plant is producing dried and ground raw material for use in the feed agglomerate circuit and optimisation of the equipment involved is ongoing
- Operation of the kiln feed agglomerate circuit has begun and equipment shake down is scheduled to complete in mid-August
- Finalisation of kiln readiness for feed and hydrator readiness for gas processing and acid production is planned for late-August
- Depending on the successful conclusion of the tasks above, commencement of feed to the kiln and gas processing in the hydrator is planned for late August/early September
- First acid production is planned for September
- JDCP has acid off-take arrangements in place, hence revenue will be generated
- Design throughput and yield will be optimised and any plant improvements indicated will be made on an ongoing basis



*Figure 2: IHP Demonstration Plant July 2013*

Members of the Minemakers management team continue to visit the Fort Meade site to view progress of the demonstration plant and regular conference calls take place to coordinate JDCP's technical support for the Wonarah Feasibility Study (FS) to ensure complete integration of the IHP into the overall Wonarah FS. The Wonarah study team comprises members of the JDCP engineering team who have recently designed and built the demonstration plant. Wonarah should benefit enormously from the insights gained through the demonstration plant process.



Figure 3: View of the kiln at the JDCP demonstration plant

Tip Fowler, JDCP CEO, commented ***“We are pleased that the construction phase of the demonstration plant is essentially complete and that vessel integrity checks, final instrument installation and calibration and plant commissioning is underway. We are operating the front end of the plant up through the feed agglomerate circuit on a daily basis and are working through the necessary equipment and instrument checks to sequentially get the rest of the plant ready for production.*”**

***Barring unforeseen difficulties, we expect to produce and sell phosphoric acid in September and to continue the optimization of the plant in the months that follow. This is a very exciting time for JDCP and our shareholders as we begin the validation process. We have pre-sold all of our upcoming acid production and look forward to running the demonstration plant as a small operational facility as we achieve optimization of the IHP process.”***

### 1.3 WONARAH FEASIBILITY STUDY

A fully funded FS is underway, which is focused on Wonarah’s development using the IHP kiln based patented technology, owned by JDCP. The FS is an extension of the work undertaken for the Direct Shipping Ore Feasibility Study completed in 2010 and the subsequent study undertaken in 2011. The FS is expected to be completed in the second half of 2014 and it is fully funded from existing cash reserves.

The key advantages of the IHP process are:

- Significant capital and operating efficiencies
- Modular rollout reducing initial capital commitment
- Produces high value  $\pm 70\%$   $P_2O_5$  SPA for premium fluid/high nutrient fertiliser
- Low environmental impact, co-product has value
- No environmentally challenging and expensive phosphogypsum stacks
- Logistical cost concentrated on high value product
- Elimination of the need for a sulphur based raw material

The FS will update, extend and validate the earlier studies and incorporate new studies for aspects of the project that were not required in earlier evaluations. Investigations will cover the full range required for preparation of a FS, the major elements of which will include:

- Approvals
- Environmental and Social
- Geology and Resources
- Mining and Reserves
- Beneficiation
- IHP
- Clay Settling and Storage Facility
- Project Logistics
- Surface Hydrology
- Hydrogeology, Water Supply and Water Balance
- Marketing
- Financial Analysis

### 1.3.1 Improved Hard Process

Minemakers is focused on the downstream production of high-value SPA at Wonarah utilising IHP technology.

In summary, IHP entails:

- Mining
- Simple beneficiation to 15-20% P<sub>2</sub>O<sub>5</sub>
- Grinding with raw petroleum coke and silica
- Pelletisation
- Roasting in a ported rotary kiln
- Delivery of a phosphorus rich gas
- Hydration process
- Superphosphoric acid production at a contained  $\pm 70\%$  P<sub>2</sub>O<sub>5</sub> (a very high nutrient product)
- Co-product is low environmental impact and usable inert spent pellets (J-Rox)

Minemakers is investigating potential commercial uses of J-Rox as an aggregate. J-Rox can also be used for fill for mine pits and other infrastructure works as part of the rehabilitation process.

### 1.3.2 Metallurgical Testwork

Good progress has been made on the metallurgical testwork during the Quarter:

- The testwork program relating to the beneficiation of feed to IHP is largely complete and has resulted in an optimised beneficiation regime using simple crushing, grinding and attrition.
- A similar suite of testwork has also determined a suitable processing route for preparation of the sand that overlies the deposit and which will be used in the IHP process. This work concluded that a simple wet screening process would produce a highly suitable silica sand product.
- Variability testing utilising various discrete ore samples processed using the optimised conditions were completed during the quarter. The results are currently being analysed by KEMWorks Inc. our metallurgical consultants and their report is awaited, although no unexpected results were noted during the course of the tests.
- Beneficiated samples of silica sand and ore were dispatched to JDCP. These samples are being used by JDCP to undertake binder testing, whilst Metso will use them to determine the associated work indices. The results of these tests are expected during the coming quarter.
- A suite of tests was completed using site water, as well as various pH modifying reagents without any noteworthy change in results.
- Samples have been dispatched to JKTech for testing using High Pressure Grinding Rolls to determine if this technology is suitable for Wonarah ore and if so, whether it offers any advantages over semi-autogenous grinding milling.

