IC Potash gets a 10 million dollar boost toward production

IC Potash Corp. ("ICP', TSX: ICP | OTCQX: ICPTF) announced that Cartesian Capital Group, LLC ("Cartesian") has acquired 500,000 Class A preferred shares, at a price of USD$ 20/share or USD$ 10,000,000 in ICP's wholly owned subsidiary, Intercontinental Potash Corp. ("ICPUSA"), which owns ICP's Ochoa Sulphate of Potash (SOP) in Lea County, New Mexico. Cartesian's c investment gives it a right to a potential 33% participation in future equity financings of ICPUSA and it is by all means 'strategic'. Cartesian is a private equity and venture capital company that prefers and to invest through acquisition, targeting high growth companies, emerging markets and those companies wanting to expand internationally aiming to generate superior risk adjusted returns. The investment in ICP fully reflects this strategy as Cartesian has recognized the need for sustainable fertilizers and improved agricultural practices to help address rising food demand around the world. Cartesian, highly attuned to investment risk, has also shown great confidence that ICP has all the characteristics needed to fulfill the latter's goal to become a leading low-cost producer of potassium sulphate (K_2SO_4), which accounts for annual demand of some 5.5 million tons per year.

Potassium sulfate is a chloride-free fertilizer, which is trading at a significant premium over the more common muriate of potash or MOP (potassium chloride). SOP is priced at a premium and better suited than MOP in the cultivation of fruit and vegetables, tobacco and potatoes, horticulture and it can also be used to treat sandy and dry soils, delivering higher crop yields, which have improved flavor and longer shelf life. Moreover, the permits granted by the Federal Bureau of Land Management, allowing for mining on federal land, make for a much smaller risk profile because the BLM has already reviewed any risks of ICP having a significant impact on the environment. The process is extensive and includes consultation with various agencies, at all government levels, and, more importantly, with the public itself. In the specific ICP case, the BLM has worked on the PRL process for over two years, taking into consideration the proposed mine's impact on water, air, cultural and other resources. In a sense, the BLM has already analyzed and approved the project for potential investors, reducing the environmental, social and legal risks they would otherwise have incurred. The thorough BLM approval process has actually gone a long way toward de-risking the Ochoa Project in general.

ICP has already secured federal and State permits with the State of New Mexico for potash underground exploration over a 40,000 acre property. ICP is well positioned to lead – and rising – as one of top, and one of the lowest cost, SOP manufacturers in the world. ICP is also the only new SOP potash being developed in the world now and is marked by the lowest capital and operational costs (OPEX) as well. The projected OPEX rate per ton of production at Ochoa will be about is USD$ 150/ton, which is about 65% -70% less than the industry average of USD$ 500-550/ton. ICP's SOP will be the world's cheapest to produce. The Feasibility Study predicts an economically viable mining operation and processing plant, capable of producing 714,400 tons of SOP per year over a period of at least 50 years.Some of the promising highlights from the Feasibility Study include: a three year period for construction and commissioning beginning in Q2 2014 and continuing through Q2 2017, leading to 50 years of operation. SOP production will commence in 2017 (at first 48% of annual capacity and then full capacity expected in 2018). Room-and-pillar mining and dual split super section mining methods will be used to extract ore at a rate of 3.7 million tons/year.The average SOP recovery is estimated to be 82% with capital costs are expected to be in the range of USD$ 1.018 billion. The price for SOP, which was incorporated in the financial model was USD$ 636 per ton.

ICP has faced few obstacles along the way to production, reducing its environmental and financial risk profile and while Cartesian has become an important partner, ICP has been in contact with multinational banks from Europe to Asia to secure the necessary funds to reach the final production phase. ICP has a very close financial partner, Mitsubishi UFJ Financial Group (“MUFG”), which has a wide range of project finance experience, useful in helping ICP build relationships with strategic investors, international banks, export credit agencies and project equity as well as other strategic and SOP financial investors and off-takers. ICP has advanced its project through more technical partnerships as well.

In 2012, ICP secured (in 2012) an offtake agreement with Yara International, one of the world’s largest distributors of mineral fertilizers, which greatly facilitates the financing process. Yara has access to many international markets and distributors and it will buy 30% of all products produced at Ochoa New Mexico for a 15 years long period. ICP’s main target markets are California, Northern Europe and parts of North Africa, where soil salinity makes SOP especially effective. SOP does not contain chlorides and it typically fetches higher prices than the more common Muriate of potash (MOP); SOP is more easily adaptable to various soils, even those presenting high salinity levels (as in North Africa), and is suitable for a variety of crops such as fruits, tobacco, potatoes and vegetables. In contrast, the more common MOP variety of potash does not tolerate high soil salinity, which reduces its range of applications. SOP is ideal for the European and South Western Asian markets, which are low in magnesium, and where its partner Yara enjoys considerable distribution access.

