

Rum Jungle Resources (RUM)

Tangible steps to Australian potash and phosphate producer

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Key Points

- RUM has world scale potash and phosphate resources beside rail infrastructure for domestic and off-shore markets.
- Resource and financial studies confirm both key fertiliser ingredients are in 1st - 2nd quartile of cost curve at large scale. RUM is independent. Australia is politically stable.
- Validation and cash flow can occur via small scale domestic operation for Potash Magnesium Sulphate (KMS) with \$93m and local domestic horticulture consumption.
- RUM is currently evaluating options to partner one or both projects. We assume 50% of potash sold for \$25m.

Two global shots on goal – From low cost base in Australia

Event: Completion of independent financial studies prepared by proven developers/operators. They detailed small and large scale RUM potash and phosphate projects with JORC compliant resources beside existing rail to port and gas infrastructure.

Impact: RUM is now well positioned to develop: small commercial scale potash magnesium sulphate (KMS) for \$93m capital with sales to local almond and horticulture users; and/or, with a cornerstone investor, large scale production of Sulphate of Potash (SOP) and/or Phosphoric Acid (\$350m and \$1,400m respectively).

RUM is now at a significant advantage to peers due to:

- Both potash and phosphate fertiliser ingredients in 1st - 2nd quartile of cost curve at large scale (cheap extraction, close infrastructure).
- Both potash* and phosphate JORC resource statements are globally significant with 50+ mine life at large scale **with all RUM lakes.*
- RUM is independent of the major global fertiliser supplier chains
- Australia is politically stable and has a significant domestic demand for Potash and Phosphate (around 1.5mt/annum)
- RUM's location beside "Adelaide to Darwin" rail line and highways enable establishing a significant in-land hub with close proximity to 50% of East Coast demand for potash and phosphate fertiliser, and port access to rest of Australia (via Adelaide) or Asia (via Darwin)
- RUM's board has built up a project development and operations team under Managing Director Chris Tziolis over last three years.

DCF valuation of \$0.28/share. Price Target of \$0.14/share:

Our \$0.28/share DCF assumes 100kt/a KMS project with: \$25m cornerstone investor for 50% potash project; 25% from cornerstone investor for capex; and, \$43m debt. This leads to doubling of potash resource valuation (to \$100m), and \$50m valuation for un-partnered phosphate resource. Price Target is \$0.14/share is at average EV/resource multiple for un-partnered listed fertiliser resources.

View: We recommend RUM as a Speculative Buy. There is a realistic path to 50% cornerstone investment in potash resource with: 100kt/a KMS project for just \$93m; 2 – Domestic demand for at least 100kt/a KMS and low cost distribution from South Australian rail hub; and, 3 – Blue sky value from adding sulphate of potash (SOP) and phosphoric acid which could lead to an Asian and Australian fertiliser hub. RUM is also trading at a 65% discount to global EV/resource.

Risks: Significant (25%) fall in potash and phosphate prices A\$ price Poor confidence in financial markets during cornerstone negotiations Increased - Australian rail, regulatory approval delay, native title cost

Disclaimer: PAC Partners is paid a fee by RUM for this research. Please refer to full disclaimer information on page 9.

Recommendation

Speculative Buy

Resumption of coverage	
Risk Rating	Very High
Current Share Price	\$0.05
12 Month Price Target	\$0.14
Price Target Methodology	EV/resource
Total Return (Capital + Yield)	280%
DCF Valuation	\$0.28
Market capitalisation	\$19 m
Cash – June 2015	\$4 m

Potash resource – 100mt at 35% KCI – replenished brine lakes

Case – production	KMS 100kt/a	SOP 125kt/a
Capital cost (A\$m)	93	340
Cash cost FOB (A\$/t)	150	350

Phosphate resource – 1.1bn at 15% P2O5

Case	Phos. Acid 500kt/a	DAP 1mt/a
Capital cost (A\$m)	1,400	1,830
Cash cost (A\$/t)	530	390

Financial Forecasts (50% potash*, 100% phosphate resource)

Y/e (\$m)	FY17F	FY18F	FY19F	FY20F
Revenue	0	12	30	31
NPAT	(4.7)	0.9	8.2	9.7
EPS (cps)	(1.2)	0.2	2.1	2.5
EPS Growth	na	na	766%	18%
DPS (c)	0.0	0.0	0.0	0.0
EV / EBITDA (x)	(8.1)	6.2	1.3	0.5
PER (x)	na	20.3	2.3	2.0
Cash y/e	23	3	18	35
Cornerstone funds	25			
Net Debt	3	22	7	(10)