- Settling and rheology testwork has been undertaken by ATC Williams on the residues from the beneficiation testwork program. The results are awaited and will be used to determine storage dam sizing and designs, as well as the dam's impact on the site water balance.

### **1.3.3 Mineplan**

No further work was undertaken on the mine plan during the quarter. As previously reported, AMC Consultants has undertaken work on defining pit shells based on anticipated revenue and cost structures and process algorithms. These early runs of the model indicated that some areas of the Main Zone deposit may require further in-fill drilling in order to increase the resource category from Inferred to at least Indicated. This drilling will be scheduled later in the year when an anticipated period of ground disturbing activity at site ensues. Further work will include water bore drilling, civil geotechnical investigation and slimes storage facility site investigation.

### **1.3.4 Engineering, Procurement and Construction (EPC)**

Discussions with potential EPC parties, including JDCP partners, have commenced. These discussions have been promising and will continue as we better define Wonarah through the FS work and the demonstration plant performance.

## **1.4 NOTICE OF INTENT**

On 20 December 2012, Minemakers submitted, through Coffey Environments, a new Notice of Intent (NOI) to the Northern Territory Government, thereby triggering the Territory's environmental assessment process.

The Company is pleased to advise that in early June, the Northern Territory Environmental Protection Authority (NT EPA) approved a Mining Management Plan (MMP) assessment process for Wonarah.

In view of the intention to address outstanding environmental issues under the MMP assessment process, the NT EPA has concluded that Wonarah does not require further assessment under the Environmental Assessment Act.

Minemakers previously prepared and processed an Environmental Impact Statement for a direct shipping ore project and the terms of approval under that process which remain applicable to Wonarah continue to apply.

The Company's NOI and the NT EPA letter are available on the Company's website.

The Company will continue to work with the all interested stakeholders including the Tennant Creek community, local pastoralists, the Central Land Council and Traditional Owners to ensure that it's MMP, when submitted, adequately addresses issues of concern to those groups.

## **1.5 STRATEGIC PARTNERSHIP PROCESS**

In addition to securing a cornerstone investor in Vulcan Phosphate, Minemakers continues to conduct discussions with potential strategic partners which will complement Vulcan's corporate level investment.

Minemakers continues to engage actively with potential partners for Wonarah seeking an appropriate value sharing model. The key attributes for a potential partner remain the ability to add technical input, support in financing and provide off-take for product.

Minemakers will ensure that its choice of strategic partner and any ensuing business combination is value enhancing and sustainable for the Company and its shareholders.

## 2. INVESTMENTS

### 2.1 UCL RESOURCES LIMITED (ASX:UCL)

On 1 May 2013 Minemakers ceased to be a substantial holder in UCL Resources Limited (UCL). Minemakers, through Mawarid Mining LLC's on market offer for UCL, sold its 14,312,401 shares at \$0.31 per share realising net proceeds of \$4,429,632.

### 2.2 AUSTRALIA MINERALS & MINING GROUP LIMITED (ASX:AKA)

Minemakers holds 4.65% equity interest in Australia Minerals & Mining Group Ltd, valued at approximately \$0.4M at the end of the June 2013 Quarter.

### 2.3 TNT MINES LIMITED

Minemakers holds a 14.1% equity interest in TNT Mines Limited (TNT).

During the Quarter the Niuminco Group Limited (ASX:NIU) (Niuminco) announced entry into several agreements with TNT. As a result of the Agreements, Niuminco has subscribed for a 19.9% shareholding in TNT and the parties have agreed to act in good faith to give consideration to a further transaction by way of merger, takeover, scheme of arrangement or other mutually acceptable transaction on an equal value basis.

As a consequence of the above transaction, Minemakers holding in TNT was diluted from 19% to 14.1%.

### 2.4 JDCPHOSPHATE INC.

Minemakers holds a 6.3% equity interest in JDCPhosphate, Inc.

## 3. CORPORATE

### 3.1 VULCAN PHOSPHATES LLC: STRATEGIC CORNERSTONE INVESTOR

On 2 April 2013, the Company announced that Vulcan Phosphates LLC (Vulcan) became a strategic cornerstone investor in Minemakers.

#### 3.1.1 Benefits of Strategic Relationship with Vulcan

The introduction of Vulcan as a cornerstone strategic investor is expected to be highly beneficial to Minemakers on a number of levels. Through its investors, Vulcan not only has deep commercial and operational knowledge of the fertiliser market, but also strong industry relationships particularly with potential off-take partners.

Vulcan is also a major investor in JDCP. Successful commissioning of the demonstration plant will be a defining process in the commercialisation of IHP and the development of Wonarah. Through Vulcan's common shareholding in JDCP, Vulcan has become aware of the significant potential for Minemakers to apply IHP to the Wonarah deposit and develop a world scale SPA production facility.

