

Potash players outraged over higher than expected royalty rate



[Stuart McKinnon](#) The West Australian

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Trucks are loaded with harvested salts at Kalium Lakes' Beyondie sulphate of potash project south of Newman. Credit: Kalium Lakes Limited/TheWest

WA's crop of aspiring sulphate of potash producers are livid after the State Budget slapped a higher than expected royalty on the fledgling industry that is already struggling to get its projects developed.

Thursday's Budget introduced a 5 per cent royalty rate on sulphate of potash, putting the product in the same category as a mineral concentrate.

But potash players argue the fertiliser product they hope to produce by tapping the State's vast inland salt lakes will have nowhere near the same rate of return as a traditional base metals mine producing mineral concentrate.

Several players had based their feasibility studies and financial modelling on written guidance from the Department of Mines and Energy in 2015 that indicated a royalty rate of about 73¢ a tonne.

But the new 5 per cent rate is expected to see them slugged at least \$20/t on their product.

The blow comes at a time when the nascent industry can least afford it. Investor sentiment towards the sector is already weak because of last year's collapse of one of the industry's leading players Salt Lake Potash and ongoing commissioning problems for another aspirant Kalium Lakes.



Australian Potash chief executive Matt Shackleton. Credit: Australia Potash/Australia Potash

Australian Potash managing director Matt Shackleton said it was difficult enough for the emerging sector to raise development capital amid what he called a “crazy cost environment”.

“And now the State Government turns around and says ‘tell you what, we’re going to make this a lot harder for you’,” he said.

“The internal rates of returns on our projects are more like infrastructure assets, they’re not gold mines, they’re not nickel mines.”

Mr Shackleton said the industry had submitted a thorough analysis based on empirical data that showed that a 5 per cent royalty would be pecuniary.

“They (the government) didn’t even read the report and levied 5 per cent on us,” he said.

Mr Shackleton also noted most players would not be able to access the Government’s offer of a 50 per cent rebate on the royalty over the next two years because they wouldn’t be in production before the end of 2024.



Trigg Mining managing director Keren Paterson. Credit: Nic Ellis/The West Australian

Trigg Mining managing director Keren Paterson described the government's decision as "incredibly frustrating" and "inconsistent".

"Australia imports all of its potassium for our agricultural output and globally we have just seen massive disruption to potash supply with up to 40 per cent of the world's output impacted because of sanctions against Belarus and the issues with Russia's invasion of Ukraine," she said.

"We've also seen new national policies around restricting exports of products to shore-up supply for domestic markets, so that's China.

"How are we securing Australia's supply for agricultural output because we have to have potassium."

Sulphate of potash is used as fertiliser for high-value, chloride sensitive crops such as fruit, vegetables, avocados, coffee beans, grapes, nuts, cocoa and tobacco.