

# IC Potash Announces the Results of a Preliminary Economic Assessment of Its Ochoa Polyhalite Project, New Mexico, USA with a Capex of \$368 Million, 28% IRR and an NPV of \$1,197 Million

TORONTO--(BUSINESS WIRE)--November 9, 2016--**IC Potash Corp.** (TSX: ICP; OTCQX: ICPTF) (“IC Potash” or the “Company”) is pleased to announce that the results of an independent Canadian National Instrument 43-101 compliant (NI 43-101) Preliminary Economic Assessment (PEA) for its Ochoa Polyhalite Project (the Project) located in Eddy and Lea counties, New Mexico, USA have been received.

Golder Associates Inc. (Golder) compiled the PEA in its entirety with reliance on other experts for the following: CRU Strategies – Market Studies and commodity pricing, INTERA Geoscience and Engineering Solutions – Permitting and Environmental, and Upstream Resources – Product Development.

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Mineral Resource estimates presented in the PEA supersede the Mineral Resource estimate for the Project presented in the 2014 Feasibility Study titled Technical Report Ochoa Project Feasibility Study, Lea County, New Mexico, USA dated March 7, 2014 compiled by Agapito Associates, Inc. and SNC-Lavalin.

“The PEA and our new polyhalite strategy represents the important de-risking phase for the Ochoa project. This body of work and all recent positive developments for the Ochoa project enables ICP to focus on a more aggressive path for project finance and continue our work with various industry groups. We are very excited about the results of the PEA and look forward to taking the Ochoa project to the next stage of project development,” commented Mehdi Azodi, President and CEO.

The Company is progressing the Project in the short-term through a Feasibility Study currently being compiled by Cementation USA that has an expected completion date of the end of February 2017. The Feasibility Study is intended to improve the confidence in capital and operating estimates, product pricing and marketing plans, product agronomic characteristics and ensure that all necessary permitting requirements are met. The full PEA report will be filed on SEDAR within 45 days of this release.

## PEA Highlights

- IC Potash has revised the Project to consider direct application of polyhalite as a crop nutrient product rather than producing Sulphate of Potash through a chemical processing plant. The resulting Project has a reduced capital cost, a shorter ramp-up time and improved financial metrics.
- Updated Mineral Resource estimate (Measured and Indicated) of 330 million tons of high grade polyhalite (89.3% by weight).
- A proposed production schedule extracting up to 2 million tons per annum (Mtpa) of polyhalite for approximately 38 years of steady state production at an average grade of 90% polyhalite. Initial production is estimated to begin in 2019.
- Initial capital expenditure of \$368 million that includes a 15% contingency on direct capital items.
- Estimated initial Polyhalite product netback revenue of \$162/short ton sold and a Life of Mine average of \$203/short ton.
- Total estimated operating costs of \$44/short ton mined, processed, and shipped to a local distribution point.
- An after tax, all equity project NPV of \$1,197 million at an 8% real discount rate and an IRR of 28%, with payback in 2.6 years.
- IC Potash is contemplating a design, build, operate and maintenance (DBOM) agreement with a contracting firm to expedite the overall project delivery. Negotiations regarding this DBOM agreement are in progress.

## PEA Summary Resources

Mineral Resources, presented in Table 1 below, are stated within the PEA based on polyhalite zone domaining, with a polyhalite cut-off grade of 85% and a minimum mining thickness of 4.0 feet.

The Mineral Resources are contained within a single continuous, flat-lying polyhalite bed with an average thickness of 4.6 feet.

The Mineral Resource is considered technically mineable based on the use of heavy duty continuous mining equipment capable of cutting the polyhalite seam with a minimum mining thickness of 4 feet.

