



# FERTILIZER | WEEK

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## Energy issues

### Ukraine's gas crisis not over, producers consider shutdown

UKRAINE'S DIRE fiscal situation is putting more pressure on the country's fertilizer producers. As the government, as well as state-owned energy monopoly, Naftogaz Ukrainy, both announced new proposals that would allow Ukraine to finance the purchase of gas this year, President Viktor Yushchenko continued to oppose a proposal to allow local fertilizer producers to buy gas directly from Russia.

A source at Stirol, Ukraine's largest fertilizer producer, said management were considering shutting down production in July until a solution allowing access to cheap feedstock is found. Most analysts believe the Ukrainian nitrogen industry is already operating at below cost.

"The situation with gas prices doesn't show much of an improvement for Ukrainian producers. Taking this into account, our management is considering the possibility of shutting down fertilizer production in July," the source told FERTILIZER WEEK.

Two other Ukrainian producers are also believed to be considering shutting down production unless access to cheaper gas is allowed by the government.

A resolution in early June from the Cabinet of Ministers giving six Ukrainian fertilizer producers permission to purchase gas directly from abroad is still being opposed by President Viktor Yushchenko, as well as Naftogaz itself, although Gazprom is in



favour. The six producers include Stinol, Odessa Portside Plant (OPZ), DnieproAzot, RivneAzot, CherkasyAzot, and Siverskodonetsk Azot.

Industrial Policy Minister, Volodymyr Novytskyi, who first announced the resolution to journalists, said allowing these companies to purchase gas directly would save them from collapse.

"In essence, we are speaking of saving these enterprises in this period, when prices of products are lower, giving them an opportunity to work directly with suppliers of gas," Novytskyi told Ukrainian media. According to him, combined losses from these six enterprises totalled over UAH 700 million (\$91.5 million) in the first quarter of this year.

Yet there is still confusion over how such a direct-purchase scheme would work in practice, and to what extent it would benefit the producers that adopted it. This is because it is still unclear at what price Gazprom would be willing to sell directly to the producers, and whether they would receive gas in the event of another shut-off crisis such as the one that gripped the country last winter.

Such a shut-off is looking more likely as Ukrainian authorities scramble together proposals to finance gas purchases.

Earlier this week, Prime Minister, Yulia Tymoshenko, confirmed she was seeking €4 billion (\$5.57 billion) from European banks to pay for gas purchases from Russia for the rest of the year, while Naftogas Ukrainy proposed the following day that European firms help resolve its fiscal difficulties by buying and storing Russian gas on Ukrainian territory.

On Thursday, Russian Prime Minister, Vladimir Putin, confirmed that Russia had sent Ukraine payment for gas transit fees until the end of the year. "In fact, this is a loan amounting to \$2.2 billion," Putin said in televised comments.

Meanwhile, current gas purchases by Naftogaz are far below the level seen last year, and, according to Gazprom deputy CEO, Alexander Ananenko, are "nowhere near the amount needed" to fill Ukraine's winter storage facilities.

"Gas supplies to Ukraine are about 23-35 million cubic meters per 24 hours, whereas over the same period of 2008 Ukraine imported about 170-180 million cubic meters per 24 hours," he said.

He said such amounts of gas imports practically exclude the possibility that Naftogaz is pumping gas into its

underground storage facilities, meaning storage facilities that are used in winter are likely still empty.

"Currently we're seeing that over the past week or a week-and-a-half that [Naftogaz] is not pumping gas into underground storage facilities in the required amounts," he said.

A similar trend was seen in May, when Ukraine actually purchased less gas than it was contractually obligated to.

Analysts in Kiev said this could have serious implications for fertilizer producers later this year and in January, when gas demand peaks.

## Supply

### PotashCorp and K+S slash output further

POTASHCORP AND K+S have announced that they will implement further production cutbacks in 2009, blaming an extremely lacklustre potash market environment. PotashCorp said it would cut a further 800,000 mt from its 2009 output, bringing curtailments this year to 4.7 million mt, and total cuts since August 2008 to 5.5 million mt. K+S will cut potash production in the second half of the year by up to 2 million mt, in addition to a reduction of 2 million mt in the first half of the year, bringing its total sales expectations for 2009 down from around 6 million mt to 4-4.5 million mt.

