



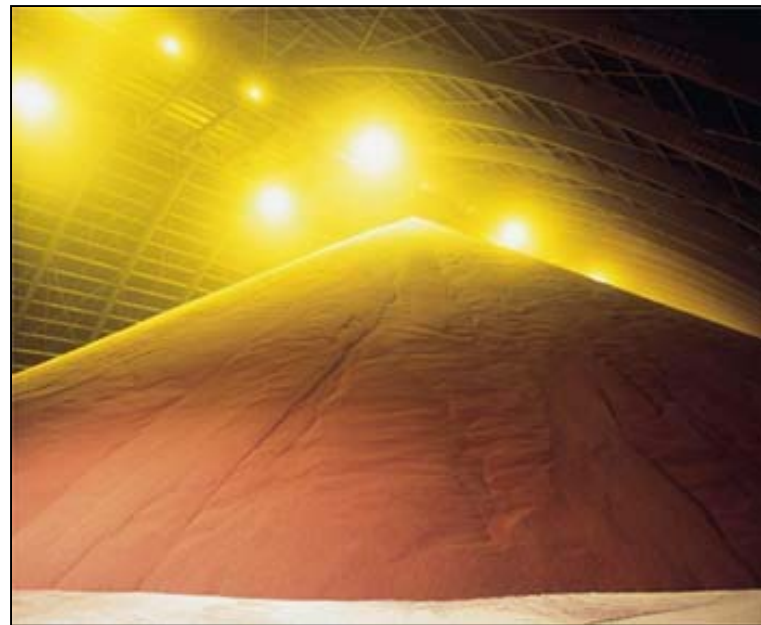
Major Potash Deposit Near Holbrook, Arizona

Holbrook Area Potash Project American West Potash Economic Drivers

February 29, 2012

Agenda

- Quick Update
- Potash Drivers
- Area Considerations and Estimates
- Resource Considerations





