

31 January 2017

ASX Code: MNB

PERTH OFFICE
Suite 1,
245 Churchill Avenue
Subiaco WA 6008

T: +61 8 6270 4610
E: info@minbos.com
W: www.minbos.com

ABN: 93 141 175 493



ASX ANNOUNCEMENT/MEDIA RELEASE

QUARTERLY ACTIVITIES REPORT – 31 DECEMBER 2016

Minbos Resources Limited (**Minbos or the Company**) is pleased to present its quarterly report for the period ended 31 December 2016.

HIGHLIGHTS:

- **Merger with Angolan JV Partner.** On completion of the merger with Petril, Minbos will own 100% of the Cabinda Project and also two other phosphate projects in Angola- a majority interest in the Lucunga project which is a joint venture with Haifa Chemicals and Pedro de Feitico (100%). Since announcing the transaction in early December the Company has substantially advanced the binding definitive agreement, due diligence and the independent export report and will provide further updates to shareholders in February.
- **Exercise of options raises \$3.85 million.** Minbos' largest shareholder Green Services Innovation exercised their 385 million options in December, leading to proceeds of \$3.85 million. Exercise option price represented a 61% premium to the 20 day VWAP at time of exercise. In terms of the merger agreement, Petril shareholders can match these exercised options by subscribing for new share at an issue price of 1 cent per share.
- **BFS update.** Metallurgical testwork has been completed for both Dry and Wet beneficiation and quotes for major equipment have been provided to Ausenco for capital costing. GMining has commenced mine optimisation studies for each beneficiation option and will feed the results into an economic evaluation of the options to be presented in late February. Early indications confirm that either option will deliver substantial capex and performance improvement over the 2012 Desktop Study.
- **Appointment of Mike Erwin as General Manager Marketing and Sales-** Mr Erwin has an in-depth knowledge and understanding of the global phosphates industry with more than 30 years' global experience in senior management roles including positions with Minemakers (now Avenir) and fertiliser trading companies in the Middle East.
- **Market study on the Cabinda Project-** CRU has been appointed to do a market appraisal of the Cabinda Project. Their report using the material from the recently completed bulk sampling is expected to be completed in Q1, 2017.

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PLANNED ACTIVITIES FOR CABINDA PROJECT -MARCH 2017 QUARTER

Stage 1 of the BFS is on schedule to complete the selection of the preferred beneficiation route and shipping logistics in the last week of February to feed into stage 2 of the BFS. Critical path activities for Stage 2 of the BFS are also underway including, ESIA, hydrological and geotechnical studies.

Beneficiation Testwork and Process Design

The BFS scope was divided into two stages. Stage 1 is the completion a Trade-Off study to select the beneficiation route that will optimise the whole of resource outcome for the Cacata deposit. The Trade-Off study will compare the following 800,000tpa production scenarios:

- 5 years of drying and sizing followed by 10 years of scrub screen and flotation,
- 10 years of scrub and screen followed by 5 years of scrub screen and flotation.

During the quarter bulk samples were tested by two equipment suppliers in the USA for beneficiation by drying and sizing. Another bulk sample was tested by Mintek in South Africa for beneficiation by wet scrubbing and screening. The testwork results for both streams have been very encouraging and initial quotes for major equipment items have been provided to Ausenco who will prepare a comparison of the beneficiation alternatives for presentation to the Cabinda JV in February. The mass yields and recoveries for both processes have been provided to the mining consultant GMining and optimised mine plans for both flow sheets will be compared.

Dry Beneficiation Testwork Results

Both equipment suppliers were provided a high grade sample grading 34%P₂O₅ and a medium grade sample with a higher clay content grading 30%P₂O₅. The equipment suppliers elected to size the material through roll crushers before drying the material and passing it through an air classifier to remove particles below fine dust to meet shipping requirements.

Both suppliers were able to beneficiate the samples to 33.5%-34.5%P₂O₅ which is much better than expected. The flowsheets were particularly successful at upgrading the higher clay samples. The testwork showed that P₂O₅ recoveries of 90%-95% are achievable and the final number will be determined in conjunction with the mine optimisation study.

Major equipment lists and quotes have been provided by the equipment suppliers and Ausenco is preparing a cost performance comparison of the two process flowsheets.

Wet Beneficiation Testwork

Mintek was provided 7 individual bulk samples grading between 28%-31% P₂O₅ with an average grade of 29.9%P₂O₅. The testwork involved sizing through a roll crusher, wet scrubbing, and wet screening to size the product between 106 microns and 12mm. The tests all achieved a recovery of 95% or better and the average product grade was 31.5%P₂O₅.

It is expected that the final run of mine (ROM) head grade supplied to the wet beneficiation will be a little lower than the testwork average. This will lead to the recovery also being lower than the testwork results in order to maintain the same average product grade. The final numbers will be determined in conjunction with the mine optimisation study.

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As part of the testwork it was determined that the fine discards would require thickening before disposal in a tailings dam. Ausenco has already prepared a Wet Beneficiation equipment list and is obtaining costings for the plant. Golder has prepared options and costings for the tailings dam which will be included in the Trade- Off Study.