PotashCorp said in a statement that, "Lagging demand due to an extremely slow US spring season and extended negotiations with offshore buyers are the reasons behind the shutdowns. However, with the world's soils and supply chain nearing depletion after almost a year of deferral, we expect demand to return in second-half 2009 as Brazil approaches its major application season and India and China inevitably return to the market."

K+S observed in its press release that the autumn fertilizer application season is due to begin in several weeks' time, but there is still no sign of any significant upturn in European demand. The seller also announced this week that it would reduce its price for European granulated potassium chloride from €555/mt to €435/mt. Having already forecast a significant fall in earnings for 2009, the company now expects to see further reductions in the current financial year.

Responding to news of the production cutbacks, Oleg Petrov, head of sales at Belarusian Potash Company (BPC), said in a written statement that, "Indian and Chinese markets differ from European ones due to their own potash production and consumption volumes, as well as potash fertilizer stock inventories. BPC is conducting a thorough analysis of this situation and at this point we do not see any direct correlation to the recent changes in the European potash market. As of today, BPC's position on determining potash prices in China and India, as well as on its largest spot markets, remains unchanged ... We anticipate a substantial increase in demand in 2H 2009 and complete recovery in demand in 2010."

## Potash

### MagIndustries signs MoU for 52.7% stake & Kouilou financing

CANADA'S MAGINDUSTRIES Corp. announced late last week that it had signed a Memorandum of Understanding (MoU) with an undisclosed strategic party to take a 52.7% stake in the company by way of subscribing to 400 million MagIndustries shares.

On June 15, the Toronto-based company revealed that the strategic party is "a large Chinese-based multinational company", and one of the conditions of the MoU is that the party arranges "substantially all" of the debt financing required for the completion of phase 1 of MagIndustries' Kouilou potash project in the Republic of Congo. MagIndustries said it would be in a fully funded position with respect to the project if the transaction contemplated in the MoU is completed.

The identity of the Chinese investor had not been released at press time. A British Sulphur (BSC) consultant noted that there is much speculation about whether this is simply a move by a fertilizer company to secure potash for the Chinese market, or a broader strategic investment in a potentially profitable mining business that will primarily serve the South American market.

Under the terms of the MoU, the price of the 400 million shares in question has been set at Cdn\$0.70 (US\$0.62) per share, valuing the deal at Cdn\$280 million (US\$248 million).

In April, MagIndustries' vice president had told FERTILIZER WEEK that the company's preferred route

would be to find a partner for the Kouilou potash project (*FW Online, April 17, 2009*).

In addition to the provision of debt financing for Kouilou, the closing of the transaction contemplated is subject to a number of other conditions and approvals, including approval by MagIndustries' board of directors and shareholders, all relevant regulators and government authorities, as well as satisfactory completion of due diligence.

While the MoU is non-binding, MagIndustries said it has agreed to negotiate exclusively with the strategic party until July 31, and the date definitive documentation is entered into.

### Project details

Phase One of the Kouilou project, which is being undertaken through a MagIndustries' wholly owned subsidiary MagMinerals Potash Corp., comprises the building of a greenfield 600,000 mt/year solution mine. The operation currently is targeted to commence production by the end of 2011 and reach full output by mid-2012. Pre-construction work has already begun at the site, near Mengo, and about 25km from the deep-water port of Pointe-Noire on Africa's Atlantic coast (*FW Online, April 17, 2009*). The processing plant will produce granular potash only, with Brazil being seen as one of its key markets.

A planned second phase development envisages expanding the mine to 1.2 million mt/year, possibly starting in 2013.

MagIndustries' vice president Rich Morrow in April told FERTILIZER WEEK the full construction cost of the proposed first phase of the project is currently put at US\$800 million. With associated costs, such as insurance premiums, fees and capital interest, this would bring the total consideration for Phase One to US\$1.1 billion. The development of capacity to 1.2 million mt/year would require an additional US\$450-500 million, he said.

At the time, MagIndustries had raised US\$770 million in debt and US\$200 million in equity, leaving a balance in equity of \$170 million for phase 1.

In early June, MagIndustries announced it would issue 62.2 million shares with total gross proceeds to the company of some Cdn\$30 million if the over-allotment option is exercised (*FW Online, June 5, 2009*). The offering is scheduled to close on or about June 22, and the proceeds will be put towards the construction of Phase One of the Kouilou potash project.

The stakeholding envisaged under the recently signed MoU would be based on the common shares outstanding in the company after the equity issue, assuming the full exercise of the over-allotment option.