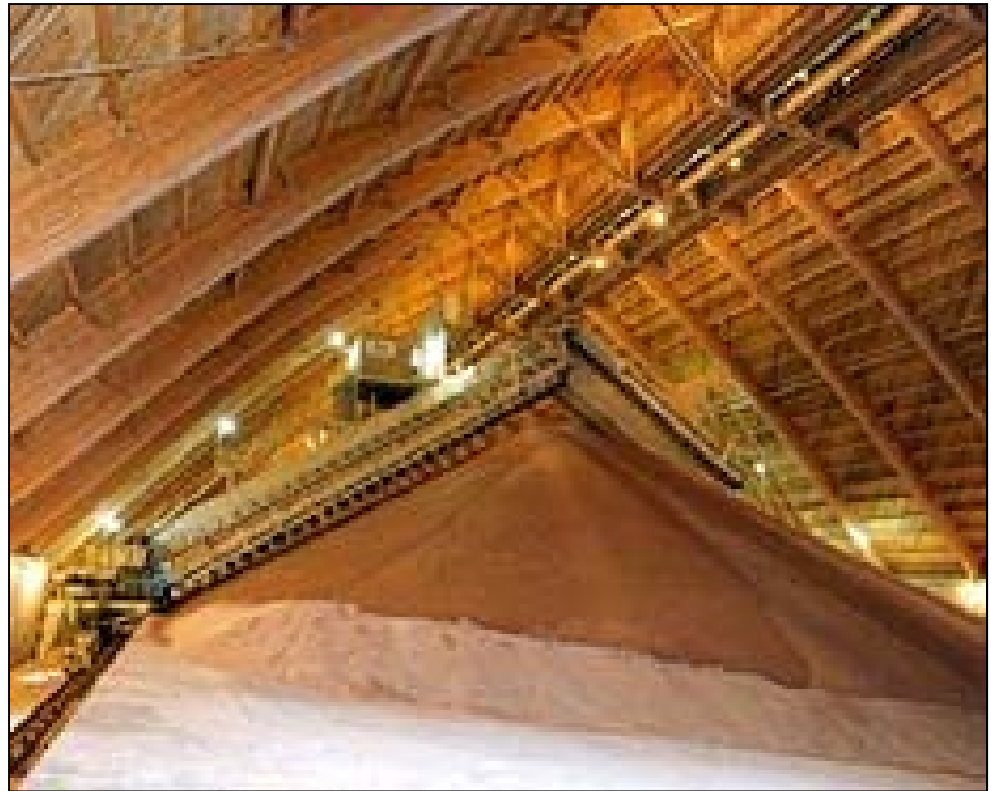
Accomplishments

In one year....

- Leasehold accumulation through multiple transactions
 - 150 sections, 42 state sections, 108 private sections
 - Approximately 93,000 acres
- Completed 43-101 Resource Report
 - 70 miles of seismic, 12 new wells, 81 historic wells
 - good resource and long life
- Prepared preliminary design, budget and permitting plan for full 2.0mm finished tonne production facility
- Completed Preliminary Economic Assessment that shows our capital and operating costs to be very competitive and viable
- Next Steps- Phase 2 Drilling, Engineering, Design, Permitting, Potash Education
- Created cooperative processes and relationships in the area

Potash

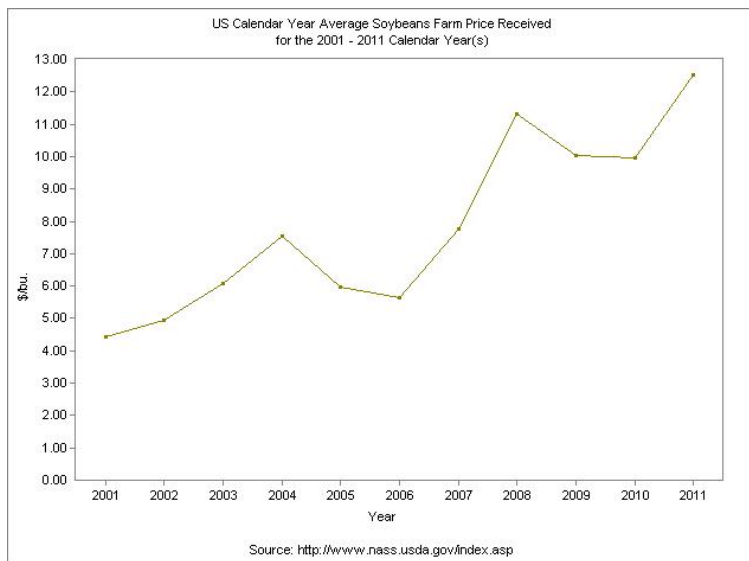
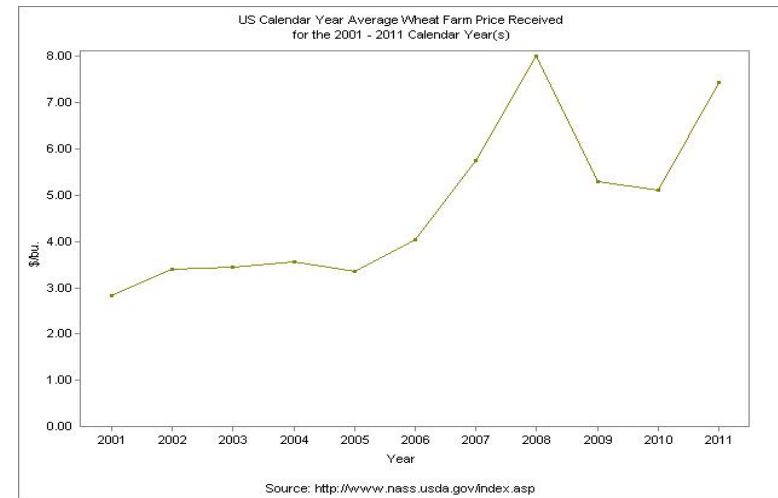
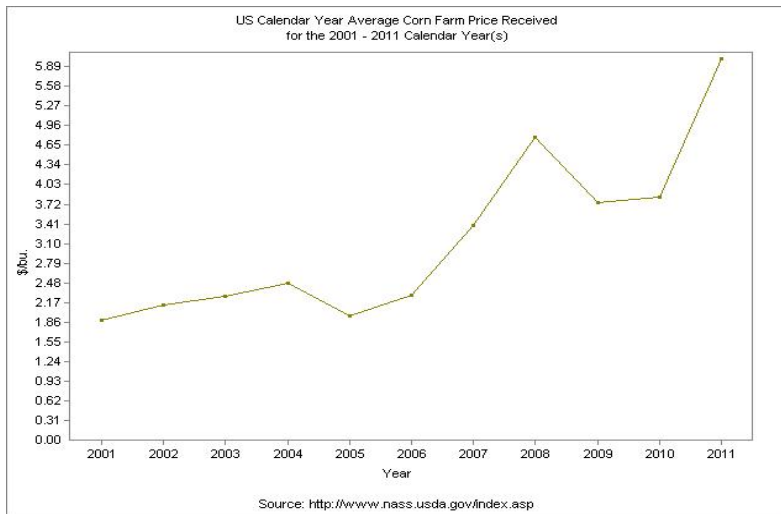
- What is it?
- Where is it found
- World statistics
 - Tons used-60mm
 - World trade
 - Domestic activity



