



10 September 2019

Dear Shareholders

## UPDATE

Over recent months the Company has completed a number of steps in advancing its phosphate rock mine and processing plant in Chile (the “Caldera Project”). The Company has now reached a key period in its development. Positive outcomes are as follows:

- **Resolution of fine with government.** The Company made a submission to the Chilean Government in respect of the imposed fine and other remediation matters at the end of 2017. This was finally approved by the relevant Government legal authorities in May 2019. The settlement requires an indemnity payment to the Government of US\$1m plus the payment of their legal costs (capped at US\$100,000). This payment is due immediately after signing of the relevant documents. The documents are agreed with the Government’s lawyers however the Ministry of Finance has yet to issue the formal Minute authorizing the execution of the documents. This has been expected for some time but has not yet emerged.
- **Resumption of mining.** Servicio Nacional de Geología y Minería (“Sernageomin”) is the relevant Government authority who will authorise the resumption of mining at the Caldera Project. Sernageomin have advised that they will be in a position to issue the authorisation when the documentation is completed.
- **Acquisition rescheduling.** As a result of the settlement with Government the acquisition payments to the vendors has been rescheduled and commences after mining is authorised on site.
- **Capital raising \$3.5m.** The Company has completed some capital raising over the last 8 months as it prepares for full operations. Application of funds raised has been on debt repayment, provision of letters of credit and bank guarantees, required capital expenditure to plant refurbishment and upgrading, capital raising fees, general operating costs and expenses including legal costs and audit.



- **JORC Program** - The Caldera Project does not have a JORC compliant resource – however this is currently an item of activity. Following an earlier sonic programme and geophysics interpretation the updated JORC plan is as follows:
  - Estimated cost = US\$545,000
  - Initial Target Resources = 2 million tonnes
  - Drilling metres = 468 metres (39 drill holes of up to 12 metres depth)
  - Trenching metres = 1000 metres (200 trenches of up to 5 metres depth)
  - Area covered by JORC programme = 540 hectares (2.2% by area of the 24,000 hectares of the Company's tenements)
  - Estimated timeframe for completion of JORC = 10 months from commencement

This programme may only be commenced following the signing of the new documents with the Chilean Government. The trenching works and drilling activities are part of the mining approval process.

- **New Products** – The Company is examining further products produced at the Caldera Project. Phosphate rock produced is the lowest value use of the resource. Price pressure on phosphate rock has been severe recently. This has arisen as a result of the price spike in the commodity a few years ago when it went to US\$400 per tonne. This triggered a number of new projects to be brought on-line leading to an overall supply excess of phosphate rock. This supply in-balance is currently being adjusted as various operations around the world are shutdown as uneconomic at the current low price.

As part of the response to this price depression the Company has considered a number of initiatives to its product delivery:

- Flotation technology to increase P2O5 presented to customers from current 20% to 22% up to 28% to 30%
  - Production of single superphosphate. The cost of this plant has been quoted as US\$12m inclusive of engineering and installation. The sales price of single superphosphate is approximately twice the price of phosphate rock.
  - Completing a product mixing capacity on site. This includes potash and nitrates.
  - The plant on-site includes a phosphoric acid plant of modest size. Phosphoric acid is sold at a significant premium to phosphate rock. Any analysis will include upgrading the initial beneficiation process to produce feedstock at 28% P2O5 so that the phosphoric acid concentrate will be at 54%+.
- **Plant Research** – The Company has commissioned new research on the efficiency of the Caldera rock phosphate as a fertiliser. The trials commenced during August and are currently being completed in Argentina. This will provide validation of the efficiency of the Caldera rock in scientific growth trials. Results are expected early in 2020.



The Company has however experienced some recent setbacks:

- **Armed Robbery** – the mine processing plant is in a remote location in the desert, however security guards are on site at all times. On 20 August 2019 the site was subject to an armed robbery. Our security guard on duty was held at gunpoint during the night while a gang of approximately 15 men ransacked the site removing a large number of tools and equipment. Most importantly these included the bobcat used for product movements at the processing plant, and two large installed motors one of which was used in the crusher and the other for the ball mill. This has meant that the plant cannot be operated while we wait for the replacement motors to be shipped – currently expected to be approximately 10 weeks. As a result of the robbery the Company will be instituting a higher level of security arrangements and has commissioned a security report. The preliminary view is that the processing plant needs to be fully surrounded by a security fence and various other on-site initiatives.
- **ASX Listing** - the Company has made a number of submissions requesting an In Principle Advice from ASX regarding the listing of its assets. While the response from these submissions has been generally satisfactory there is an issue that ASX seems firm on. ASX has advised that the existing shareholders of Bifox would have their shareholding escrowed for a period of 2 years following the listing of the Company's assets. This has been the subject of 3 submissions. While the Directors would accept a two year escrow period for their own holdings they believe this is unacceptable for shareholders in general. As a result various other initiatives are being explored. These include the listing of the Company on a different exchange or selling the Caldera Project to an existing listed ASX company.
- **Annual General Meeting** – shareholders would be aware that we adjourned the annual general meeting and the company sought advice from ASIC in respect of the breach of the Companies Act and holding the new meeting. This matter is still in the hands of ASIC. Directors expect that we will hold the adjourned meeting and the new 2019 AGM shortly.

**Yours Sincerely**

**Chris West**  
**Director**