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## Gensource Potash – Showing the way of the future for Potash Production



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**Mike Ferguson**

**CEO CFO: Mr. Ferguson, what is the vision behind Gensource Potash Corp?**

**Mr. Ferguson:** Gensource's vision is to be part of a new wave in the agricultural industry, to help with food security around the world. That is a very big subject and we are only a small part of it with the provision of fertilizers for improving quality in the yield of crops. We are a small piece of the puzzle, but we are focused on an important part of the agricultural supply chain by supplying potassium fertilizer -potash- in a direct, open and transparent manner, which is a departure from how the industry works right now.

**CEO CFO: What is the current state of the industry and why is it as "iffy" as it sounds with non-transparency?**

**Mr. Ferguson:** The fertilizer industry, right now, varies in its structure. There are three main, what are called macronutrients, in the fertilizer world. Those macronutrients are: nitrogen, N; phosphorous, P, and; potassium, K - NPK. Each is derived from different sources, so there is a supply chain that is unique to each one of them. Potash has always been the toughest supply chain to control. Nitrogen is produced from natural gas in an engineered process. Phosphate is, for the most part, mined from various places around the world and processed into fertilizers. Potash is also mined and processed into its final potassium fertilizer products.

Potash has grown up over the last one hundred plus years into a bit of a unique industry that has always been dominated by very few players worldwide. It is a highly structured oligopoly. Throughout its lifetime it is

actually been a true cartel from time-to-time, but currently the industry operates as an oligopoly with five major players around the world controlling the vast majority of the market. That is the structure of the industry and that what we are out to try and change. We are here to implement small scale production that can be undertaken by smaller new entrants to the market place. This approach has a number of advantages: first, Gensource's small-scale facilities are environmentally sustainable (drastically reduced water usage, no salt tailing and no brine ponds); they fit well with in the social contexts of where they located: small rural communities, and; they allow for small incremental additions to the supply side of the industry to more closely match the demand side, instead of the current very large scale projects that add more capacity to the supply side than is required. Gensource represents a new approach – we are the thin edge of the wedge that begins to change the structure of the industry over time.

**CEOCFO: *Is all potash created equal?***

**Mr. Ferguson:** For the most part. Potash is a generic term that is used to describe any potassium bearing fertilizers. By far, the majority of potash fertilizer is MOP, which stands for Muriate of Potash, and its chemical composition is KCL. Therefore, it is by far the largest tonnage around the world that is supplied to crops. There are other forms of potassium also; SOP which is Sulfate of Potash and NOP, Nitrate of Potash and various other niche level products. None the less, all of these products deliver potassium to the plant.

**CEOCFO: *What are some of the challenges in mining potash?***

**Mr. Ferguson:** There is good reason why potash mining has been so concentrated over its life. All projects to-date have used variations of either conventional underground mining or convention solution mining to extract potash. These are old methods that tend to result in very large and capital-intensive project, producing large tonnages in order capture economies of scale to make them economic. And that is fundamentally the problem facing a new entrant to the industry: to enter with an economic project meant producing millions of tonnes per year using old-style methods and by producing those millions of tonnes per year, you are faced with an almost impossible task of moving all those new tonnes into the market – a very rough first step into the industry for anyone. That situation is what Gensource is solving with its new approach to the industry - which is to scale the projects down through fundamental efficiency rather than economies of scale. By doing that, we don't have to "bash" our way into the industry with millions of tons all of a sudden through one of the typical big projects that cost billions of dollars to construct, we can add small volumes to feed specific market needs in a very efficient and environmentally sustainable manner.

Our projects are one tenth the size of a typical potash project and that allows us to enter the marketplace at a much lower capital intensity. It is easier to finance and it has the tremendous benefit of also being much more environmentally sustainable than the old methods. We do this by implementing a form of solution mining called selective solution mining. Our methods and proprietary processing techniques use 70% less fresh water and do not create the environmental footprint with the salt tailings and brine ponds on the surfaces. So, we are setting a new bar – defining how capacity is added to the industry in a sustainable way.

**CEOCFO: *Why are you convinced that being environmentally friendly will make a difference with potential buyers?***

**Mr. Ferguson:** There are several aspects to that. First off, the making the environment the priority is something that comes from us as individuals. At Gensource, we are all long-time potash people in Saskatchewan and elsewhere around the world. We see the environmental footprint that the existing old-style mines have had and we do not like that. We know there is a better way and, fundamentally, we are doing this because it is the right thing to do.

A second aspect is that at the end of the day our customer will see that they are buying products that were produced in a much more sustainable way – by buying from Gensource they are supporting a facility that does not leave the typical huge environmental footprint and that gives them an extra reason to be our customers. At the end of the day there is no material change in price, but there is a huge change in how that product ends up arriving on their fields for application. For those who consider the environment an important thing, we think Gensource is the source of supply.

**CEOCFO: *Would you tell us about the projects you have now, either in the works or in consideration?***

**Mr. Ferguson:** We have two lease areas in Saskatchewan that are one hundred percent owned by Gensource. Our first project is a project called the Tugaske project. It implements one of our production modules. We call them modules because we have designed them to be easily repeatable units and each module produces about two hundred and fifty thousand tonnes per year of final product.