The company recently filed an updated National Instrument 43-101 compliant technical report indicating a minor decrease in the total reserve and resource estimates for Kouilou. The 2009 technical report indicates proven and probable reserves of 33.2 million mt of potash, down from the indicated proven and probable reserves of 33.5 million shown the 2008 technical report.

The minor reduction is as a result of a change in the area available for the brine field following the finalisation of the land use and occupation survey, MagIndustries said, adding that the updated proven and probable reserves can still support a reserve life of more than 54 years at a projected production rate of 600,000mt/year.

MagIndustries also has forestry and wood chip operations in the ROC and hydroelectric assets in the Democratic Republic of Congo. It also has plans to study the feasibility of setting up a magnesium plant adjacent to the Kouilou potash plant.

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## Europe

### NFU believes AN anti-dumping duties detrimental to UK farming

THE UK'S National Farmers' Union (NFU) last week told a European Commission review of anti-dumping duties imposed on fertilizers from Ukraine that such measures act as artificial trade barriers and, given the importance of fertilizer to agriculture, can curb profitability of farms across the UK and EU.

The NFU's Transport and Inputs adviser, Hannah Moule, said the review of the duties, which apply to ammonium nitrate (AN) and were first imposed in 2001, was particularly timely.

"Wherever possible, we give our opinion to Europe about a range of policy measures, typically liaising with our counterparts across Europe," said Moule. "But given the dynamics of the fertilizer market in 2008, and the high prices that prevailed across the country, it was particularly important that we took this opportunity to respond on behalf of members."

The EU opened the review investigation on the anti-dumping measures applicable to imports of AN from Ukraine in April (*FW Online, May 8, 2009*). The application had been requested by the European Fertilizer Manufacturers Association (EFMA) on behalf of the Community AN industry. EFMA supplied evidence to show that there still is continued dumping activity by Ukraine and that there is likelihood of the recurrence of injurious dumping if the existing measures were allowed to lapse.

For the duration of the investigation, which will take 12-15 months, the existing measures will remain in force. These measures comprise a generally applicable specific anti-dumping duty amounting to €33/mt (\$46) and a price/quota undertaking arrangement with JSC Cherkassy.

Moule said the NFU's submission also pointed to the fact that an increasing proportion of energy needs were effectively imported into the EU, and that investment in new fertilizer plants and manufacturing capacity reflected this structural shift in energy production.

"It seems only reasonable that farmers are able to access inputs from the most efficient producers or those with a natural comparative advantage," she said.

According to the NFU, UK agriculture spent an estimated £1.5 billion on fertilizer products in 2008, with AN the single most used fertilizer product.

"Historically, high prices in 2008 only served to highlight the fact that the price of fertilizer has a significant impact on the profitability of a large number of farming businesses, and validated the NFU opinion that anti-dumping measures appear unfounded in this instance," the farmers' organisation said.

Given the volatility in fertilizer prices and other key inputs, the NFU launched a revamped Inputs Price Monitor Survey at the *Cereals 2009* event held recently. Farmers and growers can benchmark their input prices, as well as providing comparative data for fellow farmers.

## Strategy

### Russia's EuroChem eyes Belorussia's Gomel plant

RUSSIAN FERTILIZER major EuroChem has confirmed it is interested in buying Gomel Fertilizer Plant, Belarus' largest phosphate fertilizer producer.

EuroChem communications director, Maria Sapuntsova, told FERTILIZER WEEK that company chairman and majority shareholder, Andrei Melnichenko, met with Belarussian President, Alexander Lukashenko, earlier in the month.

"They talked about ways of cooperating between EuroChem and various Belarussian chemical enterprises.

"Mr Melnichenko also told the President about his interest in the Gomel fertilizer plant, but at this stage no firm decision has been taken," she said.

According to Russian and Belarussian media reports, Melnichenko offered to pay \$111 million for the factory, which produces some 182,000 mt/year of phosphate fertilizer.

The same reports quoted President Lukashenko as saying: "It is a huge factory, it was the flagship enterprise of the Soviet Union, and \$111 million is offered. That is simply a paltry amount for such a company,"

He went on to state that the factory would not be sold at a fire-sale price.

The plant is already reliant on EuroChem as a provider of feedstock. In 2008, Gomel purchased 200,000 mt of

apatite from EuroChem subsidiaries. It also purchased concentrate from Phosagro-owned Apatit.