Source: PAC Partners estimates. *Other 50% sold to cornerstone investor

Milestones

- Sep'15 – RUM decision on equity partner and/or asset sale. (Indicative bids due Jun'15) – we assume \$25m for 50% of potash resource and project
- Mar'16 – Financial investment decision for small scale Potash Magnesium Sulphate with production by Dec'17. (Definitive study complete by Mar'16 using \$5m)
- CY'18 – With Partner – Large scale production of potash and/or phosphate

Source: PAC Partners estimates

Table of Contents

Summary Swot	2
Board and Executives.....	2
Executive Summary and Risks.....	3
Multiple Shots on Goal.....	4
Advantages over emerging fertiliser peers	5
Cash flow and valuation.....	6
Contact Information	7
Recommendation Criteria.....	9

Summary Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> • Large potash and phosphate resources beside infrastructure • Low cost small scale potash development with local demand • Independent N-P-K fertiliser resources in stable region 	<ul style="list-style-type: none"> • Small financial resources vs. incumbents • Volatile fertiliser prices (ex sulphate of potash) • Phosphate development requires large scale development
Opportunities	Threats
<ul style="list-style-type: none"> • Modest outlay validates potash for domestic market • Project development costs and US\$:A\$ are decreasing • Close to Asia/Indian, largest potash & phosphate importers 	<ul style="list-style-type: none"> • Increased regulatory and logistics costs (or delays) • New Nth Africa & MEast supply can delay new phosphate • Lower confidence in financial markets for resource dev't

Board and Executives

Directors	Comment
<ul style="list-style-type: none"> • David Muller (non-exec Chair) • Robert Annells • Jeffrey Landels • Chris Tziolis (MD) 	<ul style="list-style-type: none"> • Joined 2007. MD until 2014. 40 years resource dev't • Joined 2007. 40 years resource and energy dev't • Joined 2012. Ex Phosphate Hill manager (WMC) • Joined 2012. Ex Rio Tinto minerals and Energy executive
Executives	Comment
<ul style="list-style-type: none"> • Bruce Arnold - CFO/Company Secretary • Nigel Doyle – Exploration Manager • Dr John Dunster – Chief Geologist 	<ul style="list-style-type: none"> • Joined 2013. 30 year financial - resource & commercial • Joined 2008. 15 years in Australian exploration. • Joined 2011. 15 years across Australia with Rio Tinto et al

Executive Summary and Risks

Vision: To export central Australian potash and phosphate fertilisers to Asia

Global scale potash and phosphate resources beside existing rail and roads in central Australia

Objectives: Have multiple shots on goal with low cost options for domestic and export

RUM started in 2007 with central Australian exploration permits aimed at resources close to existing highways and the Adelaide to Darwin railway. Earlier oil/gas exploration which found phosphate led to RUM following up, and led to development of Amaroo phosphate resource (1.135bn mt at 14% P₂O₅). Success with commercial development of brine to potash in Chile, China, Israel and USA led to RUM looking at similar brine lakes south west from its phosphate. This led PAC estimating Amadeus/Karinga lakes' potash (100mt 35% KCl in Sulphate of Potash form).

3 years of evaluation by PAC partners during resource definition, testing ...

Key Actions:

- Methodical exploration and testing approach with independent JORC review. (Over past three years we have visited key sites and seen RUM team and contractors/consultants in action: diamond drilling, percussion drilling, brine replenishing and small scale testing.)
- Since 2012, RUM has focused on alignment with major Australian and Asia fertiliser distributors. RUM used this feedback to become dominant player in its low cost regions (through acquisition) and prepare feasibility studies that show options for development.
- In January 15 RUM instigated a formal partnership bidding process aimed at obtaining a 50% investment in its potash resource (and many other smaller and larger growth options.)

...and feasibility studies...
...which has now led to formal discussions with cornerstone investors

Milestones

- Sep'15 – RUM decision on equity partner and/or asset sale. Indicative bids due Jun'15. We assume \$25m for 50% of potash resource and project.
- Mar'16 – Financial investment decision for small scale Potash Magnesium Sulphate (KMS) with production by Dec'17. (Definitive study completed Mar'16 using \$5m).