**Table 1: Mineral Resource Statement (effective September 30th 2016)**

Resource Class	Thickness (ft)	Area (ft <sup>2</sup> x10 <sup>6</sup> )	Volume (ft <sup>3</sup> x10 <sup>6</sup> )	Mass (tons x10 <sup>6</sup> )	Polyhalite (wt.%)	Anhydrite (wt.%)	Halite (wt.%)	Magnesite (wt.%)
Measured	4.65	360	1,690	150	89.92	2.13	3.25	6.41
Indicated	4.61	820	3,770	180	88.83	2.11	2.79	6.92
<i>Mea + Ind</i>	<i>4.63</i>	<i>1,180</i>	<i>4,280</i>	<i>330</i>	<i>89.33</i>	<i>2.12</i>	<i>3.00</i>	<i>6.69</i>

Inferred	4.60	930	4,300	40	88.70	2.11	2.77	7.00
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**Note:** 4.0-foot minimum mining thickness and 85% polyhalite cut-off grade applied; area, volume and mass rounded to nearest ten million; ft = feet; wt.% = weight percent. All references to tons are to short tons.

### Mine Design and Processing Facilities

Based on the resource estimate and resource geometry, approximately 80 million tons of mining is expected, which potentially translates to a 42-year mine life. The following points highlight the mine design and processing approach:

- Conventional mining using a room-and-pillar mining method like that currently in use in other mines in the region.
- Heavy duty underground room-and-pillar continuous mining equipment similar to that used in potash and coal mining is planned.
- A simplified process recovery which is entirely mechanical, requiring no chemical treatments or nonstandard material handling processes. The processing facility will consist of standard crushing and pelletizing facilities and would produce raw granular and pelletized polyhalite products.

### Capital Cost Estimates

Capital costs were estimated using indicative pricing for major components and equipment. In some cases, actual vendor quotes were used in the capital cost estimate. Other capital cost estimates were factored from the 2014 Feasibility Study and adjusted to the new project design. A breakdown of the capital cost estimate for the Project is shown in Table 2.

Initial capital is defined as costs required to meet the desired throughput rate of 2 million tons per annum and includes all mobile support equipment, fixed equipment, materials, supplies and labor. Sustaining capital includes rebuilds and replacements as a function of initial capital for all fixed and mobile equipment.

**Table 2: Major Capital Elements (US\$000)**

Area (WBS / Description)	Initial Capital	Sustaining Capital	Total Capital
<b>1.0 – Mine</b>			
11000 General Site Mine	13,073	-	13,073
17000 Ancillary Buildings Mine	1,479	-	1,479
18000 Off Site Facilities	1,183	-	1,183
12100 Underground Mine Development	940	-	940
12200 Shaft Construction	77,514	58,135	135,649
12300 Mine Production Equipment	13,730	53,754	67,485
12400 Underground Support Equipment	9,320	70,365	79,685
<b>Mine Sub-Total</b>	<b>117,239</b>	<b>182,255</b>	<b>299,494</b>
<b>2.0 - Process Facility</b>			
21000 General Site - Process Plant	38,430	28,822	67,252
24000 Process Plant	71,337	96,304	167,641
25000 Product Loadout	11,501	15,526	27,027
27000 Ancillary Facilities - Process Plant	7,209	5,407	12,617
<b>Process Sub-Total</b>	<b>128,477</b>	<b>146,060</b>	<b>274,537</b>
<b>3.0 - Jal Storage / Loading</b>			
31000 General Site - Jal	12,164	9,123	21,286
36000 Jal Storage / Loading Facilities	20,151	27,204	47,355
37000 Ancillary Facilities - Jal	205	154	359
<b>Jal Sub-Total</b>	<b>32,520</b>	<b>36,480</b>	<b>69,000</b>
<b>Total Direct Capital</b>	<b>278,236</b>	<b>364,795</b>	<b>643,031</b>
<b>4.0 – Indirect</b>			
49100 EPCM	19,477	-	19,477
49200 Construction Support & Facilities	10,847	-	10,847
49300 Other Indirect Costs	17,864	-	17,864
<b>Total Indirect Capital</b>	<b>48,188</b>	<b>-</b>	<b>48,188</b>
<b>Contingency</b>	<b>41,735</b>	<b>-</b>	<b>41,735</b>
<b>Total Capital</b>	<b>368,159</b>	<b>364,795</b>	<b>732,954</b>

### Operating Cost Estimates

Operating costs were developed either from internal Golder data sources, first-principal calculations or by factoring previous costs in the 2014 feasibility study. All costs are in 2016 US dollars. Table 3 details the steady state operating costs for the Ochoa Project.

