South Boulder Mines is a stock on the rise

South Boulder Mines (ASX:STB) shares have risen 44% over the past two weeks to $0.36 as the company progresses its Colluli 50/50 Joint Venture Potash project in Eritrea.

Proactive Investors had on 24th March calculated a 12 month price target range of $0.40 to $0.45 and placed a Speculative Buy recommendation on South Boulder Mines.

Colluli hosts a JORC Resource of 1.289 million tonnes of open pittable ore containing 260 million tonnes of recoverable Potassium Sulphate or Potash that is also known as (SOP).

Potassium Sulphate is geologically scarce with only two green-field projects that have completed a Definitive Feasibility Study.

The Colluli resource has a potential mine life exceeding 100 years

PFS estimates give Colluli the lowest capital intensity of all advanced SOP projects globally.

Mine gate operating cost estimates place Colluli in the bottom quartile of the industry cost curve.

Average total costs "Free On Board" at Afile Bay are estimated at US$210 per tonne of SOP, and in the 5th year at US$189 per tonne.

The modular development approach significantly de-risks the project and potentially increases development speed.

In addition, the massive resource provides substantial opportunity for future growth.

Sulphate of Potash

Global production of SOP from brines and chemical processes have an average cost range of US$350 to over $500 per tonne and highlights the competitiveness of the Colluli project economics.

Applying a constant sales price of US$588 per tonne of SOP produces a robust Internal Rate of Return of 22.3% rising to 24.7%.

This is forecast to generate an EBITDA to South Boulder Mines for its 50% interest of ~US$50M / A$63.5M per year, rising to ~US$105M / A$133.4M in the 5th year.

SOP resources produce a fertiliser that is chloride or salt free. SOP is in high demand because it improves soil, aids water retention, yield, nutrient value, taste, colour, texture and is widely applied to fruit, vegetables, and rice, and wheat.

Global usage of SOP is less than 6 kilograms per hectare with China, Italy, and Mexico consuming ~30 kilograms per hectare, and the U.S. with over 100 kilograms per hectare. Increasing global societal wealth will drive SOP demand for larger volumes of higher nutritional crops.
South Boulder Mines is part of a peer group of listed developers that have completed preliminary studies on underground, open pit and brine style potash resources that carry a median Enterprise Valuation "EV" of $0.88 per tonne of defined resource.

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