

Investors onboard with SoP

Australian Potash Ltd managing director Matt Shackleton believes Australian investors are “really getting up the curve pretty quickly” on the brine SoP/potash space.

The sector is led by Kalium Lakes Ltd, which is closing in on financing for Australia's first commercial scale SoP project at Beyondie, Western Australia. Shackleton said there were a handful of other companies trekking a similar path and sharing stories were helping build credibility in the market.

Seven of the eight SoP projects in Australia were held by listed entities. Shackleton said while some valuations were excessive given the amount of work completed, the likes of Kalium Lakes and Australian Potash were validating the viability of the sector.

“I think a lot of the investment community is following certain individuals or personalities because those individuals and personalities have made those investors a lot of money in the past. That is just the normal course of things on the ASX, often it is not really the project, it is the person, but I think the investment community is really getting up the curve pretty quickly. Kalium Lakes has a DFS in the market, which looks like it has funding and that is excellent because we now have a legitimate peer that we can refer ourselves to,” Shackleton told **Paydirt**.

“Australian Potash is likely to be the second one producing. We are close to finishing our DFS, so we are likely to be the second one in that pond. The other thing with seven listed entities holding these projects at the moment is that there are a lot of MDs around the country talking about the same thing. There are a lot of blokes telling investors exactly what it is we are doing and, give or take some comments, we are all essentially telling them the same thing.”

A DFS on the Lake Wells SoP project is expected to be completed by Australian Potash in the second half of 2019, with drilling and a test pump programme being completed ahead of reserve estimations for the study.

An On-playa pond trial was also in progress at the time of print and was expected to be completed by the end of June.

Assuming robust outcomes from the DFS, Australian Potash will charge into project financing and once that is secured the company will be in production in late 2020/early 2021.

“Our production process is little bit easier than Kalium Lakes’ so we have a little bit of a head start in terms of how long it takes to develop projects, but they have a head start on funding,” Shackleton said.

Securing an off-take agreement will be an integral part of the funding mix, which may include export credit sponsored plant procurement.

“A lot of the gold mines do that and get a company from China to build the components for you and depending on how much you spend you can often get financing from the same entity,” Shackleton said. “Those sorts of things are backed up by the credit export agencies in China. That is a well-worn path and we are on that path. Off-take will also be part of the funding, while a traditional equity and debt component, which we will endeavour to minimise, will be the blend of financing.”

Having spent a vast amount of time in China, Shackleton said Australian Potash was most likely to engage a partner from the country.

To assist with the company's next phase of development, Scott Nicholas was recently appointed chief financial officer and his experience in organising large-scale project financing, construction and operations contracts and off-take agreements bodes well for Australian Potash.

In the meantime, Australian Potash will forge ahead in Australia's first collaborative research programme involving the West Australian No-Tillage Association (WANTFA) and UWA's Institute of Agriculture in a two-year controlled environmental study assessing commonly used MoP versus SoP.

The aim of the programme is to determine the full effects of both potassium sources on crop yield, safety and value.

“We are doing field trials at five farm sites across the Wheatbelt. We are trying to stimulate demand and these research programmes and the field trials allow us to touch base with the likely end-users of SoP here in WA,” Shackleton said.

“I think a lot of the farmers understand that it is better to use the sulphate variety than the chloride variety for a range of reasons, but they have never been able to afford it. If we can get in front of them and show them the benefits of SoP then we can have a conversation about price. We can produce it and make a lot of money still, even if we sell it to them for about two-thirds of the price they are currently paying to get the imported stuff.

“We reckon demand for SoP in Australia is currently sitting around 70-75,000 tpa. We actually think that the latent demand for SoP is probably 200,000-300,000 tpa at the right price.”

– Mark Andrews



Demand for SoP in Australia is currently negligible