

From: Andrew Drummond
Sent: Sunday, September 28, 2008 8:18 AM
To: 'Malcolm Crawford'
Subject: RE: Mineral "Moina"

Thanks very much, Malcolm.

As I advised by phone last week, MAK has appointed a chief Metallurgist, Barrie Hancock, and takes up duties on about Oct 13th, and I will ask him to call you and try to get on top of everything. I have Board approval to drill some more diamond holes to acquire material for testwork on what last week I presumed was going to be for an "everything but fluorspar" programme. The content of your e-mail suggests that fluorspar is anything but dead after all.

Shooting from the hip, I guess MAK needs to know the following:

- Are fluorspar vs the rest mutually exclusive options?
- If so, which product suite will return better economics and better surety?
- If not, how best do we go about testing the lot?
- Is it better to involve Minersa at all for the reasons you outline?
- Can you give a rough outline and projected cost for that which you consider is the necessary next step in evaluation of the fluorspar? That is, to take it to the next crossroads at which it could be assessed whether the chances of determination of a viable fluorspar recovery route, with saleable product parameters, can be attained?
- Do we NEED to involve Minersa with that phase of work if you, Barrie, and, say AMDEL or AMMTEC can do it? As you point out, Minersa will want MAK to pay some share of the fluorspar testwork costs anyway and I am concerned that they may not give the other commodities due attention....

Cheers

Andrew Drummond
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From: Malcolm Crawford [mailto:delta@caf2.co.uk]
Sent: Friday, September 26, 2008 9:13 PM
To: Andrew Drummond
Subject: RE: Mineral "Moina"

Hi Andrew,

I have just had a very constructive detailed discussion with Fernando. He has been travelling all this week returning last night, and admitted that the testwork report was written in a great rush last Friday to be completed before his departure. Fernando did the translation, which explains why there are a few areas of technical confusion between CaF₂ assay and distribution. However this does not affect any of the conclusions.

Despite the negative conclusions of the report, Fernando was very positive on the phone, repeatedly agreeing that Minersa has not closed the door on the project, but feels that the only route to possible success for producing an acid grade concentrate will require more detailed research testing at significant cost. I agreed with him that industry standard processing practice will not generate an on-spec concentrate, but I also pointed out that this was proved by Amdel in 1977 and it is only because the processing challenge is so difficult to overcome that the mine has not been in operation for the past 30 years. Like me, Fernando believes that given the time and investment, the challenge of working out a suitable flowsheet, with high recovery rougher/scavenger flotation at a relatively fine grind followed by progressive regrinding in open circuit with cleaner flotation and an integrated magnetic circuit, can be solved and the resulting super-fine particle size acid grade concentrate could be marketed to HF producers who adjusted their reactors to suit. However, he states firmly that this will take a lot of effort and expense, and Minersa would only be "fully devoted to the research if they owned the deposit or earned ownership through a JV". He was clear to point out that the size of the deposit justifies the processing research which Minersa will be happy to proceed with, but first the structure of the ownership of the project needs to include Minersa. The key points from our discussion were:

1. The work carried out by Minersa was exploratory only, and should be regarded as indicative rather than conclusive.
2. They used the Amdel testwork as the basis of the testwork conditions, and improved recovery by 12.5% for a similar grade of concentrate.
3. Even with magnetic separation, they failed to achieve acid grade, and they concluded (I agree) that acid grade cannot be achieved without grinding to a size well below current market particle size specifications.
4. The report was a rushed summary of the testwork carried out, and although the lab generated a lot of other data, it summarises all of the work completed.
5. When I suggested that it would be useful for me to run through the other background data which could not be included because of the rush to complete the report, Fernando replied firmly that there was no other data available for translation.
6. Fernando advised that the lab did not carry out any further mineralogical work, but they were now looking at the liberation of the particles in the concentrate. This work would be on-going when Juan Lluís returns next week, but

was in preparation for the next phase of research rather than an add-on to the previous phase. He was clear; the exploratory phase is complete, and future phases would fall under the new project structure, if it materialises.