#### 3.1.2 Details of the Placement to Vulcan

Minemakers issued 14 million ordinary fully paid shares to Vulcan at \$0.18 per share resulting in \$2.52M cash raised. In addition, Minemakers also issued Vulcan with options to acquire a further 14 million Minemakers shares at a strike price of \$0.30 per share exercisable at any time during the next 4 years.

Under the terms of the placement:

- Vulcan will have the right to nominate a director to the Board of Minemakers if it increases its shareholding in Minemakers to above 10%.

- If Vulcan acquires, and maintains voting power to more than 10% of Minemakers, Vulcan will have the option (subject to the receipt of an ASX waiver) to participate in any future Minemakers share issues in order to maintain its percentage shareholding in the Company.
- Vulcan has agreed to a 2 year standstill whereby it will not increase its shareholding above an agreed level unless it obtains prior approval from the Minemakers Board or if Minemakers receives a bona fide takeover proposal from an unrelated third party. The agreed level is 15% during the first 12 months following the placement and 19.9% during the second 12 months.

### **3.2 JDCPHOSPHATE, INC.**

In June 2013 Minemakers announced that the Company had updated the original 2010 Licence Agreement between JDCP and Minemakers to improve and extend the terms with a view to materially enhancing the Company's right to employ the IHP technology throughout Australia and Minemakers ability to secure finance for Wonarah. The following key provisions now apply:

- The terms of Minemakers exclusive Australian licence to construct a commercial scale IHP facility at Wonarah has been extended to September 2023, subject to Minemakers continuing to make reasonable commercial progress to successfully commission such a facility throughout that period and making royalty payments when due. It is currently anticipated that such a facility could be commissioned in the second half of 2015 or early 2016.
- A 5 year right of first negotiation for any new IHP licence in Australia beyond the expiry of Minemakers above exclusivity rights provided Minemakers has commissioned a kiln and achieved successful startup at Wonarah.
- Establishing a framework for proceeding with an Engineering Procurement and Construction contract and other potential arrangements relevant to the construction and financing of a commercial scale IHP facility, addressing issues such as: financial terms, guarantees, warranties and representations and indemnities in relation to the IHP technology, as well as JDCP's ongoing role in providing design and technical consulting services in relation to such activities.

In consideration of the improved licence terms and to support JDCP's ongoing funding needs as it continues its important IHP technology validation and full-size Wonarah commercial plant technical specification work, Minemakers has made an additional equity investment of approximately US\$1.0M in JDCP.

### **3.3 SALE OF UNMARKETABLE PARCELS OF SHARES**

On 3 May 2013 Minemakers announced that it had established a Share Sale Facility (Facility) for holders of unmarketable parcels of shares in the Company. The Facility was offered to assist holders of unmarketable parcels to sell shares without having to use a broker or pay brokerage costs.

By facilitating the sale of unmarketable parcels, Minemakers has reduced costs associated with maintaining small shareholdings.

### **3.4 ON MARKET BUYBACK OF SHARES**

On 27 June, 2013 Minemakers announced that it had put in place an initiative to buy back Minemakers shares. This action was due to the Board forming a view that the prevailing share price did not reflect the true value of the Company, especially when taking into account cash backing and Wonarah. JM Financial Group was appointed to assist with any buy-back transactions.

To date, no Minemakers shares have been subject to the buy-back process.

### **3.5 BOARD CHANGES**

During the Quarter, Mr Andrew Drummond resigned as Non-Executive Chairman and Director of Minemakers with effect from 7 May 2013.

Mr Richard H (Dick) Block was simultaneously appointed as Non-Executive Chairman of the Board. Mr Block has been a non-executive director of Minemakers since 2012.

Minemakers revised the consulting arrangements with Mr Block to enable appropriate representation in the USA.

### 3.6 CASH POSITION

At the end of the June 2013 Quarter, Minemakers had cash of \$28.3 million.

The Company has continued to reduce costs wherever possible as is reflected in the attached Quarterly Cashflow Report (Appendix 5B). It should be noted that there is unavoidable spend associated with maintaining and developing a large project like Wonarah with an advanced feasibility study underway.

Cliff Lawrenson  
**Managing Director**

#### **Competent Persons' Statement**

*The qualified person in relation to this press release is Russell Fulton, who is the Geological Manager of the Company and a Member of the Australian Institute of Mining and Metallurgy, and who has reviewed and approved the information in this press release. Mr Fulton has sufficient experience deemed relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and a 'Qualified Person' as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects. Mr Fulton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*With respect to the JORC, Clause 18, and in respect of some targets the potential quantity and grade of them are conceptual in nature, and there may have been insufficient exploration to date to define a Mineral Resource and is uncertainty if further exploration would result in the determination of a Mineral Resource.*

*For further information on Wonarah, please refer to Minemakers' NI43-101 compliant technical report entitled "Technical Report Mineral Resource Estimation for the Wonarah Phosphate Project, Northern Territory, Australia", dated March 2013 and available on SEDAR at [www.sedar.com](http://www.sedar.com).*

#### **Cautionary Statement Regarding Forward-Looking Information**

*All statements, trend analysis and other information contained in this report relative to markets for Minemakers' trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Minemakers does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.*