Potash Potential of Manitoba

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1. Introduction

The world-class Russell-McAuley potash deposit is located in southwestern Manitoba along the border with Saskatchewan (Figure 1). Until recently, the potash beds were divided among a number of companies. The whole of the potash resource is now in the hands of a single developer, providing the opportunity for a single operator to assess the technical and economic potential of the whole deposit. Importantly, the McPhee deposit has been referred to as the St. Lazare deposit.

In 2013, the Government of Manitoba acquired 100% of the McPhee Potash Corporation (MPC). Combined, the Government of Manitoba and MPC now own or control approximately 142,900 acres (57,410 ha) of undeveloped, potentially mineable, high grade potash deposits on the Russell-McPhee property (the “Property”). Figure 2). The Northern block of the Property comprises the area that was assessed most recently by BHP Billiton Canada Inc. (2010) while the Southern block was held under a potash exploration permit by Agrium Inc. (Agrium).

2. Exploration History

The discovery of potash in Manitoba was in an oil well drilled in 1951 at the Point Basin, near Winnipegosis, on the eastern edge of the known potash area. This discovery led to exploration programs by syllite of Canada and its predecessor companies. S.A. McPhee and Tonolli Exploration Company Ltd. (TCLX) in the late 1960s and early 1970s, which resulted in the discovery of the Prairie Evaporite deposits. The most extensive exploration campaign was conducted by Prairie Potash which drilled 12 holes between August 1978 and March 1979. Areas, and Canaral focussed exclusively on the area around the town of Russell, where eight holes were drilled between 1980 and 1982. No drilling has been conducted on the Property since 1982.

On the MPC Property, there is an exploration database for 45 holes that penetrate the Prairie Evaporite Formation, with additional data available for a number of other holes, both within and outside the Property. There is also a 3D seismic database available for areas in and around the Property.

3. Potash Resource

Previously, the Russell-McPhee deposit was divided into two blocks. Formal mineral resource estimates have been prepared for the Northern (or Russell) block, most recently in 2009. A historical resource estimate for the Southern or (McPhee) block was prepared in 1988. Table 1 summarizes the estimated resources for both the Northern and Southern Blocks. The estimated resources have been re-estimated since they were conducted, which are presented to the following periods using different parameters. This property has a robust potential for a single operator to develop this property.

It is estimated that the project to develop the potash mine may take approximately 11 years, starting with estimation of a mineral resource for the entire Property on an external project, subject to continuous feasibility study work (Figure 2).

4. Mineral Rights

The MPC property includes the following mineral rights:

- MPC Fee Simple Potash Rights – MPC owns potash rights covering approximately 6,400 acres (2,600 ha).
- Financial Potash Rights under Lease – MPC is the lessee of hundreds of thousands of acres of potentially mineralizable high-grade potash deposits in the Russell-McPhee property in southwestern Manitoba, subject to the terms of an agreement (the “MPC Agreement”).
- Potash Royalty Rights – Potash Royalties covering approximately 4,500 acres (1,800 ha).
- Crown Potash Rights 4Q1977 – MPC is the lessee of potential potash rights covering approximately 1,973 acres (796 ha).
- Crown Potash Rights Withdrawal – Manitoba has withdrawn Crown potash rights totaling 45,500 acres (18,400 ha) within the Property boundary and is proposing to lease the rights to MPC or a successor company as a part of this transaction.

5. Investment Opportunity Highlights

5.1. Opportunity to develop a world-class deposit in Manitoba

5.1.1. The Government of Manitoba owns 100% of the shares of the McPhee Potash Corporation (MPC). Combined, the Government of Manitoba and MPC now own approximately 142,900 acres (57,410 ha) of undeveloped, potentially mineable, high grade potash deposits on the Russell-McPhee property in southwestern Manitoba, subject to the terms and conditions of an agreement.

5.1.2. MPC has a potash reserve of 4.3 billion tonnes of potassium, or higher.

5.1.3. MPC has a mineral resource of 2 Mt/y KCl, or higher.

5.1.4. MPC has 29 years of production, or higher.

5.1.5. MPC has a production facility under construction, or higher.

5.1.6. MPC has a processing plant under construction, or higher.

6. Divestiture Process

MPC is committed to working with interested parties to divest the property to a single operator who will develop the property. The divestiture process is designed to provide an opportunity for a single operator to develop the property in a manner that maximizes the potential for the entire area of mineralization.

6.1. Interested parties are invited to contact the Advisor directly regarding any aspect of the divestiture process. The Advisor is currently in the process of contacting select parties to discuss this opportunity and assess the interest level in pursuing a potential transaction.

6.2. Interested parties are required to contact the Advisor directly regarding any aspect of the divestiture process. The Advisor is currently in the process of contacting select parties to discuss this opportunity and assess the interest level in pursuing a potential transaction.

References


BHP Billiton reports from ADM Consulting Ltd. and AMEC Americas Ltd. (2009)

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Dawson Bay (Modified from Bamburak, 1983)

Figure 2: Distribution and extent of the Prairie Evaporite in the Elk Point Basin. (Modified from Bamburak, 1983).