

# Potash Corp beats the 'Street' and POK receives Federal Approval in Utah

☒ Potash and Phosphate Week in Review: The ProEdgeWire Potash and Phosphate index bounced back last week, ending at an average 6.16% increase. This is especially significant in view of a rather unremarkable performance of potash companies in the past few weeks. The sector needed a boost of confidence in the midst of a generally weak commodities market. The boost arrived from Potash Corp ('POT", NYSE: POT) which announced a very strong first quarter earnings report. The potash market experienced an intense second half of 2012 as a long phase of negotiations with Indian and Chinese potash importers raised concerns of potash prices falling below the USD\$ 400/ton mark. That was avoided and potash prices remain above that ceiling. Indeed, Potash Corp saw increased earnings in Q1 2013 as compared to a year earlier (USD\$ 0.63/share vs. USD\$ 0.56/share in Q1, 2012).

Potash Corp's strong performance helped raise the visibility of the potash sector in general. Last week, Potash Corp also announced that it was denied the rights to purchase the Israeli potash giant ICL Chemicals in the quest for better access to markets in India and China. Surely, POT will continue to look for opportunities to secure opportunities North America to address that market strategy; however, in the short term, the failed purchase leaves more opportunities for returns to shareholders, which should translated to higher share price valuations that will reflect throughout the Potash space.

Against this backdrop Potash Minerals (ASX: POK) announced that the Federal Bureau of Land Management (BLM) has approved its potash project in Utah at Hatch Point. This is surely the

most important milestone for the company since it acquired the K20 project. The permit is especially significant considering that it is the first one to be awarded in Utah in the past 25 years, receiving the designation of "Non-Known Potash Leasing Area" (Non-KPLA). Potmin will now be able to continue exploration in some of the areas considered to hold the best resource.

Potmin's BLM permit should also stimulate more interest in the US junior potash space as the US looks for viable additional sources of this critical fertilizer. Potmin is sitting on major deposits of sylvinite in Utah and has already drilled many exploratory wells on State land but believes that the best potash is located on federal land property. Potmin's project covers a 146 square mile area and it has the potential to be a major player. The receipt of BLM authorization marks a major milestone and allows the full extent of this huge property to open up for development. The BLM authorization was announced late last week and the market did not have time to absorb the news such that Potmin closed the week even at AUD\$ 0.26 (0.0% change).

The potash tide caused by Potash Corp's Q1 helped to lift Allana Potash (TSXV: AAA | OTCQX: ALLRF) as well, rising 16.44% in Toronto and 12.5% at the OTCQX. Investors noted that Allana Potash has been proceeding toward production having filed the final mining application and feasibility with the Ministry of Mines for its Dallol potash project. Allana expects to complete all regulatory requirements before the end of 2013. IC Potash (TSX: ICP | OTCQX: ICPTF), which is developing the Ochoa Project in New Mexico also saw its shares rise, closing the week at +12.5% in Toronto and +6.12% at the OTCQX. IC Potash intends to produce a premium quality sulphate of potash (SOP) at its Ochoa facility, which is usually priced anywhere between 30-50% higher than lesser varieties of SOP. The total proven and estimated capacity at Ochoa is 400 million tons with production expected to start in 2015.



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## **Magna and POK closer to BLM decision while Allana applies for final Mining License**

**✘ Potash and Phosphate Week in Review:** It has been a difficult climate for commodities lately and last week's headline dominating collapse in gold prices added an accent to the negative sentiment. The next few weeks could possibly see more nervous market activity. Nevertheless, while the overall commodities trend has tried to drag potash as well, the sector has plenty of resilience left. The first consideration is that the collapse of gold was a 'correction' rather than a reflection of the markets. The slowdown of economic growth in China and the continued European recession would have ordinarily prompted gold to rise. Unsustainable long term speculation is to blame. As for potash, while juniors continued to slide – the ProEdgeWire Potash and Phosphate index dropped 11.95%. Nevertheless, Magna Resources (CNSX: MNA) saw gains of 18.18% and Potash Minerals, 'POK', (ASX: POK) rose 1.96%. There is an important correlation between these two projects. Both are targeting exploration in properties in Utah and both are waiting for Bureau of Land Management (BLM) decisions.

Last week the BLM's Board on Land Appeals approved exploratory testing for EPM Mining Ventures Sevier Playa Potash project. Moreover, Magna Resources, operating the 51,000 acre Green

River Potash Project in Paradox Basin, Utah said that it expects to obtain a decision from the BLM by next summer, concerning its request to drill eight holes, having already secured State approval. Potash Minerals ('Potmin', ASX: POK) is also awaiting BLM permits to drill and explore Federal land on its 100,000 acre property. Potmin is planning a solution mining project thanks to its enormous non-potable water supply, which is ideal for solution mining. The BLM's rumors and decisions over the past week, suggests that Potmin itself is close to receiving a decision as well. In addition, Intrepid Potash, which is also based in Utah, and not far from Potmin's site, announced good first quarter results, marked by higher than expected sales over the winter season – typically the slowest season for fertilizer sales.

The past North American winter season has been one of the longest in recent memory and the persistent low temperatures have delayed the traditional spring planting season. The fact that farmers have been forced to defer planting even as they have purchased more potash, reducing inventory, will likely have a favorable impact on prices in the near term. Potash demand in Brazil, Indonesia and Malaysia has also remained strong. These factors should contribute to positive potash market sentiment and will likely be confirmed by Potash Corp first quarter announcement later this week. Major potash producers will also be shipping more potash this year in view of the delayed potash purchases from India and China in 2012. The Chinese contract price of USD\$ 400/ton with CANPOTEX was only reached toward the end of last December. While prices have not moved up significantly, India's contract price of USD 427/ton and prices continuing to remain above the USD\$ 400 mark bode well for the rest of the year and in the long term.

This year will also be very important for Allana Potash (TSX: AAA | ALLRF). The CEO, Farhad Abasov, said that last week, Allana filed the final mining application and feasibility with the Ministry of Mines for its Dallol potash project in the

Danakhil. Allana is also expected to get its environmental assessment report approved meaning that all of the regulatory milestones will have been completed well before the end of the year. Allana's feasibility study suggests that its project has one of the lowest operational costs in the potash sector, with projected production costs over the mine's 25 year lifespan of USD 98.75/ton.