According to market sources, if the deal is signed, EuroChem plans to invest \$250-\$350 million over the next three to five years.

Sapuntsova said EuroChem was the natural partner for Gomel.

"For them, they need a secure supplier of feedstock and we can deliver it."

Gomel, like other fertilizer producers that buy from Phosagro-owned Apatit, has concerns over the security of its supply. It was forced to buy from North African sources last year after Apatit was unable to deliver required amounts.

For EuroChem, the deal could broaden access to Belarus' growing domestic fertilizer market.

"We see Belarus as being very important for our domestic strategy," she said, declining to elaborate further on how Gomel would fit into that.

"The local Belarussian fertilizer market is very prospective."

EuroChem already has a representative office in Belarus, and is planning to further extend its distribution network in the former Soviet republic.

Some analysts speculate that EuroChem is also motivated by price; that it is making a classic counter-cyclical move to take advantage of crisis-level prices on assets.

Others contended that the plant holds a special significance for Melnichenko - it is located in the city where he grew up.

According to Mikhail Stiskin, a chemicals analyst at Troika Dialog in Moscow, EuroChem is not the only company interested in the Gomel plant.

"But the fact that EuroChem has cash sets it apart from the other contenders," he said.

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## Markets

### India & Syria sign MoU for phosphate resources

INDIA'S DEPARTMENT of Fertiliser signed a Memorandum of Understanding (MoU) last month with Syria's state-run General Company for Phosphate and Mines (Gecopham) for the provision of consultancy services for the preparation of a technical, economic and environmental study for the development of phosphate rock resources and establishing a new phosphate fertilizer complex in Syria.

According to a media statement by India's Ministry of External Affairs, a consortium of three Indian consulting firms have been selected to prepare the feasibility study. The three firms, all public sector undertakings, are: Mecon Limited, Projects and Development India Ltd. (PDIL), and RITES Ltd.

The study will assess the feasibility of raising Syrian phosphate rock production, reportedly to 10 million mt/year.

The country has sizeable reserves of phosphate. Phosphate reserves in Syria are controlled by Gecopham, and as at the end of 2008, totalled an estimated 424 million mt grading 31% P<sub>2</sub>O<sub>5</sub>, according to British Sulphur Consultants (BSC) data.

Gecopham produced 3.22 million mt of phosphate rock last year, according to BSC. The rock is produced at two mining sites: Eastern A&B with capacity for 3.3 million mt/year and at Khneifiss with 1 million mt/year capacity. An expansion is underway at the Eastern A&B operation, which will raise capacity there to 3.55 million mt/year in 2010.

A sizeable proportion of the rock produced is exported, with some 2.47 million mt exported in 2008, BSC data showed. The balance is consumed at the state-run General Organization for Chemical Industries' (GECI) plant in Homs, where there are production units for phosphoric acid and TSP.

The Homs plant has capacity to consume some 594,000 mt/year of phosphate rock for phosphoric acid production, although in recent years it is believed that utilisation has been no more than half this level. The TSP produced at Homs supplies the domestic market.

The study also will look at the setting up of new production plants for TSP, DAP and dicalcium phosphate and associated sulphuric and phosphoric acid units, the ministry statement said, although it gave no indication of the capacities under consideration.

The study also will assess the augmentation of associated infrastructure such as power plant, strengthening and modernising the rail network and port facilities.

The report is scheduled to be completed within one year. Its cost will be borne by the Indian Government, according to the ministry statement.

## Strategy

### FSU potash players seek domestic price increase

URALKALI HAS confirmed it has requested a 20% increase in the price of potash sold to its domestic clients - the biggest of which is NPK producer EuroChem.

Silvinit spokesman, Anton Subbotin, also confirmed his company had sent a new pricing proposal to its main fertilizer-producing clients - Acron and Uralchem.

Uralkali spokesman, Alan Basiev, said that Uralkali has proposed that EuroChem buy potash at RUB 4,746/mt (\$147), up from RUB 3,955/mt at present.

"The pricing proposals were made in the beginning of June. The response has not yet been received. We are negotiating and hope to have a decision soon," he said in comments emailed to FERTILIZER WEEK.

Vladimir Torin, press spokesman at EuroChem, said he was not yet aware that such a proposal had been received.

Basiev declined to comment on whether EuroChem also contacted the Federal Anti-monopoly Service (FAS)- the body that enforced the pricing restrictions on the two potash players after its investigation blamed them for unfair domestic market price domination.