Mine Optimisation

GMining has commenced work on the mine optimisation for each beneficiation route to determine the tonnes and grade that are available for the respective flowsheets to produce the target product specifications. This is an iterative process but it is expected the target head grades will be 30.5%-31.5%P₂O₅ for dry beneficiation and 29%-30%P₂O₅. The available tonnage for each beneficiation routes will be estimated early in February and fed into the Trade-Off-Study comparison.

GMining has prepared an infill drill program for Cacata which will commence in the June quarter. The drill program will be designed to bring the resource up to measured status to support the BFS reserve estimate. It will also provide the necessary data to design the ongoing grade control drilling regime for the mining operation. It is estimated that a program of around 2000m will be sufficient to meet these objectives.

Transportation Logistics

Quotations from local contractors have been sought for the road haulage of rock phosphate product from the mine site to Port de Caio a distance of 60km on well-formed bitumen roads. An internal estimate for an owner operator costing has been completed to evaluate the contractor proposals and resulted in a tariff comfortably below \$US10/t which will be used in the Trade-Off-Study.

Port logistics evaluation

In the December quarter Ausenco completed its evaluation of Porto de Caio and concluded that a rotating container system offers the most economic and flexible solution for Cacata. Porto de Caio continue to target the first quay availability before the end of 2017.

A visit to Pointe Noire was conducted during the December quarter and with a view to using it as an interim solution if Porto de Caio is delayed. Given the strong progress at Porto de Caio it was decided to defer further investigation of this option.

Geotechnical and Hydrogeology

Engineers from Golder Associates have completed and costed alternative tailings impoundment designs for the Wet Beneficiation. They have also designed geotechnical and hydrogeological drilling for the Bankable Feasibility Study to be incorporated in the infill.

It was hoped a Lidar survey could be completed before the summer rains but it was not possible to coordinate plane availability and permitting in time. Planning is now underway to fly the survey after the summer rains.

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Bankable Feasibility(BFS)- Stage 2

Ausenco is still scheduling to present the results of the BFS to the joint venture partners in late February although any delays could push this date out into early March.

Whilst the Trade-Off-Study is not complete the early indications are that either beneficiation option will deliver significant capex and performance enhancements over the Desktop Study completed in 2012.

The preferred beneficiation route from the Trade-Off-Study will be taken forward into Stage 2 of the BFS. The completion of the BFS will be dependent on the chosen beneficiation route. It is expected the inclusion of a tailings dam and process water supply in the wet beneficiation flowsheet would extend the time to complete the BFS.

MERGER WITH ANGOLAN JV PARTNER

In December Minbos signed a non-binding term sheet with the shareholders of Petril Phosphate Limited (**Petril**), whereby Minbos will acquire all of the outstanding shares in Petril (**Transaction**), the value of the Transaction is ~A\$20 million.

On completion of the Transaction Minbos will own 100% of the Cabinda Project. Petril also owns two other phosphate projects in the Zaire Province of Angola (the Lucunga Project and the Pedra de Feitico Project), which will be acquired as part of the Transaction. The Lucunga Project, a joint venture with minority partner Haifa Chemicals Ltd (international speciality fertilizer producer), is located near Mucula in the Zaire Province and has had more than US\$9 million spent on it to date. The Pedra de Feitico Project is 100% owned by Petril.

Current Minbos and Petril shareholders will each own 50% of Minbos and the Board will consist of two current Minbos directors and two Petril nominees plus an independent Chairman. The Company has also agreed to pay the Petril shareholders a structured royalty on any future production solely from the Lucunga Project.

Since announcing the Transaction Minbos has made substantial progress in finalizing due diligence, the independent expert report and executing a definitive agreement. Minbos is expecting to be able to provide a further update to shareholders in February. The shareholder meeting to approve the transaction is now expected to be held in the 2nd quarter of 2017.

EXERCISE OF OPTIONS RAISES \$3.85 MILLION

Green Service Innovations Ltd exercised their 385 million unlisted options at 1cent per option in December. The exercise of the options at a 61% premium to the 20 day VWAP led to a cash inflow of \$3.85 million, increasing the cash position of the Company to more than \$4.32million at the end of December.

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If all Petril shareholders exercise their right to match the exercise of the options (following completion of the merger), it will raise a further \$3.85 million.

On 30 December 2016 311.6 million unlisted options at 1cent per option expired. Minbos do not have any remaining options on issue.

APPOINTMENT OF MIKE ERWIN AS GENERAL MANAGER MARKETING AND SALES

Mr Erwin who commences on 1 February 2017 has an in-depth knowledge and understanding of the global phosphate industry. He has more than 30 years' experience in global senior management roles in Australia, New Zealand, USA and the Middle East. Previous positions include General Manager Business Development and Marketing for Minemakers (now Avenir) and General Manager for fertilizer trading companies in the Middle East.