**Table 3: Steady State Operating Costs**

Area	Total Cost (US\$000)	Cost per Ton Mined
Mine	\$ 1,954,499	24.07
Process Plant	\$ 947,708	11.67
Jal Storage / Loading	\$ 422,351	5.20
G&A Operations	\$ 250,908	3.09
<b>Total Operating Cost</b>	<b>\$ 3,575,466</b>	<b>44.04</b>

## Marketing

ICP proposes to ship multiple crop nutrient products from its New Mexico production facility to domestic and international customers. Polyhalite fertilizer currently constitutes a very small global market with only ICL Fertilizers in the UK producing the product commercially in small volumes. In the US and the Americas, polyhalite would essentially represent a new fertilizer product.

ICP commissioned the CRU Group to conduct a market study on the application of polyhalite as a fertilizer which was completed in July 2016.

CRU has estimated hypothetical polyhalite demand based on agronomic assumptions (crop nutrient uptake, soil conditions) related to reasonable application rates of polyhalite to acreage of higher value and irrigated crops for which the potential quality and yield benefits of secondary nutrient application are more likely to justify investment in polyhalite applications. Based on this agronomic demand model, CRU estimates polyhalite demand potential in the Americas by nation as the following:

**US - 5.8 million product tonnes**

**Brazil - 3.4 million tonnes**

**Mexico - 2.8 million tonnes**

This total demand of 12.0 million metric tonnes equates to approximately 13.2 million short tons. These estimates are hypothetical and assume an environment of perfect information and full acceptance by all growers of the benefits of micro-nutrient fertilizer application.

CRU generated a product pricing schedule associated with the envisaged 2-million-ton production rate. The polyhalite price estimate was determined from the derived market value of a unit of low chloride potassium, magnesium and sulphur based on observed market prices for nutrients contained in MOP, SOP, SOPM, SSP and TSP. A basic assumption of these prices, therefore, is that the full market value of polyhalite's contained nutrients is realized, which would be best achieved by polyhalite's positioning as a premium fertilizer product.

**The initial sale price is calculated as \$162 / short ton and the Life of Mine average of \$203 / short ton.**

## Financial Model

Discounted cash flow modelling of the Project base case yields an after-tax, all equity internal rate of return (IRR) of **28.0%** and a net present value (NPV) of **\$1,197 million** at a discount rate of 8%. All cash flow amounts are expressed in September, 2016 US\$, with no allowances for escalation. Table 3 outlines the key financial inputs and Table 4 presents the estimated revenue, disbursements, and resulting free cash flows of the Project.

**Table 3 Key Financial Inputs**

Parameter	Assumption	Description
Units	Imperial	This model has been constructed using imperial units.
Valuation Date	1-Jan-17	Assumed project construction start date of January 2017.
Discount Rate	8%	
Currency	US\$	
Capital Cost	US\$368M	Initial Only (See Section 20 PEA for details)
Sustaining Capital	US\$365M	Distributed over 42-year mine life (See section 20 PEA)
Operating Cost	US\$44/ton	Includes all site and corporate costs (see Section 20 PEA)
Inflation	-	No escalation or inflation has been applied to the DCF model
Royalty	6.7%	This percentage represents the effective total royalty
Federal Tax	35%	Corporate tax rate of 35% was applied to profit as well as a 5.9% state tax
State Tax	5.90%	
Polyhalite Sale Price	Varies	See Section 19 PEA for sales price detail
Exchange Rate	-	No exchange rates apply. All sales are Netback, FOB New Mexico