Sep'15 Partnering decision is key...
...Mar'16 complete definitive feasibility KMS study

Risks:

- Significant (25%) fall in potash and phosphate A\$ prices price
- Poor confidence in financial markets
- Increased - Australian rail cost, regulatory approval delay, and cost of native title

Regulatory approval is no certainty...and MVP up against large competitors

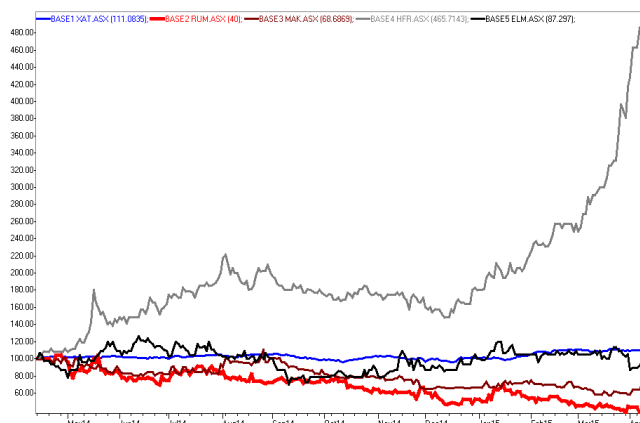
View: We recommend RUM as a Speculative Buy due to realistic path to 50% cornerstone investment in potash resource for \$25m giving:

1. 100kt/a KMS project for \$93m capital;
2. Domestic demand (almond, horticulture, viticulture) for at least 100kt/a KMS and low cost distribution from South Australian rail hub; and,
3. Blue sky value from adding sulphate of potash (SOP) and phosphoric acid (from phosphate resource) which could lead to an Asian and Australian fertiliser hub.

RUM is also trading at a 65% discount to global EV/resource.

Chart: RUM share price vs. Peers and ASX200

RUM (red) underperformed the ASX200 (blue) with hiatus between feasibility studies and naming of cornerstone investor



Stand out potash developer is Highfield Resources (HFR.AX, grey) as it follows the detailed feasibility study and cornerstone selection path with a low dev't cost Spanish project (US\$350m) for 1.1mt KCl.

ELM (Congo-potash, black) and MAK (Aust- phosphate, purple) are local peers

Source: Iress

Multiple Shots on Goal

Independent financial studies bring together resources, testing and infrastructure

Kept parallel development of potash and phosphate going ...

...and now have small and large scale options

Over the past 12 months independent financial studies were prepared by proven developers/operators for small and large scale RUM potash and phosphate projects with JORC compliant resources beside existing rail to port and gas infrastructure.

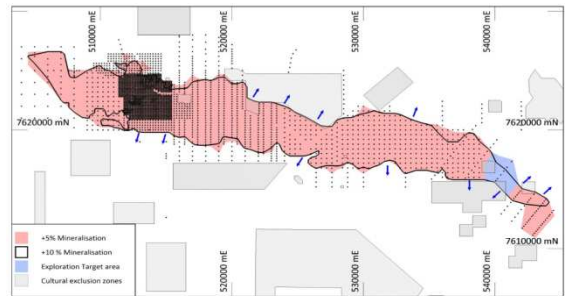
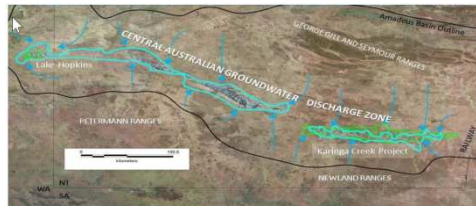
RUM is now well positioned to attract a cornerstone investor for development of a small commercial scale potash magnesium sulphate (KMS) (\$93m capex), and/or expand to large scale production of Sulphate of Potash (SOP) and/or Phosphoric Acid (\$350m and \$1,400m resp).

Potash – 8.3Mt K₂S₀₄ + multiple replenishment at Armadeus and Karinga lakes to 100Mt at 35% KCl

Phosphate - 1.2bnt at 14% P₂O₅ across over 40km, with western 20km sweet spot

Potash brine lakes are spread out over 400km, with best prospect Armadeus (central East)

Phosphate resource is old sea bed over 40km



Source: PAC Partners estimates.

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RUM – Middle section of Australia - Potash brine lakes (blue), Phosphate rock (red) (Gas Fields 150-250 West of Alice Springs) (Major KMS/SOP user – Horticulture/Viticulture)