It is understood that the FAS must sign off on any new pricing deal.

Teimuraz Kharitonashvili, a director of the FAS, told Russian reporters that no such application had yet been received from either of the potash producers.

The monopoly watchdog began an investigation into domestic potash pricing in 2007, in response to complaints filed by the NPK producers that buy potash from them as feedstock.

A later investigation by the agency found the two producers had breached Russian competition law by using their dominant domestic market positions to influence

prices. Both producers were fined and ordered to sell potash at a fixed price benchmarked to world prices.

The regulated price of around \$147/mt is substantially lower than prices realised on export sales, which account for between 80 and 90% of both companies' sales.

According to Elena Sakhnova, an analyst with VTB Capital in Moscow, the NPK producers are buying their feedstock at "the world's lowest prices". According to Uralkali's figures, production costs in 2008 were around RUB 1,200/mt.

At the time, both potash producers argued against the regulated price, saying that it allowed the NPK producers access to cheap feedstock, which they then sold in the form of NPK for windfall profits.

While domestic sales account for only a small portion of both companies' revenues, Russian potash consumption is expected to grow quickly and eventually become an important market.

But an analyst with British Sulphur Consultants said domestic pricing was a longer-term concern for Uralkali and Silvinit; in fact, they were more concerned about the effect that cheap NPK production and export from the FSU ultimately has on world demand for KCl.

"In my view ... the Russian potash industry is concerned that it is giving raw-material potash away relatively cheaply to the NPK producers, for them to re-sell it in the form of NPKs, [thereby] displacing some of the [Russian potash producers'] higher-priced KCl exports, such as to China," he said.

"The Russian NPK industry has depended on exports to sell the majority of production ... but when their international fertilizer exports fell back to 100-150,000 t/m in 2008, the Russian NPK producers reduced their prices. Some importers then saw an opportunity to buy relatively cheap K<sub>2</sub>O, in contrast to the more expensive KCl that is being offered by the potash suppliers, and Russian NPK exports shot up again to reach 350,000 mt/month in March 2009.

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## MORE NEWS

### Agrium and CF return to war of words

AGRIUM CHALLENGED CF Industries shareholders again this week to accept the company's cash and stock bid by June 22, or watch Agrium withdraw its proposal.

"CF stockholders must send an unambiguous message to CF's board by tendering their shares into our offer," Agrium chief executive Mike Wilson said. "We have made our best and final offer - unless CF demonstrates new value.

"We will continue to press CF if we receive a compelling majority of shares tendered, but we will walk from the transaction if we do not," he said.

Along with the appeal Agrium announced that RiskMetrics Group (formerly ISS), "the leading independent proxy voting and corporate governance advisory firm, has recommended that stockholders of CF Industries, tender their shares into Agrium's exchange offer of \$40 in cash plus one Agrium share per CF share."

However, RiskMetrics' message was muddled by its comment that CF's shares could trade as high as \$77.49/share even without the Agrium bid.

Getting support from RiskMetrics could be seen as somewhat of a coup for Agrium, since the advisory firm backed CF's management when Agrium tried to persuade CF shareholders to withhold their votes for three directors April 21. The CF-backed slate prevailed with 75-80% of the votes cast in favour of their election to the company's board.

RiskMetrics' "recommendation is appropriate in light of the company's performance and the board's commitment to stockholder value," CF Chairman Steven Wilson said of the RiskMetrics endorsement ahead of the April 21 election.

Despite Agrium's latest appeal, CF's board June 16 repeated its dismissal of Agrium's bid as "substantially" undervaluing CF. Furthermore, "we are committed to continuing to pursue a business combination with Terra Industries, which we believe will create superior value for CF Industries stockholders and provide a significantly better growth platform than a combination with Agrium," Stephen Wilson said.

## Mitsubishi to cease capro and styrene output

MITSUBISHI CHEMICAL Corporation (MCC) is to withdraw from caprolactam and styrene monomer businesses as part of its ongoing restructuring of its petrochemicals businesses, the company said in a recent media statement.

MCC will close the caprolactam as well as cyclohexanone production facilities at its Kurosaki plant in Fukuoka, Japan. The unit has capacity for 60,000 mt/year of caprolactam. Shutdown is scheduled for March 2010.

The Kurosaki caprolactam unit can produce up to around 195,000 mt/year of ammonium sulphate, and requires about 50,000 mt/year of ammonia.

