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A sprinkle of potash in farm country

Michael Quinn, 12 May 2011

TWO of the bigger resource market success stories of recent times in Australia have been potash aspirants South Boulder Mines and Elemental Minerals. A new Western Australian focused potash junior is now set to try its luck closer to home following a \$A6 million IPO.

Potash West, which listed on May 13 (on none other than Black Friday), is looking to develop a potash business in the heart of WA's wheat industry north of Perth.

The area has been shown to have widespread occurrences of glauconite (iron-potassium silicate) present in greensand beds, and the company believes that there is the potential to outline a significant resource that will yield a low-cost, slow release fertiliser with minimal processing.

However, the processing will not be conventional, though according to managing director Pat McManus testwork elsewhere (such as India) has indicated it to be potentially viable.

McManus also noted that TSX-listed Amazon Mining was a close analogy to Potash West, albeit three years ahead (and with a capitalisation that towers over Potash West's).

Historical drilling by BHP and the WA Geological Survey has shown the presence of the glauconite for more than 150km of strike, with a width of over 15km and likely thickness of plus-20m. Potash West wants to investigate the potential for higher grade areas. It has an initial target of 50 million tonnes (possibly grading in the order of 5% glauconite), though ultimately it believes billions of tonnes will be shown to be present.

It has set itself the task of unveiling a resource and preferred process route in 12 months time, and have a completed scoping study by the end of next year.

The potash industry is dominated by major companies operating in Canada, Russia, Belarus and Germany. McManus likens the sector to the iron industry early last decade, when the major incumbents claimed they had the supply situation in hand. Prices since then suggest such claims were nothing more than rhetoric.

Potash prices started taking off in 2007, and while they have retreated since, they still sit well above historical levels.

The ubiquitous China plus increased demand worldwide for the fertiliser is behind the price rise.

Potash has recently been fetching about \$US400/t, while average production costs are in the order of \$US200/t according to McManus.

Potash West's other directors include experience executives Adrian Griffin (chairman) and George Sakalidis, as well as process and extraction specialist Gary Johnson.

McManus said brokers supporting the IPO included Patersons and Macquarie.

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