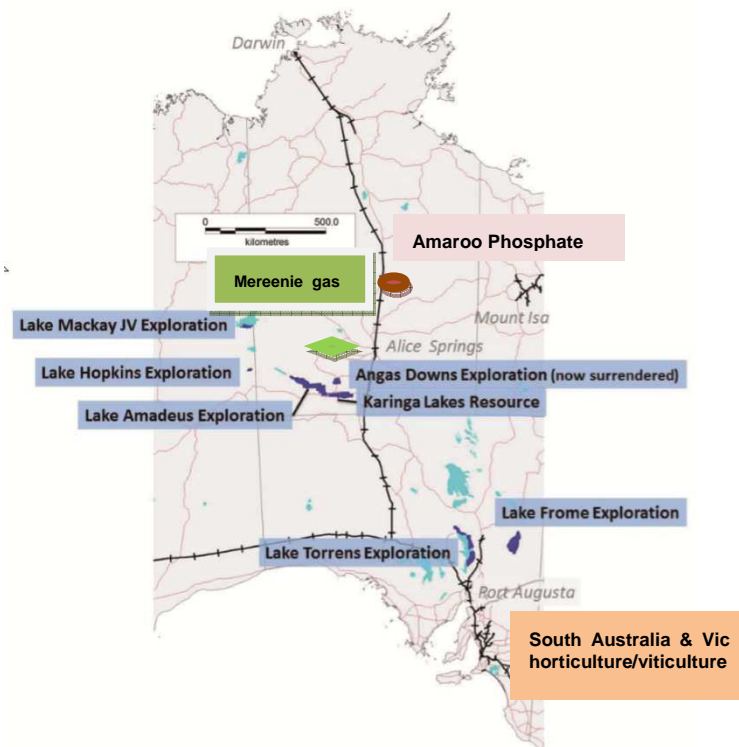
Phosphate is 200km Nth of Alice Springs and 90km from Alice Springs-Darwin railway

Potash brine lakes are 200km SW of Alice Springs alongside Lasseter Highway

50% of Australia's fertiliser demand of 4.5mt can be serviced from SE Southern Australia via inland routes...and the rest via Port Augusta or Adelaide...very close to intensive fertiliser users (horticulture and viticulture)

Export from Darwin to Asia is feasible with port upgrades

Existing pipelines can be extended to supply low cost natural gas for downstream SOP and/or Phosphoric Acid/DAP



Source: PAC Partners estimates

Advantages over emerging fertiliser peers

Supply...low cost, long life, independent, stable country, project dev't experience

1st-2nd quartile on global cost curve at large scale

Small scale KMS is also at 2nd quartile

50 year mine life

Australia is well positioned to enter global market...

- Both potash and phosphate fertiliser products are in 1st-2nd quartile of cost curve at large scale (Ref: RUM studies)
 - Cheap extraction: potash - brine lake to solar evaporation; phosphate – free dig within 15m surface
 - Phosphate rock site costs 1st quartile, delivered to Darwin is at 3rd quartile FOB. Rock export needs to be part of an integrated supply chain with associated downstream phosphoric acid production either locally or in a third party country
 - Close to infrastructure - 5km to 100km pipeline to railway line, highway access
 - Potash extracted as Potash Magnesium Sulphate (KMS) is the cheapest up front capital cost (\$93m for 100kt/a KMS) and sits in 2nd quartile cost
- Both potash and phosphate JORC resource statements are globally significant with 50+ mine life at large scale
 - Access to large lakes such as Amadeus, Frome and Torrens together with confirmation of appropriate potassium chemistry will enable a resource base potentially in excess of 100Mt at 35% KCL
- RUM is independent of the major global fertiliser supplier chains
 - Critical with potash as there are only three large low cost regions: Canada, Russia, Belarus
 - Important with phosphate as there are only six main vertical integrated suppliers
- Australia is politically stable with first world legal and safety standards
 - Significant potash and phosphate resources are in improving regions which can disrupt supply
- RUM board has built up a project dev't and op'n's team under Managing Director Chris Tziolis over last three years.

Demand...domestic in-land hub for 1.5mt, export markets are close to Darwin

...and has domestic demand to assist a start-up phase

- RUM's location beside "Adelaide to Darwin" rail line enables a significant in-land hub
 - Close proximity to 50% of East Coast (1.5mt) demand for potash and phosphate fertiliser
 - Access to rest of Australia (via Adelaide)
- Export markets in Asia are freight advantaged (US\$30/mt) and time advantaged (7-14days) via Darwin

