ON THE PATH TO PHOSPHATE RICHES

Minbos Resources (ASX:MNB) is certainly not sitting idle, with the company fast-tracking its high grade phosphate projects in Africa and recently releasing positive findings from a scoping study into its Cacata project in Angola.

Since listing in November 2010, the company has been targeting exploration and development of low cost fertiliser-based commodities in order to tap into the growing global demand for fertilisers.

Minbos is exploring over 400,000 hectares of highly prospective ground hosting phosphate and potash bearing ore within the Cabinda Province of Angola and the adjoining areas of the far western Democratic Republic of Congo.

CABINDA

The company holds a 50:50 joint venture with Petril Projects Ltd over the Cabinda phosphate project in Angola. The project covers five deposits across 200,000 hectares in Angola and contains a JORC compliant inferred resource of 304 million tonnes at 11.5% phosphorus pentoxide (P2O5) including a higher grade resource of 254.1Mt at 12.6% P2O5.

The main focus for Minbos at Cabinda is advancing work on the high-grade direct-shipping ore (DSO) operation at the Cacata deposit which, along with the Chivovo project, makes up the Eastern Limb deposits at Cabinda.

The project currently has an inferred resource estimate of 33.9 million tonnes grading at 15.75% P2O5 including 22.5Mt grading at 21.4% P2O5.

“Cacata is really a dream project for a junior like ourselves,” Minbos chief executive officer Robbie McCrae told The Pick magazine. “It is a high grade project straddling the surface and close to established logistics infrastructure.”

“The only thing we need to do is build the mine, build the processing plant and build the ship loading facilities.”

Recently, Minbos announced it would begin work on the barkable feasibility study for Cacata after receiving positive results from the scoping study.

The scoping study demonstrated Cacata as a viable project with a forecast pre-tax net cashflow of $574.6 million based on a high grade operation producing 800,000 tonnes per annum of phosphate rock concentrate over a 10 year mine life.

The project, which is expected to start production in 2014, has a capital cost of $US151.8 million based on owner operated mine, road haulage and ship loading facilities while operating costs come in at $US57.23 per tonne of phosphate rock free-on-board (FOB).

“This puts us in the lowest quartile of production costs and certainly a lot lower than any of the other new phosphate projects that have been touted around at the moment,” McCrae said.

McCrae said a major benefit of Cacata was the high grade nature of the deposit and low capital cost to bring the project into production. The project is close to established infrastructure, approximately only 80km by road from the port town of Cacango.

“Cacata will establish our credentials in the phosphate space and provide us with early cash flow which we can use to start developing our other projects in our portfolio,” he said. “It really is a key project for us.”

McCrae said the capex estimate would be further reduced by using a contract mining and contract road haulage model which is expected to be outlined in the upcoming BFS.

“We expect we can reduce that capital cost by a minimum of $US18 million by bringing in a contractor to do the mining and the road logistics and a further reduction by bringing in a contractor to pay for the ship loading facility and to do the ship loading,” he said.

Minbos also expects a reduction in operating costs by shifting from the current model of using diesel generated power to grid power.

The company expects to release an upgraded resource for Cacata by the end of the current quarter after recently completing a diamond drilling program. The resource is designed to upgrade a portion of the indicated resource estimate to a measured resource category, which will be a key input into the upcoming BFS.

McCrae also said discussions had begun with potential offtake partners for Cacata.

“We have had a number of requests from Indian companies, a number of requests from Chinese companies,” he said. “We have—already signed confidentiality agreements with a couple of them.”

In terms of financing the project, McCrae said the company was looking at a number of scenarios.

“Project financing could be done via a traditional mix of debt and equity finance but the discussions with potential offtakers and strategic partners provide us with some interesting options,” he said. “I am very confident that we are not going to have a problem and that we will actually have the choice between a few options and maximise benefit for Minbos.”

Meanwhile, Minbos recently wrapped up a diamond drilling program at the Chivovo deposit in the Eastern Limb of Cabinda phosphate concession which was designed to upgrade a portion of the inferred resource estimate of 6.7Mt grading at 20.3% P2O5 to an indicated resource.

The company is also progressing work on the Mongo Tando, Chibute and Ueca deposits which lie in the Western Limb of the project and currently make up the bulk of the current resource estimate.

KANZI

While Minbos is fast tracking work at Cabinda, the company is also focusing on the development of its Kanzi project which lies on the western edge of the DRC.

The project has the potential to be larger than Cacata and of similar grade. Last year, Minbos reported a maiden JORC inferred resource of 46Mt grading at 17.2% P2O5, including a high grade zone of 31Mt at 21.4% P2O5.

Minbos has submitted applications for additional areas covering approximately 192,000 hectares in the Kanzi region.

Similar to Cacata, the Kanzi project also benefits from established infrastructure with the second biggest port in the DRC, Boma, located only 35km away via a recently constructed road.

McCrae said the high grade resource estimate coupled with Kanzi’s close proximity to an established port indicates the project has the potential to be a low capex and open producer.

The company is fast tracking work on Kanzi to upgrade resources from inferred to measured in preparation for a scoping study in mid-2012, followed up with a second round of step out drilling leading to a BFS in 2013.

DINGE POTASH

Minbos is also branching into potash exploration through the acquisition of a 75% stake in the Dinge potash licence from private Angolan mineral explorer Alum Industrial subject to due diligence.

A large proportion of the Dinge licence area overlaps its Cabinda phosphate projects and in many areas the potash mineralisation underlies the phosphate mineralisation.

PHOSPHATE MARKET

Phosphate is an essential component of fertiliser and is in high demand with global phosphate consumption tipped to grow by 45% by 2020.

The growth in demand for fertiliser is mainly driven by the rising world population, changing diets as incomes increase, limited agricultural land and government policies to enhance crop yields and encourage use of biofuels.

Morocco is the dominant player in internationally rock phosphate markets with around 45% of market share.

The current spot price of phosphate rock concentrate is US$118/t, down from $202.50/t in January 2012 and $400/t reached in early 2008.

Analysts expect rock phosphate prices to stabilise around the $180/t level in the short term and between $150/t to $160/t in the medium to long term.