

BHP Billiton takes \$240M step toward mine

Investment will fund preliminary stage work for Jansen potash project

BY CASSANDRA KYLE, THE STARPHOENIX JANUARY 21, 2010 7:24 AM

BHP Billiton's \$240-million US investment in its Jansen potash project is an important step toward the potential creation of a new Saskatchewan mine that could employ up to 1,000 people, project director Gordon Graham said Wednesday.

But the investment, which the company refers to as pre-commitment capital, doesn't mean BHP Billiton has finalized plans to build a potash mine at the Jansen site, located about 140 kilometres east of Saskatoon, just north of the community of Lanigan.

"We would love to see potash be the next big business for the organization and we'd very much like to see this move forward," Graham said about the project, which is being designed to produce eight million tonnes of potash per year.

The funds approved by the Australia-based company will be put toward ground freezing work for the sinking of two shafts -- one production and one service -- along with required engineering and associated work that must be completed before the company receives environmental permits, which are anticipated to arrive in mid-2011.

Meanwhile, the ground freezing work will also contribute toward BHP Billiton's environmental impact statement, Graham said, which it expects to file with the provincial government on or about Sept. 1.

Graham said he expects BHP Billiton's board of directors to make a final, full investment decision for the Jansen project around November 2011. The Saskatoon-based project director was unable to comment on how much it would cost the company to develop the site into a fully operational mine.

"If we actually get board approval in November 2011, we would be expecting to see the first production in . . . early 2015," he said.

Graham said a mining operation at Jansen would employ 1,000 people in full-time, permanent jobs once the site reaches its eight-million tonne capacity.

He said the communities surrounding the Jansen site have supported the project.

"We've had fantastic support from local businesses, local hotels and restaurants," Graham said. "And the local communities have been very co-operative and they've made us feel really welcome where we've been working."

MARKETING OPTIONS OPEN

In concert with the development of the Jansen site, the company is also studying potash transport logistics and the location of a new port on the West Coast from which it could ship the key fertilizer ingredient to international markets, Graham said.

Current potash producers in Saskatchewan, Potash Corp. of Saskatchewan Inc., Mosaic Co. and Agrium Inc., use the provincial potash marketing firm Canpotex Ltd. to transport and sell their product.

Graham said BHP Billiton hasn't yet decided whether it will go through Canpotex or market its own potash when, or if, the Jansen project reaches the production stage.

"We haven't actually come to any conclusion on how we would deal with that today," he said. "We are looking at a wide range of options for how we would market our product, but our clear preference internationally is we do like to market our products ourselves."

Meanwhile, BHP Billiton is continuing to advance its Boulder and Young potash projects, part of the company's 7,338-square-kilometre exploration lease in the province.

Graham said BHP Billiton's new focus on potash could mean big things down the road.

"We don't just want to create one mine out of this, we actually want to create several, and we want this ground to be the anchor point of a great new business," he said.

Calling 2010 a "turnaround year" for potash, Saskatchewan Energy and Resources Minister Bill Boyd said BHP Billiton's decision to invest millions of dollars in the province shows the company's interest in both the region and the mineral.

"I think it's tremendous news for Saskatchewan," Boyd said. "It shows the level of confidence they have in the business community here in Saskatchewan. Obviously the resource is here, they want to have a very significant presence and I think they've signalled just that."

Although the company has yet to commit to a full-scale mining operation, Boyd said BHP Billiton's recent movement on the project indicates it is "getting pretty serious" about Jansen.

Graham said the provincial government played no small role in helping the company advance its potash project.

"They've really been incredibly supportive and accessible for us and we really just want to acknowledge the role they've played in making investments like this possible here," he said.

The project director expects ground-freezing work at Jansen to begin this spring.

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