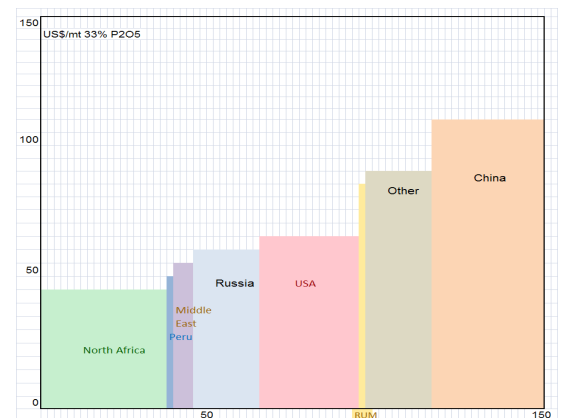
Potash – Concentrated Supply



Canada still controls almost half of potash

...but USA (Florida) is shrinking as phosphate exporter vs. high risk exporters

Phosphate Rock – Safe USA is declining



Source: USGS

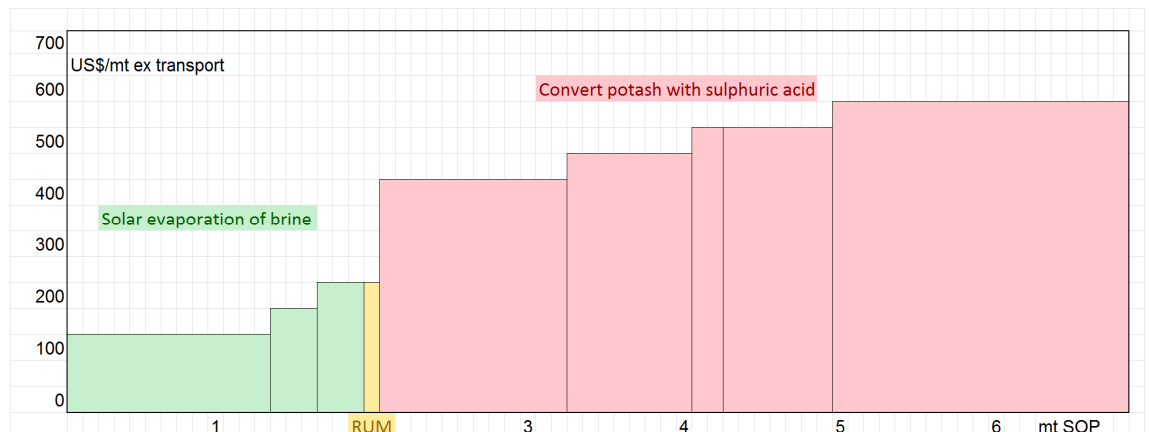
Source: IPL.AX, coy reports, PAC Partners estimates

Sulphate of Potash – cash cost ex transport

Sulphate of Potash (K₂SO₄) is around 20% of the potash market with Muriate of Potash (KCl) most of balance.

SOP is "kinder" to soils/plants with low salt levels. Sells for a higher and steadier price (US\$150/mt to US\$200/mt)

RUM is 2nd quartile cost when supplied to Australia (small scale) and 1st-2nd to Asia (at large scale)



Source: Company Reports, IC Potash (polyhalite), PAC Partners estimates

Cash flow and valuation

Exploration and testing – funded by Australian investors

\$25m into exploration, testing, studies

RUM has spent \$25m over past five years to define potash and phosphate resources. RUM has also done enough sample testing to have independent feasibility studies done (potash – scoping study +/-40%, phosphate preliminary feasibility study +/-25-30%).

\$10m into buying neighbouring leases

RUM has delivered each year on its exploration targets within cost budgets and taken opportunistic purchases (\$10m) of adjoining potash and phosphate leases in order to control regions close to existing infrastructure.

Earned investor support from hitting milestones

This delivery on milestones has led to loyal Australian investors (Soul Patt, Farjoy) with support from high net worth and some Asian investors.

Initial commercial operation – requires cornerstone investor

Started partnering process last year...

Since 2012, RUM has focused on alignment with major Australian and Asia fertiliser distributors.

In January 2015 RUM instigated a formal partnership bidding process aimed at obtaining a 50% investment in the potash and/or phosphate resources.

...and is likely to obtain 50% investor in potash resource

We see potash as a more likely target for investor as there are smaller start-up projects (~\$93m) which can be funded in stages which feed into domestic demand while building a firm path to larger export projects over the medium term.

We understand that RUM has an internal deadline of Sept'15 for selecting a preferred cornerstone investor.

Valuation – in transition from early stage exploration to validated project

\$0.28/share valuation based on validation from cornerstone investor...

Our DCF of \$0.28/share assumes the \$93m 100kt/a KMS project is funded from:

- \$25m cornerstone investment for 50% of potash project;
- \$25m from cornerstone investor for capex; and,
- \$43m debt.

...and \$93m potash project

The validation from a major investor and/or fertiliser operating company taking equity in the potash resource leads to doubling of potash resource valuation (\$50m to \$100m). It also gives credence to a \$50m valuation for the un-partnered phosphate resource.