Drivers

- Grain- corn, wheat, rice, potatoes, cassava/manioc, soybeans, sweet potatoes/yams, sorghum, plantains
- 1-3 billion people trying to upgrade their diets to animal protein. Conversion of grain to animal protein
- 1.8 pounds of grain for 1 pound of poultry
- 3 pounds of grain for 1 pound of pork
- 6 pounds of grain for 1 pound of beef

Drivers



Potash Economics

- ❑ Key agricultural nutrient-
current wholesale price
\$500-\$550
- ❑ World shortage of
potash, limited global
reserves
- ❑ Increasing global
demand
- ❑ Increasing sales prices
and improved
technology now make
Arizona project viable



Holbrook Basin Mines Must be Cost Competitive- example plant

- “Inside fence” cost- Top tier \$85-105/tonne
 - Second tier- \$105-130/tonne
 - Third tier- \$130-\$160

- Then a producer will likely add:
 - freight- \$30-\$50 per ton
 - warehousing, discounts- \$10-\$20
 - royalties- \$15-\$30 per ton
 - taxes- \$30-\$50
 - overhead, sales, staffing- \$10/ton
 - future capital replacement costs- must replace and repair equipment every year- \$10-\$20/ton

Production and Sales

- \$100 “inside fence” + everything goes low end= \$205

- Higher production cost “inside the fence” \$140- high end of freight, taxes, etc. = \$320
 - Factor in mine and mechanical downtime, repair, crops cycles??

- Last ten years potash price range \$280-\$700 (\$500 current wholesale price)

- There is a very tight window of funding, permitting, capital and operating costs. One must hit that..



State and Local Benefits

- Job Creation
 - Consulting and permitting: 1 – 1.5 years
 - Construction: 1-1.5 years, 500 – 800 jobs
 - Mining/Production: 300 – 400 jobs
- State royalty revenue (hundreds of millions)
- State and county ad valorem tax revenue
- Sales tax revenue (hundreds of millions)
- Underground mining reduces visual and environmental impact



Local Impacts, Resources

- We have developed an example study of:
 - construction resources, numbers, timing, skills
 - operations staffing - types, numbers, skills

- Example types of vendors

- This study spreadsheet is proprietary and we need to grant permission to use this.
Leave me a business card, and I can get it to you!

Questions?