The company also will shut the styrene monomer production unit at its Kashima plant in Ibaraki, Japan. The facility, which has capacity for the production of 371,000 mt/year styrene monomer, is scheduled to close in March 2011.

MCC said the petrochemicals business environment is expected to be increasingly difficult on account of the intensifying competition from products based on inexpensive raw materials manufactured in the Middle East that is anticipated in Japan and overseas, as well as falling domestic demand for petrochemicals products.

Amid this difficult business environment, the Japanese company believes the caprolactam and styrene monomer businesses would not provide long-term value to MCC.

The company said it currently is examining the transfer of its nylon business to Royal DSM N.V. Caprolactam is the raw material for nylon6 used for engineering plastic and fibre.

## PROJECTS

### EuroChem starts work on railway to MOP mine

EUROCHEM ANNOUNCED that it began work on the first stage of its railroad connecting its new potash project to the existing Russian Railways tracks.

The rail project, which will cost RUB 2 billion (\$64 million), is expected to be completed by 2010, said Vladimir Torin, company press spokesman.

He said management expects to complete the project's first stage - 11.5 km of track - by September of this year. The cost of the first stage is around RUB 566 million.

According to a press statement issued by EuroChem, the connection of the first stage is vital for the Gremyachinsky potash project.

"Commissioning the first phase of the track will help to significantly reduce cargo delivery costs and allow a full range of required equipment and materials to be delivered to the construction site, an estimated daily capacity of 120 carriages, or 5,000 mt".

EuroChem won the right to mine the Gremyachinsky potash deposit in 2005. It began construction on its first mines at the site last year, and intends to bring the facility into production by 2012. It plans to reach production capacity of 2.3 million mt/year by 2013, according to company information.

### Arianne seeks buyer for phosphorus deposits

CANADIAN MINING exploration company, Arianne Resources Inc. has signed an agreement with Montreal-based Bay Stream Ventures to find a suitable buyer for its Lac à Paul phosphorus and titanium deposits in Quebec.

Arianne said that a list of potential buyers is established and the first contacts are underway.

SGS-Geostat completed for Arianne a resource estimation of three zones in the Lac à Paul property according to National Instrument 43-101 on March 25 this year. The three zones comprising the Paul, Manouane, and Zone 2 deposits are estimated to have a total inferred mineral resource of 304 million mt grading 6.18% P<sub>2</sub>O<sub>5</sub> and 7.81 TiO<sub>2</sub>, basis a 2% P<sub>2</sub>O<sub>5</sub> cut-off, Arianne reported.

Arianne is an active mining exploration company in North America, mostly in Quebec, Canada, and in Mexico. It owns gold, base metals and industrial mineral projects.

### Americas Petrogas engages Ercosplan

CANADA'S Americas Petrogas Inc. has engaged Germany's Ercosplan to prepare a preliminary brine resources assessment study for the surface potash brine reservoir and solid evaporate deposits located on the company's 82,195 hectare (approximately 821km<sup>2</sup>) Bayovar concession in the Sechura desert in northwest Peru.

Americas Petrogas, through its wholly owned subsidiary, Americas Potash Peru SA, recently signed the Surface Rights Agreement with the Community Foundation of San Martin de Sechura, permitting the company the right of surface access in respect of the Ramon and Zapayal potash brine reservoirs and evaporite deposit located on the company's Bayovar concession (*FW Online, June 5, 2009*).

The company this week also announced it has engaged two experts to assist in the development of the Bayovar surface brine reservoir and solid evaporate deposits

Americas has engaged Luis Coronel, a chemical engineer with over 40 years experience worldwide in all aspects of analysis, planning, design, engineering and project management and implementation of solar evaporation technology for processing of brines for producing potash, salt and chemical by-products. He was project manager for producing salt and potassium chloride from surface underground brine in the Ramon pilot plant for Minero Bayovar and Kaiser Chemical (US) in Peru, two of the prior concession holders of Americas' Bayovar concession.

In Mexico, Coronel acted as production manager for the world's largest solar evaporation plant, and also has worked for Akzo Nobel Salt Inc. based in the US and the Netherlands. He was manager of Solar Salt Technology and assisted senior management in special projects in the US and around the world.

Americas also has engaged Vicente Palacios, a chemical engineer, with 40 years experience in quality control and was head of the laboratory and quality control director for Southern Peru Copper refining operations in Peru. Palacios also has direct experience with Americas' Bayovar concession as he served as head of laboratory, head of the Ramon pilot plant and head of fertilizers and brines for Minero Peru. He was also involved in prefeasibility and feasibility studies concerning brines at Bayovar.