Short term price target is \$0.14/share...

Ahead of this validation, we use a Price Target is \$0.14/share. This is struck at the average EV/resource multiple for un-partnered listed fertiliser resources. See potash resource data below.

...with careful cash flow management (\$5m in bank)...

Free Cash Flow, Growth Capex and Funding in past and future

	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Free Cash Flow	(2.0)	(2.1)	(2.3)*	(2.4)*	(5.3)	(3.7)	(5.3)	4.8	14.6	16.7
Growth Capex	(4.5)	(5.8)	(6.0)	(13.4)	0.0	(2.5)	(20.0)	(24.0)	0.0	0.0
	Exploration, Feasibility studies and trials and buying neighbouring K and P resources				Installing KMS plant at 100kt/a					
Equity	9.1	12.3	7.9	12.7						
Potash cornerstone						5.0	20.0			
Debt							25.0			

*Ex-\$10m and \$5m non-cash resource write-down of resource valuation

...and high end of early stag EV/mt resource valuation of \$0.35/mt

Development			MCap	Cash	EV	Resource (KCI) - Mt	EV/mt	Location	Note
Late									
	Highfield Resources	HFR.AX	368	25	343	50	6.86	Spain	Definitive feasibility study and partnering discussions
	Magindustries	MAA.TSX	204	15	189	242	0.78	Congo	In discussions under exclusive conditions - since Feb
	Allana	AAA.TSX	156	15	141	118	1.19	Ethiopia	Partnered with Israeli Chemicals (ICL.TA)
	Average						2.95		
Early									
	Elemental Minerals	ELM.AX	76	5	71	196	0.36	Congo	
	South Boulder	STB.AX	58	5	53	194	0.27	Eritrea	
	Western Potash	WPX.TSX	49	5	44	761	0.06	Canada	
	IC Potash	ICP.TSX	47	5	42	455	0.09	USA	Polyhalite
	Encanto	EPO.TSX	30	5	25	190	0.13	Canada	
	Karnalyte	KRN.TSX	22	5	17	424	0.04	Canada	
	Rumjungle	RUM.AX	19	5	14	100	0.14	Australia	Brine Lake. Sulphate of potash product. (Also has P
	Verde	NPK.TSX	15	5	10	400	0.03	Brazil	
	Average						0.14		
PAC estimate	RUM				100	100	1.00		Partnered potash project

Source: Company reports and PAC Partners estimates

Rum Jungle Resources

Price \$ 0.05
Market Cap \$19 m
NFPOS 386 m

PROFIT & LOSS (\$m)

Y/E 30 Jun	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Sales	-	-	-	-	-	-	-	12	30	31	32	32
EBITDA	-	-	-	-	-	(3)	(3)	7	20	21	21	22
Depn	-	-	-	-	-	(0)	(2)	(5)	(4)	(4)	(4)	(3)
EBITA	(2.2)	(1.5)	(12.5)	(7.6)	(6.0)	(3.4)	(5.2)	1.9	16.1	16.9	17.7	18.4
EBIT	(2.2)	(1.5)	(12.5)	(7.6)	(6.0)	(3.4)	(5.2)	1.9	16.1	16.9	17.7	18.4
Net Interest	0.3	0.2	0.5	0.3	0.7	0.3	(1.1)	(0.3)	(2.4)	(0.8)	0.6	1.7
Income tax expense	-	-	-	-	1.1	0.6	1.6	(0.4)	(3.4)	(4.0)	(4.6)	(5.0)
Royalty	-	-	-	-	-	-	-	(0.2)	(2.1)	(2.4)	(2.7)	(3.0)
PAT including OEI	(46.6)	(43.3)	(12.0)	(7.3)	(4.2)	(2.4)	(4.7)	0.9	8.2	9.7	10.9	12.0
Adj NPAT	(46.6)	(43.3)	(12.0)	(7.3)	(4.2)	(2.4)	(4.7)	0.9	8.2	9.7	10.9	12.0
Non-recurring	(1.9)	(1.3)	-	-	-	-	-	-	-	-	-	-
Reported NPAT	(1.9)	(1.3)	(12.0)	(7.3)	(4.2)	(2.4)	(4.7)	0.9	8.2	9.7	10.9	12.0

BALANCE SHEET (\$m)

