

The Australian

Fertile fields hold promise and challenge for miners

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LAST year's failed \$40 billion attempt by BHP Billiton to take control of Canada's Potash Corp has triggered a rush of investment towards companies focused on fertiliser inputs. Potassium-based minerals, commonly known as potash, are one of those key ingredients and have fuelled recent success of South Boulder Mines (Australian Securities Exchange code: STB).

While unveiling the world's shallowest potash deposit in northern Africa, South Boulder's share price has surged 10-fold in the past year, from less than 40c to more than \$4.

Apart from the size of South Boulder's asset and recent corporate activity in the fertiliser sector, investor interest has been fuelled by a stabilisation in the price of potash at about \$US400 a tonne.

More than three times higher than a decade ago, these prices are spurring interest in unconventional sources of potassium mineralisation. Traditionally, potash has been extracted from the residual salt accumulations of evaporated seabeds. Such deposits are typically found deep beneath the Earth's surface, requiring billions of dollars to develop. In contrast, the coming float of Potash West is targeting near-surface resources in potassium bearing clays called greensands.

Greensands have been used as a fertilising agent for many years in developing countries, but typically low grades have limited their commercial application. Potash West is hoping recent pricing regimes will alter the status quo. Its projects just north of Perth contain well known deposits of potassium-bearing greensands. Resources will need to be established through drilling, although historical records reduce exploration risks.

The primary uncertainty facing the company relates to processing. While Potash West's projects are located favourably relative to transport and power infrastructure, inherently low potassium grades mean it is unclear whether mining the greensands and extracting their contained potash will be economically viable. The company is devoting significant funds towards developing a processing solution, but risks appear considerable. Its link with the potash industry has the potential to yield stag profits; the processing hurdles facing actual project development remain a challenge to longer-term performance, however.

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