**Table 4 Project Cash Flows**

Description	Units	Total or Average
ROM Mineralized Material	kst-RoM	81,186
<b>Gross Income from Mining</b>		
Polyhalite Produced	kst-dry	81,186
Market Price	\$/ton	\$203
Gross Sales	\$000s	\$16,503,664
Freight	\$000s	\$0
Net Sales	\$000s	\$16,503,664
Royalty	\$000s	(\$1,097,494)
Gross Income (FOB-Plant)	\$000s	\$15,406,170
<b>Operating Cost</b>		
Mine	\$000s	\$1,954,499
Process Facility	\$000s	\$947,708
Jal Storage / Loading	\$000s	\$422,351
G&A Operations	\$000s	\$250,908
Direct Operating	\$000s	\$3,575,466
<b>Production Taxes</b>		
Ad Valorem	\$000s	\$1,190,310
Severance	\$000s	\$330,073
Production Tax	\$000s	\$1,520,384
Operating Cost	\$000s	\$5,095,850
Tax Depreciation	\$000s	\$684,766
Amortization	\$000s	\$368,159
Total Operating Cost	\$000s	\$6,148,774
Operating Profit	\$000s	\$9,257,396
<b>Cash Flow</b>		
Operating Profit	\$000s	\$9,257,396
Depreciation and Amortization	\$000s	\$1,052,925
LoM Capital	\$000s	(\$732,954)
Federal Income Tax	\$000s	(\$2,467,755)
State Income Tax	\$000s	(\$415,993)
<b>Cash Flow</b>	\$000s	\$6,693,619

**Sensitivity Analysis**

Sensitivity analysis was run for various elements as shown in Figures 1-2 (Please see Multimedia gallery link above) using +/-25% variations from the base case. The Project NPV is most sensitive to polyhalite price and the Project discount rate. The Project IRR is most sensitive to the polyhalite price and initial capex, and for all three IRR parameters that were analyzed, the Project IRR was greater than 20% after tax.

**Concluding Statement**

The PEA represents an important milestone in the development of the Ochoa project as a future polyhalite producer and provides confirmation of the economic viability and robustness of the Project.

**About IC Potash Corp.**

IC Potash's shares are traded on the Toronto Stock Exchange (TSX) and in the United States OTCQX. For more information, please visit [www.icpotash.com](http://www.icpotash.com). Tweet this: @ICPotash announces PEA results. <http://ctt.ec/Cb36>

**Qualified Persons**

The information in this press release was based on information contained in the PEA which was prepared by or under the supervision of the following qualified persons ("QP") who have approved the technical information contained in this news release:

- The Mine Design and economic analysis were prepared by Golder, under the supervision of Daniel Saint Don, P.Eng., an independent Qualified Person as defined under NI 43-101. Mr. Saint Don relied on other experts as necessary and as stated in the PEA.
- The Mineral Resource Estimation was prepared by Golder, under the supervision of Jerry DeWolfe, P.Geo, MSc., an independent Qualified Person as defined under NI 43-101. Mr. DeWolfe has reviewed the procedures, the results and quality control on the analytic results. The results were in

line with expected values. A site visit allowed Mr. DeWolfe to verify and validate the geology. The quality assurance and quality control, the verifications and the onsite visit enable the disclosure of reliable Mineral Resources at the Project in conformity with CIM standards and National Instrument 43-101.

- The Processing section was prepared by Alva Kuestermeyer of Golder, an independent Qualified Person as defined under NI 43-101.
- The Capital and operating cost assumptions were compiled by Peter Critikos, an independent Qualified Person as defined under NI 43-101.

### **Forward-Looking Statements**

The statements in this press release contain forward-looking information within the meaning of applicable securities laws including, but not limited to: the results of the PEA, expectations regarding production and cost guidance, references to Mineral Resource estimates, mine life (including extensions of mine life), future growth, potential expansion, exploration activities, construction and operation of new facilities, developing deposits, future work related to the Company's polyhalite project at Ochoa; the expansion of exploration and economic assessment activities of the Company's polyhalite deposits. Forward-looking information is not based on historical facts but rather is based on expectations. The words "anticipate", "contemplating", "develop", "estimate", "expect", "exploration", "flexibility", "focus", "future", "model", "option", "pending", "plan", "potential" and "priorities", and statements that certain actions, events or results will affect, or will occur or result, and similar such expressions, identify forward-looking information. Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant uncertainties and contingencies. Such forward-looking information reflects management's current beliefs and assumptions and is based on information currently available to IC Potash management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including but not limited to, risks associated with the natural resources industry; the uncertainty of mineral resource estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to costs; the risk of commodity price and foreign exchange rate fluctuations and other risks identified our filings with the securities regulators in Canada. These factors are not intended to represent a complete list of the factors that could affect the Company. All forward-looking information contained in this press release are expressly qualified by this cautionary statement. This forward-looking information is made as of the date hereof and the Company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the Company's securities should not place undue reliance on this forward-looking information.

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