Mike was an owner and CEO of a marketing and logistics agent for international fertilizer commodity companies, including the largest global marketer of bulk sulfuric acid to the fertilizer and mining industries, and a West African Rock Phosphate producer. His experience will be invaluable as Minbos commence engagement with target customers this quarter with a view to procuring sales agreements to underpin financing later this year

The key responsibilities of Mr Erwin's role will be:

- Management of initial product sample program with key customers.
- Securing letters of intent/MOU's and offtake contracts from global rock phosphate buyers and managing of shipping and agency agreements.
- Develop Minbos' marketing strategy for its projects in Africa.

MARKET STUDY ON THE CABINDA PROJECT

CRU was engaged during the quarter to complete a market development study based on the likely product specifications from each process. The primary objectives of the study will be to confirm target customers that will obtain the best "value in use" from the Cacata product. The key product differentiation in the market will be a relative high P₂O₅ grade and low cadmium impurities. The secondary objective of the study is to provide an estimate of the relative value of the two products for internal evaluation in the Trade-Off-Study.

Based on the testwork completed during the quarter the following product specifications have been provided to CRU as the basis for the study. Market test samples for distribution to target customers will be prepared according to the selected beneficiation route.

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	P2O5 %	R2O3 %	Al2O3 %	Fe2O3 %	MgO %	Cd ppm	Cl ppm	F %	CaO %	SiO2 %	MER
Wet Beneficiation	31.5	2.7	1.3	1.3	0.1	13.0	<100	3.5	49.2	7.3	0.09
Dry Beneficiation	33.5	2.7	1.6	0.9	0.2	13.8	<250	3.7	48.7	6.7	0.08

CORPORATE

EQUITY

The Company currently has 2.458 billion shares on issue and no unlisted options.

CASH

At 31 December 2016, the Company had consolidated cash reserves of \$4.32 million.

INTEREST IN MINING LICENCES

The Company is an exploration entity, below is a list of its interest in licences, where the licences are situated and the percentage of interest held.

Licence Number	Type	Interest	Location
12908	Exploration	49%	Democratic Republic of Congo
12910	Exploration	49%	Democratic Republic of Congo
12911	Exploration	49%	Democratic Republic of Congo
014/04/09/T.P/ANG.MG M.2015	Exploration	50%	Cabinda Province, Angola
015/01/10/T.P/ANG.MG M.2015	Exploration	50%	Cabinda Province, Angola
E08/2335	Exploration	100%	Carnarvon Shire, Western Australia
E08/2336	Exploration	100%	Carnarvon Shire, Western Australia

ENDS

For further information, please contact:

Lindsay Reed
Chief Executive Officer
l.reed@minbos.com
+61 (0) 8 270 4610

Stef Weber
Company Secretary
s.weber@minbos.com
+61 (0) 62704610

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About Minbos

Minbos Resources Limited is an ASX-listed exploration and development company focused on phosphate ore within the Cabinda Province of Angola. Through its subsidiaries and joint ventures, the Company is exploring over 200,000ha of highly prospective ground hosting phosphate bearing sediments. Minbos is currently focussing on the development of the high grade Cacata deposit that forms part of the Cabinda Project

On completion of the merger with Petril Phosphates Ltd(**Petril**) Minbos will have three 3 phosphates projects in Angola. In addition to holding 100% of the Cabinda Project, the Company will also add to its portfolio the Lucunga and Pedro de Feitico projects in the Zaire Province of Northern Angola.

The Company's strategy is to specifically target the exploration and development of low cost fertiliser-based commodities in order to tap into the growing global demand for fertilisers. Phosphate is an essential component in certain agricultural fertilisers, with the market supported by the increasing global demand for food and bio-fuel products. For more information, visit www.minbos.com.

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+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MINBOS RESOURCES LIMITED

ABN

93 141 175 493

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(186)	(793)
(b) development	-	-
(c) production	-	-
(d) staff costs (including director fees)	(146)	(303)
(e) administration and corporate costs	(169)	(327)
1.3 Dividends received	-	-
1.4 Interest received	5	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Other (Merger Costs)	(36)	(36)
1.9 Net cash used in operating activities	(532)	(1,441)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17)	(17)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	325
2.4 Dividends received	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash (used in) / from investing activities	(17)	308

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,850	3,850
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	3,850	3,850

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,024	1,608
4.2	Net cash used in operating activities (item 1.9 above)	(532)	(1,441)
4.3	Net cash (used in) / from investing activities (item 2.6 above)	(17)	308
4.4	Net cash from financing activities (item 3.10 above)	3,850	3,850
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,325	4,325

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	96	857
5.2 Call deposits	4,229	751
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,325	1,608

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	142
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
6.1 - \$45,000 paid in Director Fees, \$59,522 paid under the Sofosa Services Agreement to a Director related entity and \$37,510 paid in legal fees to a Director related entity.	

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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	400
9.2	Development	-
9.3	Production	-
9.4	Staff costs	189
9.5	Administration and corporate costs	150
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	739

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

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Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.

Sign here:

Company secretary

Date: 31 January 2017

Print name: Stef Weber

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.