Y/E 30 Jun	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Cash	8.7	13.4	13.0	9.2	3.9	2.7	22.5	3.2	17.8	34.5	52.7	72.2
PP&E	0.4	1.0	1.2	1.1	1.1	4.3	23.3	43.6	40.2	37.2	34.5	32.1
Debtors & Inventory	0.3	0.2	0.2	0.3	-	-	-	2.6	6.5	6.7	6.9	7.0
Intangibles	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	19.3	24.9	22.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Total Assets	28.7	39.5	36.4	50.6	45.0	47.0	85.7	89	105	118	134	151
Borrowings	-	-	-	-	-	-	25.0	25.0	25.0	25.0	25.0	25.0
Trade Creditors	0.3	0.7	1.2	1.6	-	-	-	2.7	6.9	7.1	7.3	7.5
Other Liabilities	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Liabilities	0.4	0.7	1.2	1.7	0.1	0.1	25.1	27.8	32.0	32.2	32.4	32.5
NET ASSETS	28.4	38.8	35.1	48.9	44.9	46.9	60.7	61.6	72.6	86.2	101.7	118.7
OEI and Pref Shares	-	-	-	-	-	-	-	-	-	-	-	-
Shareholder Equity	28.4	38.8	35.1	48.9	44.9	46.9	60.7	61.6	72.6	86.2	101.7	118.7

CASHFLOW STATEMENT (\$m)

Y/E 30 Jun	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Operating EBITDA	(2.2)	(1.5)	(12.5)	(7.6)	(6.0)	(3.0)	(2.7)	6.6	20.4	20.9	21.4	21.9
Interest & Tax Paid	0.4	0.3	0.5	0.3	0.7	0.3	(1.1)	(0.3)	(2.4)	(0.8)	0.6	1.7
Royalty	-	-	-	-	0.0	0.0	0.0	(0.2)	(2.1)	(2.4)	(2.7)	(3.0)
Working Cap.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.4)	(0.0)	(0.0)	(0.0)
Operating CF	(1.8)	(1.2)	(12.0)	(7.3)	(5.3)	(2.7)	(3.8)	5.8	15.6	17.7	19.2	20.5
Maintenance Capex	(0.2)	(0.8)	(0.3)	(0.1)	0.0	(1.0)	(1.5)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Free Cashflow (FCF)	(2.0)	(2.1)	(12.3)	(7.4)	(5.3)	(3.7)	(5.3)	4.8	14.6	16.7	18.2	19.5
Ord & Pref Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expansion Capex	(4.5)	(5.8)	(6.0)	(13.4)	0.0	(2.5)	(20.0)	(24.0)	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0
Equity	9.1	12.3	7.9	12.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.2)	(0.2)	(0.1)	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in Potash asset	0.0	0.0	0.0	0.0	0.0	5.0	20.0	-	-	-	-	-
Net Cashflow	2.4	4.2	(10.4)	(7.7)	(5.3)	(1.2)	19.7	(19.2)	14.6	16.7	18.2	19.5

Divisional EBITDA	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Potash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.5	21.7	22.2	22.5	22.8
Sulphate of Potash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Potash Magnesium Sulphate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.5	21.7	22.2	22.5	22.8
Phosphates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DAP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Phosphate Rock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.3	2.0	2.0	2.0	2.0
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Corporate Cost	-0.9	-1.3	-3.5	-4.3	-6.0	-3.0	-3.1	-3.2	-3.3	-3.3	-3.4	-3.4
Total	0.0	-1.5	-12.5	-7.6	-6.0	-3.0	-2.7	6.6	20.4	20.9	21.4	21.9
Exploration	0.9	-0.1	-9.0	-3.3	-	-	-	-	-	-	-	-

KEY ASSUMPTIONS

Long term US\$:A\$ = 0.80

Divisional EBITDA	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Gas Global Equivalent (US\$/MMBtu)	5.50	6.00	6.24	6.49	6.75	6.92	7.09	7.27	7.45	7.64	7.83	8.02
North Territory Price (A\$/GJ)	-	-	-	-	8.77	8.99	9.21	9.44	9.68	9.92	10.17	10.42
Ammonia (US\$/mt FOB)	425	515	410	420	431	440	451	462	474	486	498	510
Potash (Chloride) (US\$/mt FOB)	500	500	300	320	340	360	380	400	420	440	460	480
Sulphate of Potash - (US\$/mt FOB)	-	-	-	-	750	769	788	808	828	849	870	892
Potassium Magnesium Sulphate (US\$/mt FOB)	-	-	-	-	440	451	462	474	486	498	510	523
Phosphate Rock (US\$/mt FOB)	-	-	-	-	121	124	127	130	133	137	138	140
DAP Price (US\$/mt FOB)	590	554	482	450	475	500	513	525	538	552	566	580
US\$:A\$	0.92	0.96	1.00	0.92	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Production (kt/annum)	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Sulphate of Potash (50% RUM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Potassium Magnesium Sulphate (50% RUM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	50.00	50.00	50.00	50.00
Phosphate Rock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DAP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Rum Jungle Resources

