South Boulder provides investors with a rare exposure to potash

It’s the classic investors’ disconnect.

Every day we are bombarded with talk about how the world’s burgeoning population is making agriculture one of the growth industries of the decade. But for investors, there is a shortage of stocks offering a direct exposure to this opportunity.

And in the case of those listed companies which are ideally-placed to be part of an agriculture boom, most are well-established and therefore offer investors little in the way of leverage and sharp growth.

But South Boulder Mines, which has a market capitalisation of just $26 million, is ticking both boxes, providing investors with significant leveraged exposure to agriculture through its Colluli potash project in Eritrea.

Like most areas of agriculture, the fertiliser industry is widely seen as a key beneficiary of surging global food demand. But with so much of the world’s fertiliser supplies in the hands of the majors, there are few projects which enable investors to get a slice of this action.

South Boulder, which takes its name from the WA mining interests with which it was previously considered as waste being classed as ore. In addition, the product suite from the resource now includes potassium sulphate, a potassium fertiliser which has a limited number of production centres globally and currently enjoys a price premium of more than 60 per cent over the more common potassium chloride.

The economic impact of this new approach cannot be overstated. Essentially it would allow all three types of potassium-bearing salts in the resource could be used.

Donaldson believes that South Boulder is on the cusp of demonstrating that Colluli has an outstanding future.

This fundamental re-think is considered pivotal to Colluli’s future because it would slash the mining costs by about 40 per cent compared with the initial estimates. This would be the direct result of a big cut in the strip ratio due to material which was previously considered as waste being classed as ore. In addition, the product suite from the resource now includes potassium sulphate, a potassium fertiliser which has a limited number of production centres globally and currently enjoys a price premium of more than 60 per cent over the more common potassium chloride.

The economic impact of this new approach cannot be overstated. Essentially it would allow all three types of potassium-bearing salts to be mined and processed at the same time.

As well as significantly reducing mining costs, it would extend Colluli’s mine life by many years and allow the long-term scale of the project to be increased. At the time of going to press, South Boulder was in the process of reviewing proposals for metallurgical consultants to carry out extensive tests on Colluli ore samples to determine which of the processing routes would deliver the best economic and technical outcomes.

These results will pave the way for South Boulder to complete the full feasibility study on Colluli taking into account the sharply lower mining costs, the new product suite and the chosen processing route.

At the same time, South Boulder is seeking to determine the optimum start-up size of the project. Thanks to the low capital costs of the open cut mine, he has the option of adopting a modular approach, meaning the initial funding requirement is less onerous and the project can be easily expanded as it is proven and the risk reduced.

South Boulder has formed a 50-50 joint venture with the Government-owned ENAMCO. Known as the Colluli Mining Share Company, it holds all the leases and other assets associated with Colluli and sets out the terms on which the project will be developed.

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South Boulder chief executive early last year marked a crucial turning point for Colluli and the way this three-tiered resource was viewed. Donaldson ordered an extensive review which found that all three types of potassium salts in the resource could be used.

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South Boulder Mines CEO Paul Donaldson has brought fresh thinking to the Colluli potash project.