

## Near-term Potash Producers Ramping Up

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**Now that key potash supply contracts have been inked with China and India, confidence has returned to the potash sector. But just how much new potash supply is required and where it will come from is still unknown.**

Currently, a number of potash projects are in a variety of development stages, and many have plans to begin production soon. Although some projects are located in established regions like Saskatchewan and Eastern Europe, a number of projects are opening investors' eyes to the potential of regions like the US, Brazil and Africa.

Below, organized by region, is a list of some of the potash projects that are expected to reach production in the next two to three years.

### **Saskatchewan**

**Legacy potash mine, K+S Potash Canada:** K+S attained the Legacy mine through its \$434-million acquisition of Potash One, a junior, in 2010. The company broke ground on the \$3.25-billion project in June 2012. Once completed, it will be the first greenfields potash mine built in Saskatchewan in almost 40 years. Production is expected to begin at the end of 2015 at a rate of 2 million metric tons (MT) of potash per year.

**Milestone solution potash mine, Western Potash (TSX:WPX):** Western received approval for the Milestone project's environmental assessment late last month, and is now one step closer to beginning construction on a solution potash mine that would produce 2.8 million MT per year for the 40-year lifespan of the project. The Milestone project could begin construction as early as mid-2013 if Western can acquire the remaining financing to fund the \$2.8-billion project. That would allow it to begin production as early as 2016.

**Jansen potash project, BHP Billiton (NYSE:BHP,ASX:BHP,LSE:BLT):** BHP's board is rumored to be bringing the Jansen project back from hiatus and could begin production in 2013, The Sydney Morning Herald reported.

Expected to become the world's biggest potash mine, with production starting at 4 million MT per year and eventually rising to 8 million MT per year, the \$12-billion project is certainly one of the largest potash projects on the horizon.

BHP continues to struggle to justify a number of mega-projects that are challenging shareholders' patience in uncertain financial times. Last summer, BHP scrapped its \$20-billion Olympic Dam project, which would have been the world's largest open-pit copper and uranium mine.

## United States

**Ochoa project, IC Potash (TSX:ICP):** This New Mexico-based sulphate of potash (SOP) and sulphate of potash magnesia (SOPM) project has a measured and indicated mineral resource of 838 million MT in addition to 414 million MT of proven and probable reserves. Sitting at an operating cost of \$147 per MT and an overall capital cost of \$706 million, IC Potash has described its project as in the the bottom quartile of operating costs. With a production target of 568,000 MT per year of SOP and 275,000 MT of SOPM, production could start by mid-2015.

**Blawn Mountain, Potash Ridge (TSX:PRK):** In the 1970s, the Utah-based Blawn Mountain SOP resource was identified as a mineable project, with permitting, drilling, a feasibility study and a pilot plant completed before the economic decline of the early 1980s mothballed the project. Thirty years later, Potash Ridge has restarted drilling and recently completed a preliminary economic assessment that gives the project a net present value of \$1.3 billion and an internal rate of return of 21.3 percent after tax.

Currently in the prefeasibility phase, Potash Ridge is targeting a 680,000-MT-per-year, 30-year mine project over two different zones: Area 1, with a NI 43-101 compliant resource of 162 million MT with average grade of 3.22 K<sub>2</sub>O and a calculated K<sub>2</sub>SO<sub>4</sub> grade of 5.96 percent, and Area 2, with a NI 43-101 compliant combined measured and indicated resource estimate of 464 million MT with an average grade of 3.07 K<sub>2</sub>O and a K<sub>2</sub>SO<sub>4</sub> grade of 5.68 percent.

**Holbrook Basin project, Passport Potash (TSXV:PPI):** With the goal of becoming Arizona's first potash producer and, eventually, the largest potash producer in the US, Passport's Holbrook project recently received a preliminary economic assessment that delineates resource estimates for both its Passport and Hopi properties.

With measured and indicated resources of 34.77 million MT and 363.17 million MT at K<sub>2</sub>O grades of 14.38 percent and 14.68 percent, respectively, the proposed 26-year mine would extract 2.5 million MT of muriate of potash annually through a conventional underground room and pillar method.

The project has a projected cost of \$1.95 billion, a 2.5-million-MT-per-year production rate and an OPEX of \$114 per MT. Passport's president and CEO, Joshua Bleak, believes those factors give the project "one of the best values in the potash industry."

The next steps for Passport include the release of a prefeasibility study at end of 2013 and a feasibility study by end of 2014.

## Ethiopia

**Dalol potash project, Allana Potash (TSX:AAA):** Centered in the shallow potash deposits of the Danakil Depression in Ethiopia, Allana's Dalol project is one of the most advanced potash projects. With a feasibility study now complete, Allana plans to enter into preconstruction on measured and indicated mineral resources totalling 1,298 million MT containing 251 million MT of KCl (19.3 percent KCl) and additional inferred mineral resources of 588 million MT containing 109 million MT of KCl (18.6 percent KCl).

With only 60 percent of the property surveyed, Allana is confident that those figures could grow. And at depths typically less than 100 meters from the surface, total CAPEX for the project is just \$642 million, while OPEX is \$98.75 loaded on the ship.

Some of the biggest concerns about the project are regarding its location: the Dallol project is on the border of two once-warring nations. But the company continues to stand by the project's security and stability as it prepares for pre-operations for Q4 2013.

**Securities Disclosure: I, James Wellstead, hold no direct investment interest in any company mentioned in this article.**

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