Americas' president and CEO, Barclay Hambrook said the engagement of these two highly qualified chemical engineers, both with hands-on experience with historical Bayovar concession holders, provides the company the advantages of proceeding ahead quickly in updating historical engineering information, retesting of potash brines and in initial design of the solar evaporation processing plant for potash fertilizers and other speciality chemicals.

Americas, whose shares trade on the TSX Venture Exchange, has oil and gas exploration and development activities in Argentina, as well as in Peru.

## Raytec to sell all potash assets

RAYTEC METALS Corp has entered into a letter of intent to sell all of its current potash properties, including the Spar Property and KP452, to Angus Ventures Corp and Encanto Potash Corp (EPC). Angus and EPC have agreed to merge by way of an amalgamation, and the merged company will retain the name Encanto Potash Corp.

Raytec will receive up to 20.68 million shares of Encanto at \$0.25 per share for a deemed value of up to \$5.17 million, which is about equal to the aggregate of Raytec's acquisition costs and costs incurred to date on its potash properties. Furthermore, Raytec will make available \$6.5 million to be spent on the combined potash properties by December 29, 2009, to earn a 51% interest in Encanto's Potash Properties. Encanto will have the option to repurchase the 51% Raytec interest in exchange for 26 million of its own shares.

Brian Thurston, President of Raytec, said: "We are extremely pleased to provide Raytec shareholders with the opportunity to be involved with Encanto whose primary focus is to explore our combined properties and develop an economic potash deposit. A key factor in the success of any potash venture is the ability to finance through to production. We believe that Encanto's strategic alliance with Endeavour Financial Ltd. will be a determining factor in our successful development of the next potash mine."

## Western Potash obtains drilling results

WESTERN POTASH Corp has received results from its first potash exploration well on the Milestone property in southern Saskatchewan. The first well targeted potash prospective sequences within the Prairie Evaporite formation, which was intersected at a depth of 1,657metres, showing a total of 19.9 metres of potash mineralisation with an average grade of 17.2% K<sub>2</sub>O across three potash bearing members.

The company said in a statement that the geological setting and mineralisation are consistent with characteristics of other potash deposits in Saskatchewan, adding that it considers the high formation temperatures recorded in this part of the potash belt to be ideal for the economic production of potash from a solution mining operation. The exploration area already has water, power, natural gas and rail infrastructure to serve the project, allowing for the transportation of potash to Vancouver, the Asian markets and the US Midwest.

Samples from the three potash zones will now be submitted for analysis at the SRC laboratory in Saskatoon. Results are expected to be obtained within 4-6 weeks. Western Potash is continuing to explore the property, and has completed drilling on the second well at Milestone, which is located approximately 5.25km to the southeast of the first well. The company plans to drill three wells in total (*FW Online, May 8, 2009*), and expects to prepare a NI 43-101 compliant resource calculation on the Milestone property during 2009, should drilling results continue to be positive.

In related news, Potash One reports that it is finalising its pre-feasibility study for the Legacy solution-mining potash project in Saskatchewan. The study is being compiled by SNC-Lavalin of Montreal, and a summary will be released as soon as possible.

## Passport receives Holbrook drilling permit

PASSPORT METALS Inc has received its drilling permit from the Arizona State Land Department for the Holbrook Potash Project in east central Arizona, which it acquired in November 2008 (*FW Online, November 21, 2008*). Passport plans to begin the drilling programme within two to three weeks.

Historic drilling in the 1960s and 1970s by Arkla Exploration Company and Duval Corporation included nine holes on the current Passport holdings. Five of the holes were assayed with potash values ranging from 11.05% K<sub>2</sub>O to 14.59% K<sub>2</sub>O, all over 1.2 m. Passport will initially complete five reverse circulation / diamond drill holes, including twinning some of the historic holes, to verify the potash horizon and historic grades, and will then continue drilling to allow the completion of an NI43-101 resource estimate.

The Passport exploration permits lie in the Holbrook basin, an evaporite basin underlying 1,550 km<sup>2</sup> of east central Arizona. Potash mineralisation within the Holbrook basin is located at about 365-396 metres below the surface. Maximum thickness of the potash is about 12.2 metres. Previous exploration has shown the potash mineralisation consists of sylvite, carnallite and polyhalite.