Date: 17-Apr-15

Model Update: 17-Apr-15

Y/E 30 Jun					KEY RATIOS							
	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
EBITDA margin (%)								55.9%	67.7%	67.6%	67.4%	67.3%
EBIT Margin (%)								15.8%	53.3%	54.6%	55.7%	56.7%
Adj NPAT Margin (%)								8.1%	27.2%	31.2%	34.5%	37.1%
ROE (%) ave					-9.0%	-5.3%	-8.7%	1.6%	12.3%	12.2%	11.6%	10.9%
ROI (%) ave					-14.7%	-7.6%	-8.2%	1.9%	17.6%	18.9%	20.2%	21.5%
ROIC (%) ave												
NTA per share (\$)					0.12	0.11	0.10	0.10	0.12	0.15	0.17	0.21
Eff Tax Rate (%)					20.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Interest Cover (x)					-	-	-	-	-	-	-	-
Net Gearing (%)					-20.5%	-8.4%	36.7%	4.1%	30.0%	8.3%	-9.3%	-23.3%

Y/E 30 Jun					VALUATION PARAMETERS												
	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F					
EPS (c)	-	12.1	-	11.2	-	3.1	-	1.9	-	1.1	(0.6)	(1.2)	0.2	2.1	2.5	2.8	3.1
PE (x)	-	0.4	-	0.4	-	1.6	-	2.6	-	4.5	(7.9)	(4.1)	20.3	2.3	2.0	1.8	1.6
Enterprise Value (\$m)		11		6		6		10		15	17	22	41	26	10	(8)	(28)
EV / EBITDA (x)											(5.5)	(8.1)	6.2	1.3	0.5	(0.4)	(1.3)
EV / EBIT (x)		(4.9)		(3.9)		(0.5)		(1.3)		(2.5)	(4.9)	(4.2)	22.0	1.6	0.6	(0.5)	(1.5)
Price / NTA		0.68		0.50		0.55		0.39		0.43	0.46	0.51	0.50	0.41	0.34	0.29	0.24
DPS (cps)		-		-		-		-		-	-	-	-	-	-	-	-
Dividend Yield (%)		0.0%		0.0%		0.0%		0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)																	
Free Cash / Share (c)		(1.2)		(1.1)		(5.5)		(2.4)		(1.4)	(1.0)	(1.4)	1.2	3.8	4.3	4.7	5.1
Price / FCF PS (x)		(4.2)		(4.5)		(0.9)		(2.1)		(3.6)	(5.2)	(3.7)	4.0	1.3	1.2	1.1	1.0

CORNERSTONE INVESTOR SCENARIO DCF VALUATION

Small Commercial Scale Projects + Large Scale Resources

Small scale commercial Potash Operation		
Funds from 50% sale of Potash Resource	25	
PV Forecast CF (15-17)	-23	Risk Free Rate 5.0%
PV Growth CF (18-20)	-16	Equity Risk Premium 7.0%
PV Steady (21-30)	16	Equity Beta 1.60
Large Scale - Potash Resource - 50%	50	
Large Scale - Phosphate Resource	50	
Transaction Fees	-1.5	
Total	102	D / (D + MC) 43.8%
Debt	9	After Tax WACC 11.0%
NPV (\$m)	110	Terminal WACC 0.0%
NPV per diluted share	0.28	

Term. WACC

Term.Growth	10.49%	9.49%	8.49%	7.49%
1.5%	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
2.0%	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
2.5%	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
3.0%	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
3.5%	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28

GROWTH PROFILE (YoY) _E (YoY) LE (YoY)

Y/E 30 Jun	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Sales (\$m)									156%	2%	2%	2%
EBITDA (\$m)								-344%	211%	2%	2%	2%
EBIT (\$m)								764%	5%	5%	4%	
Adj. NPAT (\$m)								-120%	766%	18%	13%	10%
Adj. EPS (cps)								-120%	766%	18%	13%	10%
DPS (cps)												

MAJOR SHAREHOLDERS

Washington H Soul Patt & Comp Ltd	14.2%
Farjoy	6.7%
Lion Selection Group	4.7%
Brispot Nominees	3.8%

DIRECTORS

David Muller	Chairman	Chris Tziolis	MD
Robert Annells	Non-Exec		
Jeffrey Landels	Non-Exec		

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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