

In search of the next potash mine

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Mike Ferguson

Mike Ferguson's first contact with the potash industry was up close and personal.

Born and raised in Regina, Ferguson was attending the University of Saskatchewan in the 1980s when he worked a summer at what was then the Cominco potash mine (now Agrium) out at Vanscoy.

"My first introduction to potash was by tasting it," Ferguson laughed, recalling how one of his jobs was to run a machine underground at the mine face.

Since then Ferguson, a mechanical engineer, has been associated with the industry in one form or another most of his working life.

He's now the CEO of Gensource Potash, a junior potash company, where he's hoping to duplicate the success he had as part of Potash One.

Potash One accomplished a feat not seen in Saskatchewan for the past four decades when they developed the first greenfield potash mine — Legacy potash project near Moose Jaw.

It was responsible for the initial exploration, pre-feasibility and feasibility studies and an approved Environmental Impact Statement before being acquired by the international potash producer K+S Group in 2010. That mine is scheduled to begin production in 2016.

Now Ferguson wants to repeat that success with Gensource and develop another solution potash mine.

Back in 2007-08 when Ferguson joined Potash One, potash was becoming a star commodity.

"At the time there was a real 'pink' rush in Saskatchewan," Ferguson said.

Today a number of potash projects in the province are being put on the shelf or delayed.

The three largest mining companies on the planet — BHP, Vale and Rio Tinto — have interests in Saskatchewan, though none have committed to a full-fledged mine.

But Ferguson still believes there is plenty of momentum for potash plays, if you have the right game plan.

"The pink rush is still on, except it seems to have stalled."

He said Gensource has developed a specific game plan for their venture, which he likens to a three-legged milking stool.

"Three-legged stool sits solid on any surface, but each (leg) is critically important," he said. "If you are missing one, it all falls down."

The three legs are:

■ **1. Market access.** "If you don't have your market sewn up, almost pre-sold — to actually identify people who have money on the line and signed documents — if you don't have that, you are in really bad shape," he said.

■ **2. The financial capacity.** "We know these (mines) are \$3 billion to \$4 billion. Unless you are prepared for that you are fooling yourself and your investors." That means finding partner(s) to help finance the project.

■ **3. Execution expertise.** "That's how we see ourselves. We are that component of the three-legged stool."

"You have to start as if you

are going straight to production," Ferguson said. "If you treat it that way, you end up developing the project differently."

The company has been busy trying to put the first two legs of the stool in place.

They have signed a binding term sheet with Canada Potash to create a public entity to be majority owned by Canada Potash.

"They had spent the last two years with essentially the same three-legged stool model as we had," Ferguson said of Canada Potash.

"They had spent two years finding the market in China, signing up partners who wanted potash — farm co-operatives, fertilizer manufacturers — people who actually use and want the product.

"And they have made inroads with Chinese banks and very large Chinese private equity investment groups."

With the market and financing progressing, it is now up to Gensource to deliver the third leg of the stool, he said.

They have four project areas to explore and then decide what the best project is to go forward.

They anticipate using a solution mining method over more conventional methods.

It is cheaper and quicker to start up, Ferguson said.

Gensource is exploring new techniques that could make it even more efficient.

"It's all experimental (right now)," he said. "(But) we think it has the potential to change the whole industry."

Next stage

"We at the project development level now become the critical path in the overall project," Ferguson said. "We need to perform now to get it up quickly and efficiently like we say we can."

He said they will develop an exploration program across all four areas and use that data to zero in on a single project, with a decision on what project to carry forward to be made sometime in 2014.

"Then we will churn through the steps, environmental impact statement, community engagement and First Nations involvement, all the engineering studies and detailed exploration."

He said most of the team that comprised Potash One will be involved, including geologist Steve Halabura.

"Steve put the X on the map for BHP's Jansen mine," Ferguson said.

"He put the X on the map for the Karnalyte mine, he put the X on the map for the Legacy mine. There is nobody that knows where he is going and what he is doing in the prairie evaporite."

"We have a group that is not only expert in what they do, but they have done it before."