7. Like you and I, Fernando firmly believes that by processing the fluorspar, there would certainly be significant recovery of the other valuable minerals, but the exploratory tests carried out so far focused only on fluorspar.

8. Minersa will be very pleased to continue their processing research as soon as a new project structure along the lines suggested in his email below is agreed.

9. Fernando has put the questions in your email below to Juan Lluís, and as soon as he knows how much sample is remaining, he will advise by email.

In summary, I felt that Fernando was very positive despite Minersa confirming conclusively that processing will only be possible after grinding too fine for current market specs. He left me with the impression that they are keen to continue with their processing research, but must share or earn ownership in order to justify their efforts. I agreed to pass all the points in our discussion to you as my role related to technical and marketing advice only and all decisions relating ownership would come from you and your Board.

I advised Fernando that you were heavily involved with Wonarah this week and next week, and that I am travelling in Canada all of next week (departing this Sun morning, returning Sat 4/10 morning), therefore he may not receive any definitive response till the week starting 6th October. From my side, I will have my laptop with me and should have an internet connection each evening next week. Also, if anything urgent arises you can get met on my mobile +44 7980 910894. If I hear nothing, I will be in contact to discuss further.

Clearly, the way forward needs careful thought. As you pointed out on the phone, the fact that this is a poly-metallic fluorspar deposit, it is slightly wishful thinking on the side of Minersa to assume they are the ultimate party to research the processing route. If this was undertaken by an independent lab, the rewards from the deposit would fall 100% to Minemakers. On the other hand, a partnership with Minersa would be a very sound and robust foundation for a large new fluorspar operation from industry exposure and financial viewpoints, especially in a case where the concentrate will be super-fine. The potential values of all the valuable minerals needs to be assessed to arrive at the appropriate way forward.

Finally, as the project is about to enter a new phase, with or without Minersa, I thought it was an appropriate moment to bring my account up to date to 25th Sept covering the last 5 months and including the Minersa visit. June was an active month, however other than that, there are no unusual items, but let me know if you have any questions.

Kind regards, and have a great weekend wherever you happen to be,

Malcolm

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From: Andrew Drummond [mailto:andrewd@minemakers.com.au]
Sent: Monday, September 22, 2008 8:34 AM
To: Fernando
Cc: Malcolm Crawford
Subject: RE: Mineral "Moina"

Dear Fernando

Thank you very much for your report and I share your disappointment that the results were not more positive. I briefly discussed them with Malcolm on Friday evening and I have asked him to call you to discuss them in some more detail. Once he has done that and replied to me, I will be in a position to make some decisions on the matters you have raised below.

Would you kindly advise whether there is any material remaining from your tests in case we wish to commission some more work with you, or even to carry on some other work independently in the future, which may or may not involve fluorspar.

I will write to you or speak to you later this week.

Kind regards
Andrew Drummond
Minemakers Limited

From: Fernando [mailto:farevalom@minersa.es]
Sent: Friday, September 19, 2008 1:22 AM
To: Andrew Drummond
Cc: Malcolm Crawford
Subject: Mineral "Moina"

Dear Andrew,

Please kindly note that we have not obtained an acid grade concentrate.

As you can see from the attached report by our research lab (CIM), it seems like it may be possible, though a much more complex process, to obtain a concentrate:

- That can meet the chemical specifications
- Unfortunately, it would be totally out of current physical specifications (particle size).

Minersa is ready to try even though we acknowledge that we may never achieve a concentrate with the characteristics required by the market (chemical + physical). But in order proceed further, we would need that:

- You also agree to progress this further.
- And if so, we should then reach an agreement and sign a JV contract between Minemakers and Minersa
- Minersa would spend an amount of money that cannot be defined as for today`s.
- Minersa would invoice the JV, strictly at cost, although we could possibly think of a formula to increase participation in the project against that expense.

We await your comments

Best regards

Fernando Arévalo
Manuel Lopez-Peña

CC:
Alberto Barrenechea
Jose Alonso
Juan Lluís