

# Kazakh Potash 'Wildcard' Seeks IPO

By [The Moscow Times](#)

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LONDON — Satimola, a closely held Kazakh potash exploration company backed by Citadel, is studying a \$100 million initial public offering in London next year to take advantage of rising demand and prices for the crop nutrient.

The company is talking with banks on the IPO and seeking to appoint advisers within six weeks, before a possible listing in the second quarter of 2011, chief executive Jaime Troncoso said by telephone from Almaty. It may also consider Hong Kong for the IPO, he said, adding that the size of the stake to be offered is yet to be decided.

A recovery in potash prices, after they tumbled more than 50 percent during the global economic crisis, and potential takeovers such as BHP Billiton's \$40 billion hostile bid for Potash Corporation of Saskatchewan are fueling interest in the industry. Satimola has held talks with possible strategic investors in China, the biggest potash consumer, Troncoso said.

"We're like the wildcard in the middle," he said, citing potential interest from buyers in China and India, as well as suppliers in Russia and North America, given Satimola's targeted

production rate of 6 million metric tons a year. Satimola, not yet producing any potash, has a deposit in western Kazakhstan, about 3,000 kilometers from the Chinese border.

"We have been talking to some of the Chinese organizations and the reason is they need potash in the future and they are going to need more, and our deposit is strategically located with China," he said, declining to name the parties involved.

China, with 22 percent of the world's population, was the largest potash importer in 2008. With the global population adding 75 million people annually, food demand will strain crop yields, increasing the need for fertilizer.

Whether a buyer from China emerges or not, the company will seek to sell its output to the nation, as well as to India, Troncoso said. The potash market will be in deficit by the time Satimola starts producing in 2013, he said.

Potash prices have been bolstered by a 52 percent rally in wheat and a 38 percent advance in corn, according to consultant Fertecon. Last month Belarusian Potash, which controls 29 percent of global trade in the crop nutrient, said it planned to raise its Asian and Brazilian prices by 8 percent to between \$405 and \$420 a ton, including freight.

The three founding shareholders of Satimola, including chairman Gordon Toll, hold about 30 percent of the company. Other holders include San Francisco-based hedge fund Passport Capital, with a 25 percent stake, and Citadel, the \$11.1 billion firm founded by Ken Griffin, with 13 percent.

The initial development cost of Satimola's mine is estimated at \$600 million and the company may study equity and debt financing to help fund construction, Troncoso said.

Drilling of the deposit so far has discovered a resource of more than 8.5 billion tons of potash, at a 10 percent potash cut-off grade, and the mine may operate for more than 50 years, he said. The deposit can be expanded from initial annual output of 700,000 tons to capacity of 6 million tons a year within a decade at an estimated cost of \$3 billion, he said.

World potash demand will exceed 50 million tons this year and rise to 55 million to 60 million tons in 2011, said Oleg Petrov, Belarusian Potash's sales chief. Trade slid to about 30 million tons in 2009, with producers slashing output and prices falling.

Reserves and production of potash, used to describe several compounds containing potassium, are concentrated in 12 countries, according to Salman Partners. Potassium aids stalk strength in plants and boosts yields.

The Satimola project is smaller than the 8-million-ton Jansen mine that BHP is building in Saskatchewan, Canada. Potash Corp., the biggest maker of the fertilizer by capacity, can produce 12 million tons a year.

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