ETHIOPIA

Mills, Dattels reveal potash progress

Gareth Tredway

Having bought the Danakil assets out of Ethiopian Potash Corp (now Agriminco) a couple of years back, privately-owned Circum Minerals has made massive progress on the project and expects to complete a feasibility study by mid-year on what could be one of the world's largest potash developments.

Brad Mills, via his private investment group Plinian, is managing the company. Circum was founded by Stephen Dattels, most recently in the news for his investments in the Rossing South uranium project in Namibia, which was eventually bought by the Chinese and is now being developed into the world's second-largest uranium mine.

Speaking to Mining Journal from Plinian headquarters in London recently, the two, with vast resource sector experience on the continent (and the world), were keen to talk up Ethiopia as an investment destination, describing it as a "refreshing", "shining light" on the continent.

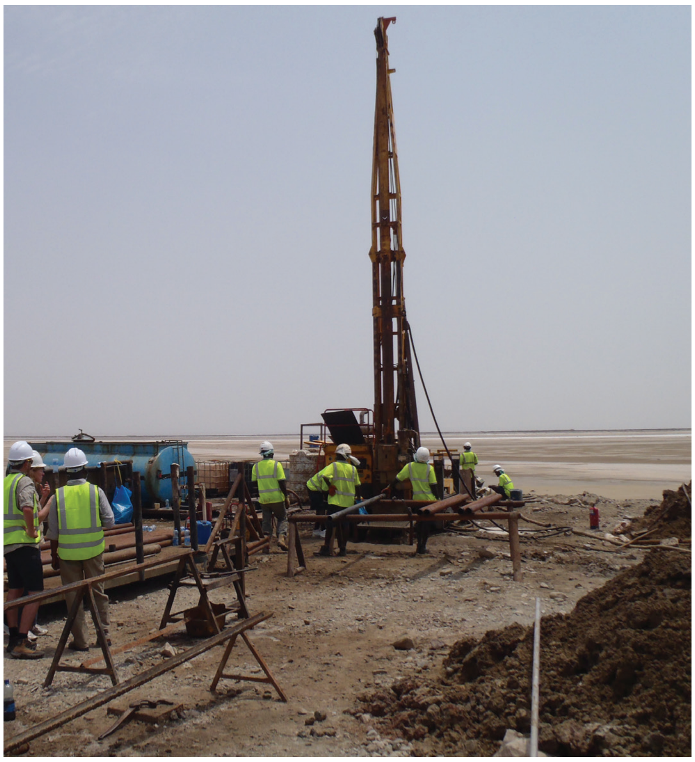
"When Brad and I go there, they say: 'What can we do for you?'" says Dattels.

From an infrastructure perspective, unlike other African countries, the government is building the road access to the project, the export road to the rail head and ensuring power and water supply.

Mills, the former chief executive of Lonmin plc and a BHP Billiton executive before that, says: "We have started working with them on a joint rail study for a 330km rail link to the main line that goes to the port of Djibouti and that, of course, is the ultimate solution once we get to about 3-4Mt/y of product. We'll probably start with road and then migrate to rail."

In addition, port loading facilities will also be provided at Djibouti.

Mills speculates that in the long term the mines eventually built by the four players in the depression could supply up to 15% or 10Mt/y of global potash supply.



Drilling at Circum's Danakil potash project in Ethiopia

Dattels is a former Barrick director and serial entrepreneur. He has been involved in Africa since the mid-90s and counts the sale of Bibiani to Ashanti Gold as one of his earlier successes.

He has also done business with Mills before at West African Minerals Corp, which is exploring the Sanaga project in Cameroon, as well a Nimini, owner of a gold project in Sierra Leone. Investments in two commodities that have seen better days – for now.

"So I started to look at other commodities and potash was really of interest, and I knew of this project in Ethiopia that was owned by a Canadian company called Ethiopian Potash Corp."

"They were struggling for financing, but with a limited number of drill-holes they had actually discovered a major deposit," said Dattels. "So with the meltdown in the markets, I pushed Brad and we picked up the deposit."

Mills elaborates: "When Steve and I were looking around, we were pretty interested in potash as a commodity and the key thing we were focused on was transportation logistics. We were focused on East Africa with an eye on the Indian Ocean.

"As soon as you start focusing on East African potash, you end up at the Danakil basin really quickly."

The original work was financed with high-net-worth individuals, including Dattels and Plinian, and eventually an initial 1,800Mt resource was drilled off. Last year AMED (African Minerals Exploration and Development) , a London-based private-equity group bought in and now owns 37% of Circum.

AMED was formed in 2012 and has two funds under management. The first, which closed in 2012, has US$150 million fully committed and the second, closed in late 2014, raised US$250 million.

"So we have now raised US$47 million and we are almost finished with the feasibility study," said Dattels.

Simply put, Circum's land is on the northern part of the Danakil, up to the Eritrean border. On the other side sits South Boulder's project and to the south are the assets of Yara and Allana.

Allana Potash is the most advanced on the Danakil. In February 2013, the company completed a feasibility study for a 1Mt/y muriate of potash (MOP) solution mining, solar evaporation mine at its Danakil project, while also attracting the interest of ICL, a large fertiliser company, which is now its partner at the project.

Results were achieved quite quickly once Circum got hold of it.

Mills said: "We drilled the obvious extension of the orebody that they had identified and in very short order turned it from a 100Mt deposit to 1,800Mt and the most important part of that is the geology changes as you go north.