Discipline returns to the potash market

Last month, one of North America's most influential banks, Toronto Dominion (TD) published a bearish report on the state of the potash market. The report noted that potash prices fell sharply last year and largely because the Russian potash company Uralkali announced it would no longer export through Belarusian-Russian Potash marketing mechanism (BPC) in a joint venture with the Belarusian company Belaruskali. TD's report predicted that international potash prices will remain similar on average than those currently in force, U.S. $ 305 to U.S. $ 320 per ton, over the next two years. The bank believes, however, that prices are unstable, which means they could drop at anytime. The BPC producers (Russian and Belarusian) were responsible for approximately 42% of global potash exports before the breakup of the venture, which has dragged prices to their lowest levels in four years. The expectation was that major buyers such as China and India would wait to see how far prices would fall.

However, in early January, China signed a potash contract with CANPOTEX (including PotashCorp, Mosaic and Agrium) and Uralkali at about USD$ 305 per ton, which has established a floor price. Yet, Uralkali announced yesterday (April 1) that it has signed a potash contract with India at the price of USD$ 322/ton – higher than TD's predictions from just a few weeks ago. Surely, this is lower than the 2013 contract of USD$ 427/ton, but it is higher than expected, considering the 'gloom & doom' potash price predictions in the Street. No doubt, CANPOTEX will match the Uralkali price. One more reason for optimism comes from the fact that Indian potash demand has been weak due to the Indian government’s cut of potash subsidies in favor of nitrogen.

There were other signs of optimism or of a gradual return to order in the potash and mineral fertilizer market in general during the course of March. There was in fact a strong recovery in demand for phosphate. Already by the end of February, exports from Morocco’s OCP – the world’s largest supplier by far – had increased nearly 8 % over the same period of 2013. And the trend would have been even stronger had the port of Jorf Lasfar had not been shut down for 30 days due to bad weather. Granted the exports were not of pure, rock phosphate, rather derivative value added products; however, this reflects a deliberate change in OCP’s strategy of prioritizing high value added products rather than rock phosphate. The demand for phosphate and relative price stability also shows that fears of the Ma’aden effect (the Saudi company producing and exporting phosphate) were exaggerated, especially as global demand for fertilizers, according to OCP, ha increased 3% in 2013. In fact, the OCP group has confirmed that it expects 2014 to be even better. OCP wants to capture half of the global demand for phosphate and derivative (DAP/ ammonia) fertilizer.

Meanwhile, Allana Potash Corp. (‘Allana’, TSX: AAA | OTCQX: ALLRF) announced that ICL, the world’s sixth largest potash producer, has already completed the second tranche of its investment in the Company amounting to a total of $ 14.4 million. The placement of the second tranche is part of the strategic alliance of the company with ICL as signed on 12 February 2014. The alliance with ICL will raise Allana to its potential as it is a recognized world leader in the production, sales and research of potash. ICLs project evaluation and technical support, included in the agreement, has also further improved Allana’s risk profile and it should increase investors’ confidence. After the completion of the placement of the second tranche ICL holds approximately 16.38

% of the non-diluted issued and outstanding ordinary share capital of Allana.

IC Potash (‘ICP’, TSX: ICP | OTCQX: ICPTF), meanwhile, announced on yesterday that construction at its planned $1 billion sulfate of potash mine in southeastern New Mexico could begin as early as next summer. ICP believes that the final regulatory steps could be concluded in the next few months, leaving it ready to secure financial support and the start of operations. In March, ICP announced that it concluded the final environmental impact statement for the project and the US Environmental Protection Agency (EPA) is expected to deliver its decision shortly. IC Potash filed its NI 43-101 Feasibility Study (FS) for the Ochoa Sulfate of Potash (SOP) Project in 2013 and delivered a very optimistic report of the outlook for sulfate of potash (SOP or K2O). ICP intends to produce high quality SOP while greatly reducing production costs.

Finally, Rio Tinto, one of the world’s largest mining conglomerates is rumored to be interested in entering the Saskatchewan potash game. The Australian newspaper ‘The Australian’ published a story suggesting that Rio Tinto plans to make a bid to take over Western Potash (TSX: WPX), whose investors will be very happy, considering Chinese companies have also expressed interest. Should the rumors be true, the Chinese would not give up its strategic position in the event of a takeover bid by Rio Tinto, making Western Potash investors very happy. Rio Tinto’s potential entry in the potash market also suggests that the sector has reached a more optimistic atmosphere.