

\$3B potash mine possible for Sedley

Rio Tinto partners with North Atlantic

BY BRUCE JOHNSTONE, LEADER-POST MARCH 19, 2014

A brief mention of a joint venture project with North Atlantic Potash Inc. in Rio Tinto's 2013 annual report has the potash industry buzzing about a large find of potash near Sedley, about 30 kilometres southeast of Regina.

As it turns out, Saskatoon-based North Atlantic internally announced the discovery of 329 million tonnes of potash on its website in December, but never released the information to the public, according to a North Atlantic employee.

In the annual report, Rio reported that the Sedley area discovery contained "encouraging potash grade and thickness," according to an article earlier this week in *The Australian*, the country's largest national newspaper.

The joint venture between Rio Tinto Potash Management, a subsidiary of Rio Tinto, one of the largest mining companies in the world, and North Atlantic Potash, a subsidiary of JSC Acron, one of Russia's largest mining companies, was formed in 2011. The joint venture was created to explore an area of about 600,000 acres (241,000 hectares) from Last Mountain Lake in the west to Broadview in the east.

"We strongly believe that together with the professional experience and financial capabilities that Australian-based Rio Tinto brings to this project, we will be able to be the next producing mine in Canada," said Arie Zuckerman, president of North Atlantic Potash, in September 2011.

With the hiring of 40-year potash mining veteran David Waugh as CEO the same month, North Atlantic began the process of exploring the most promising areas in the joint venture property, including sites at Foam Lake, Stockholm, near Esterhazy, Saskatoon and Sedley.

On Dec. 12, 2013, JSC Acron and its subsidiary North Atlantic announced the discovery of a "world class potash resource" in the Prairie Evaporite potash formation in the KP405 permit. "Based on a solution mining operation, it is estimated that 329 million tonnes of KCl (potassium chloride) are recoverable ..." At projected annual production of three million tonnes and estimated capital cost of \$3 billion, the mine could last 100 years or more.

However, the internal release was not widely distributed until Rio Tinto's annual report was released earlier this month, although Rio Tinto's chief executive for diamonds and minerals Alan Davies confirmed that Rio had a "early stage option to expand into Canadian potash," *The Australian* said.

Rio's foray into potash has been fraught with some false starts. In 2009, Rio sold its potash properties in Canada and Brazil to Vale, the Brazilian mining giant, only to jump back into Canadian potash in 2011 with the joint venture with Acron.

Waugh, who is based out of North Atlantic's Saskatoon office, was unavailable for comment Tuesday. But Waugh, who worked for Mosaic Potash for 14 years, including a six-year stint at the Colonsay mine, told the Saskatoon StarPhoenix in February 2013 that building a mine is five-to 10-year project.

"The price today, at \$400 (per tonne), you couldn't justify a new operation (in Saskatchewan)," he said. "But if you look five years out when the mine would come into production, and the five years after that which is the period you would pay for (the mine), what do you think the price will be then? That's why you have to look at it strategically over the next 10 years."