"You go from this relatively thin sylvanite deposit to where it suddenly triples in thickness and from 1.5-2m you go to 5-10m in thickness, and this very, very thick kyanite-carnallite sequence sits underneath this, and so in some areas we have a combined column of potash mineralisation that is over 65m thick, all within a couple of hundred metres from the surface."

Mills said it was clear from the preliminary scoping study that the project could easily support up to 5Mt of production, so it was more a question of what scale the company wanted to start at and the product mix. The is potential for both MOP and sulphate of potash (SOP) production.

"Where we have landed is an initial project of 2Mt/y of MOP and 750,000t/y of SOP as a first step." The ratio of production was chosen because of the sizes of the two products' markets.

About a year ago, the company decided to take the project to feasibility and also to explore more of the massive landholding.

"We have essentially found exactly what we thought we would find, so we will more than double the resource when we update it at the end of this quarter," says Mills, suggesting a near 4,00Mt resource with about half the project area explored.

The company is putting in the first demonstration well and evaporation plant to produce raw concentrate material.

Effectively, Mills says the US$2 billion capex, 2.75Mt/y producing asset would be the second-largest potash mine being developed behind BHP Billiton's (BHPB) Jansen project in Saskatchewan.

He adds that Circum's project has a capital efficiency (US$727/t) that is two times better than that of Jansen, where a currently quoted US$16 billion, 8Mt/y (US$2,000/t) project is being developed.

"So it is very efficient from a capital cost and is in the lowest quartile of operating costs, so that is obviously compelling from a development perspective," said Mills.

So significant is the project that Mills draws comparisons with his time at BHPB and the eventual development of Escondida, which is today the world's largest copper mine.

"I look back at when we started building Escondida in the Atacama desert and there was nothing there. We built it as a starter project [and] it just serially expanded for the next 15 years to become the biggest single mine in the world today.

"This just reminds me of that type of a project. Its about building that coalition of strategic investors, as we did with Escondida."

Unlike some of their other business interests, Mills does not see this one making to a stock market anytime soon. One of the reasons is to avoid what he calls a "public company trap" where single-asset juniors who will require a large amount of capital to eventually build the project struggle to achieve an adequate value to eventually raise the money required.

"My strong desire is not to have this as a public company. I just think these projects develop much more logically and calmly in a private market setting. The BHPB-Escondida story is similar: nobody knew about it and I don't think they even mentioned it until it got built."

AUSTRALIA

Metals X eyes significant gold producer status

Michael Quinn

Part of the South Kalgoorlie asset portfolio picked up from Alacer Gold

While much of the Australian resources sector has been sinking in doom-and-gloom mode over the past year or so, tin and gold miner Metals X has been absolutely flying, especially over the past few months.

A tsunami of corporate initiatives and deals have been coming out of the Parliament Place, West Perth-headquartered company, and the market has evidently been well pleased given Metal X has nearly doubled in value since mid-December – with a capitalisation this week of about A$500 million (US$390 million).

While the biggest driver has been the strong Australian gold (and tin) price boosting cashflow from its operations, the company has also been putting in place all the building blocks needed to create a significant and marketable resources business.

After buying the Alacer Gold business in October 2013, and the Meekatharra gold assets in May last year, Metals X raised A$40 million via a gold pre-pay in September – whereby Metals X got A$40 million cash from Citibank in return for delivering 1,250oz of gold for 24 months. (Current cash totals about A$120 million).

The company then announced an inaugural dividend, and a share consolidation, both the sort of initiatives likely to find favour with North American investors, which Metals X has targeted in its marketing in addition to the usual suspects.

Various other deals and exploration results have also been reported, and late last month the attractive feasibility results for a 200,000oz/y operation in the Central Murchison were revealed.

This week, Metals X added another significant gold business to its portfolio with the addition of the Central Tanami project in the Northern Territory. Any arm waving in respect of this asset would point to the established infrastructure and resources, and the attractive deposits found in this part of the world.

All up it would seem possible Metal X's gold operations could be producing at a rate in the order of 500,000oz/y within a couple of years.

Throw in a notional A$400-500/oz margin for that sort of production and the corporately cashed-up, debt free-company should, short of the Australian dollar gold price tanking, be making some serious dollars.

Add the tin, the general exploration upside of the overall portfolio (including Rover near Tennant Creek), and the optionality of the massive undeveloped Wingellina nickel, and it is not surprising there's been growing market interest in the diversified miner.

The commodity diversification, plus multiple operations, is likely a further source of reassurance for investors, especially in light of management at the company having extensive experience in the past couple of decades as resource project renovators, innovators and operators.

AUSTRALIA

The crux of it

Michael Quinn

There will be a lot of very, very interested parties waiting to hear how Sirius Resources' latest nickel exploration drilling is going. With crossed fingers.

Sirius is drilling its Crux deposit in the Fraser Range of Western Australia that it made famous with the world-class Nova nickel-copper find a few years back.

The first diamond hole at Crux was said to be very encouraging, with prospective geology confirmed and evidence of disseminated nickel below strong surface anomalism. According to some, Crux could be the next Nova, though even the most bullish would concede 'could' is the operative word.

Those who would be waiting pensively for news would be all the juniors who flocked to the area in the wake of the original Sirius success.

Between 20 and 30 juniors have been active at various times in the region, and many will be most hopeful of Sirius recording a significant drill hit so as to allow them to replenish their sagging cash stocks.

Without that success, it is likely that at best they will have to issue heavily discounted paper to raise funds to continue, and at worst not be able to access any significant capital and have to go into hibernation.

For as is well recognised, there is simply no market and hence investor appetite for most greenfield exploration plays.