Tugaske will start at two hundred and fifty thousand tonnes per year of final product. All of that product will be sold to our partner in Tugaske, HELM Fertilizer Corp. Helm Fertilizers is a subsidiary of HELM AG, its parent company. Helm AG is a large German chemical and pharmaceutical company that has a very significant subsidiary and HELM Fertilizer Corp is one of the top three fertilizer distributors in the United States. HELM Fertilizer will be our offtake partner for the project, as well as our equity partner, meaning they will invest in the project and be a partner in the Tugaske production facility as well as marketing all of the product. One hundred percent of the product will be purchased by HELM and marketed to their existing customer base in the US. The Tugaske Project is fully permitted, shovel ready and just waiting for the financing, currently underway, to complete.

At the same time, we are starting to define our next project, which we call the Eyebrow project. That will be implemented for an independent group who will purchase the product from Eyebrow and market it in a different area of the world. Eyebrow is at an earlier stage of development. Because our projects are so small, our lease area can support several of them - the overall business strategy is to create a direct supply chain between a specific market and the production facility in Saskatchewan. Therefore, Tugaske is the first one out, followed by Eyebrow and followed, we hope, by many more.

**CEOCFO: *Is it easy to detect a good place for a project? What is involved in deciding where to start?***

**Mr. Ferguson:** Potash is a little bit unique that way. The deposit that we are mining is called the Prairie Evaporite Formation in Southern Saskatchewan. It is the basin of an enormous inland sea, from around three hundred million years ago, that evaporated and dried many times over to create a layered deposit that is now located one thousand to fifteen hundred meters below surface. The Prairie Evaporite is an enormous deposit, hundreds of miles in both directions in Southern Saskatchewan. It is not hard to find.

From the perspective of exploration, there really is no exploration for potash in Saskatchewan. The resource is very well understood. The key for potash is finding out where not to mine. There is an enormous resource base, so it takes some investigation using drilling and coring and 3D seismic techniques to really define the specific areas where you do not want to mine. With this data in hand, you will create your mine plan targeting the better areas. The resource is widespread, rich, thick and plentiful.

**CEO CFO: *Is there new machinery or equipment available now?***

**Mr. Ferguson:** The potash industry has been going in North America since 1918/1920 or so. Therefore, the techniques and the machinery and the processing methodologies are all very well understood and the industry base to produce that equipment is very mature and in place in Canada and the United States and, in particular for us, in Germany. German manufacturers make tremendous equipment for processing potash and we will take advantage of material and the equipment from all three of those locations.

**CEO CFO: *Do the major companies that are involved in potash now care about what you are doing?***

**Mr. Ferguson:** That is an excellent question! Of the major producers around the world, there are two in Canada, and those are Nutrien (TSX:NTR,NYSE:NTR) and Mosaic (NYSE:MOS). There are two in the former Soviet Union, one in Russia, Uralkali, and one in Belarus, Belaruskali. The fifth major producer is centered in Germany, K+S AG (FRA:SDF1). Those are the five major producers that account for the vast majority of the market around the world. Our own view is that a small group like Gensource, soon to be producing just two hundred and fifty thousand tonnes per year in a global market of over sixty-five million tonnes, likely does not represent a competitive concern. We are initially just too small.

While Gensource does not represent a large competitor in terms of production tonnes, what may be more impactful is Gensource's environmental footprint. We received environmental approval through the Province of Saskatchewan without the need to create a full environmental impact assessment. Under the environmental act and regulations in Saskatchewan, there are specific environmental triggers that will cause a project to have to complete a full environmental impact assessment and Gensource and its small Tugaska project simply did not trigger any of those items.

Going forward, once Tugaska is in production, we will have set a new environmental bar, so to speak, that will be very difficult to not maintain for the next project in the province and even around the world. From a

regulator's perspective, we can see that it may be difficult to allow or license an old-style project that has a very heavy environmental footprint when there is a new style project in production that has no such footprint. So, the biggest impact that Gensource may have is raising that environmental bar to say that "...if you are going to implement a potash project, here is the new environmental standard...". The standard of five and ten years ago no longer applies.

**CEOCFO: *Would you tell us about your recent funding and how far it will take you?***

**Mr. Ferguson:** The financing we are doing now is all focused on the Tugaske project, to reach financial close. The status of that a project is, with our partner HELM, we have completed the full senior debt due diligence process. The banks that are arranging the debt are KFW IPEX-Bank and Société Générale, as co-lead arrangers on the senior debt facility for the project financing. As mentioned, they have completed the due diligence process and we are now moving forwards to complete the equity side of the financing.

We are expecting bank commitment letters later this spring, followed by the final equity investments, which then of course leads us directly to financial close and construction of Tugaske. The Eyebrow project is in very early stages of engineering and conceptual design, so there is not much funding needed at this time.

**CEOCFO: *Why should people take a look at Gensource? Why is Gensource Potash Corp an important company?***

**Mr. Ferguson:** Gensource is important because it is showing the way, it is shining the light to the future of an industry with respect to both the structure of the industry and the environmental impact of the production of potash. For an industry that has always been dominated a very few large players, we believe to the detriment of the grower at the end of the day, Gensource brings technologies and a business model that will give the grower more choice and the ability to better control their supply chain for potassium fertilizers. On the environmental, social and governance side, Gensource is setting a new bar on how the industry should be adding production in the future. With no tailings and no brine ponds, a new production facility has a very light environmental footprint – there is just no need for the massive salt tailings piles and brine ponds anymore. And, with the small size of the projects, small communities, whether they are in Saskatchewan or elsewhere around the world, no longer need to be dominated, and forever changed, by the size of a potash mine as a neighbour.

