

Potash potential

Investors bet millions on Athabasca's plan for Burr-area deposit

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There is not much valuable real estate left in the unincorporated village of Burr (Pop. 3), located about halfway between Guernsey and Humboldt along Highway 20, besides the RM of Wolverine office and a community hall.

But an upstart Saskatchewan potash company has a group of institutional investors talking about the potential, multibillion-dollar value of the Burr potash deposit located 1.1 kilometres below the Prairie landscape.

These institutional investors are doing more than just talk about Athabasca Potash Inc. of Saskatoon and its Burr project. By the end of this week, Athabasca expects to have closed its over-subscribed initial public offering and raised close to \$49 million from investors. As early as Thursday, shares of Athabasca could be trading on the main TSX exchange under the trading symbol API.

The Burr potash land lease was first explored by drill bits half a century ago. Most important to Athabasca Potash, it is located almost immediately north of the giant PCS Lanigan mine and its extensive potash leases and shares the same geology, according to Athabasca's founder, president and CEO Dawn Zhou.

She has been quietly working toward going public with Athabasca for more than two years. In today's bull potash market, Zhou predicts that in another five years the Burr project will become the Burr potash mine.

With world demand growing each year by an estimated two million tonnes, or the equivalent of one new greenfield mine, Zhou says there is no doubt in her mind the world will need the production of another big Saskatchewan potash mine.

"We know Saskatchewan has lots of resources and we want to increase Saskatchewan's potash market," she said Tuesday.

Zhou's diligence in discovering mining reports and core samples in Regina that were drilled in 1958 by the former Potash Corporation of America and other now-forgotten companies into a lease area then simply known as KP 308 was intentional. She says she was looking for the most prospective area so that Athabasca could focus immediately on becoming the first company in Saskatchewan to put a new "greenfield" potash mine into the ground this century.

And while that might seem like a tall order for a new start-up company, Zhou has attracted big Saskatchewan and national mining industry names to Athabasca's board, including board chair Ken MacNeill, the president of Saskatoon's Shore Gold Inc., and James Gardiner of Calgary, a former president and CEO of Fording Coal Ltd.

While many junior companies look for mineral resources and then seek a senior partner, Zhou is confident



CREDIT: Greg Pender, The StarPhoenix
Dawn Zhou, president of Athabasca Potash Inc., believes a new potash mine could be a reality within five years

Athabasca can complete all the required pre-feasibility and feasibility studies without having to seek a senior corporate partner.

"We want to have the option. We could continue independently," said Zhou, a Chinese-trained geologist who recently marked 18 years as a resident and business consultant in Saskatoon. "As long as you have a good project, you could convince people there are investment opportunities so the financing would be there for you.

"You've got to walk before that, but it's going to be there for you. There's a lot of cash out there -- China has \$1.3 trillion to invest -- and they are looking for good projects."

Zhou says the idea of creating a potash exploration and development company grew out of visits made in 2004 by Chinese venture capital companies who used Zhou and her CSIT Consulting Inc. business as a first point of contact.

In 2004, she simply named her company Athabasca Resources, assuming she might join the rush to explore for uranium in the far north. Instead, research showed there was no such thing as a junior potash exploration company in Saskatchewan despite the enormous, well-defined deposits located within mineral leases long abandoned by other companies.

The initial bit of financing to do some early stage seismic work came through money raised among family and friends she has made in the Saskatoon business community, plus an early investment of \$150,000 from Tom MacNeill's 49 North Resource fund.

The five drill holes done a year ago required a further private placement of \$3.5 million and Zhou says almost all of that money was raised among Saskatchewan residents interested in the resource play.

Last year, a further private placement raised \$11 million and some \$6 million of that has already been spent on the prospects done so far.

The \$46.5 million net that will go into Athabasca's bank account once the brokers are paid will last about 18 months before additional funds need to be raised to get to a mine, Zhou says. The ultimate source of the \$2 or \$3 billion dollars ultimately needed to fund a potash mine is an issue that time will resolve, she said.

"We are lucky," Zhou said Tuesday. "We have the most advanced exploration project. At this point, we are not subject to any joint venture.

"We believe you need to give the market time to recognize the value of the project and we will continue adding value to the project as time goes on."

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