There have been two estimates for the entire potash component of the Holbrook basin. Carr (1966) estimated a geological target of 256.9 million mt of potash at an average grade of 19.76% K<sub>2</sub>O. Rauzi (2008) estimated a geological target for the entire Holbrook basin of 682 million mt of potash at 6% K<sub>2</sub>O to 2.58 billion mt of potash at 20%

K<sub>2</sub>O. The current Passport holdings comprise a total of 3,210.5 hectares, suggesting these holdings could host 2.07% of the total geological target or 14.1 million mt of potash at 6% K<sub>2</sub>O to 53.4 million mt of potash at 20% K<sub>2</sub>O.

There are no current 43-101 mineral reserves or resources on Passport's Holbrook basin potash project holdings. The potential quantities and grades indicated are conceptual in nature. At this time, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the discovery of these mineral resources.

## Korab lodges mining application for GeolSec

AUSTRALIA'S KORAB Resources Limited has lodged an application for a mining tenement covering the GeolSec phosphate rock deposit in the Northern Territory as part of the process of securing required permits and regulatory approvals to develop and start production at the GeolSec phosphate rock project, according to a company press statement. The company plans to start sales of the phosphate rock in 2010 subject to approvals being received.

The company is targeting first year production of 10,000 mt of organic fertilizer for a pre-tax profit of A\$3 million (\$2.39 million) and preferred supplier of environmentally-friendly organic fertiliser to the agricultural sector in the Northern Territory. Korab has already commenced the marketing of GEOLSEC organic fertiliser with the initial focus on pastoralists and organic farmers in the Northern Territory.

A scoping study was completed to evaluate commercial viability of the development of the GeolSec rock phosphate deposit located 65 km south of Darwin, near Rum Jungle in the Northern Territory. The scoping study indicates that the deposit can be developed as a simple quarrying operation and that it is capable of supplying pastoralists, organic farmers and other users of phosphate based fertilisers with an organic fertiliser based on ground-up rock phosphate. Organic fertilisers based on ground-up rock phosphate offer several advantages over soluble fertilisers such as DAP, MAP or SSP.

Korab anticipates that the production could be expanded to 30,000 mt/year by 2013. Results of the scoping study indicate a potential for the project to operate for at least five years at a rate of 30,000 mt/year. Start-up

costs are expected to be low at A\$400,000, with working capital in the order of A\$500,000 and A\$800,000.

Korab Resources Limited is a mining and exploration company with four mining projects in Australia and Ukraine. Geolsec Phosphate Operations Pty Ltd is the operator of the GeolSec project. Australian government agency, Bureau of Mineral Economics estimates that Geolsec project contains approximately 1 million mt of phosphate rock grading up to 39% P<sub>2</sub>O<sub>5</sub> and with an average grade of 12% P<sub>2</sub>O<sub>5</sub>.

## FINANCIALS

### RCF sees drop in fiscal Q4 net profit

INDIA'S RASTRIYA Chemicals and Fertilizers (RCF) reported a 23% drop in net profit for the fourth fiscal quarter ended March 31 2009, despite an increase in revenues.

The Mumbai-based company posted a fourth-quarter net profit of Rs 393.7 million (\$8.2 million), down from Rs 513.7 million for the same prior year period.

Net revenues from operations rose 44% to Rs 19.13 billion from Rs 13.29 billion. Other income amounted to Rs 256.9 million in the quarter under review compared with Rs 315.2 million in the fourth fiscal quarter of 2008.

For the fiscal year ended 31 March 2009, RCF made a net profit of Rs 2.12 billion, up 34% on the prior year's Rs 1.58 billion. Net revenue for the year grew 63% to Rs 83.66 billion from Rs 51.40 billion a year earlier. Other income was Rs 831.1 million compared to Rs 806.8 million 12 months earlier.

RCF operates an ammonia unit and 1.7 million mt/year capacity for urea at Vaishet in Maharashtra state. A revamp of the Thal 1 and 2 urea facilities is scheduled to start this coming August and is planned to complete in 2010. It will take Thal 1 and 2 urea capacity to 2 million mt/year.

The company's ammonia and urea units at Trombay V in Maharashtra were halted all through the 2008/09 fertilizer year and are understood to be still shut. The urea unit has capacity for 330,000 mt/year.

RCF produces ammonia and nitric acid at Trombay 1-V for NPs and NPKs production at the site.

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