



Major Potash Deposit Near Holbrook, Arizona

# Key Economic Drivers for the Holbrook Area Potash Project

April 23 – 24, 2012

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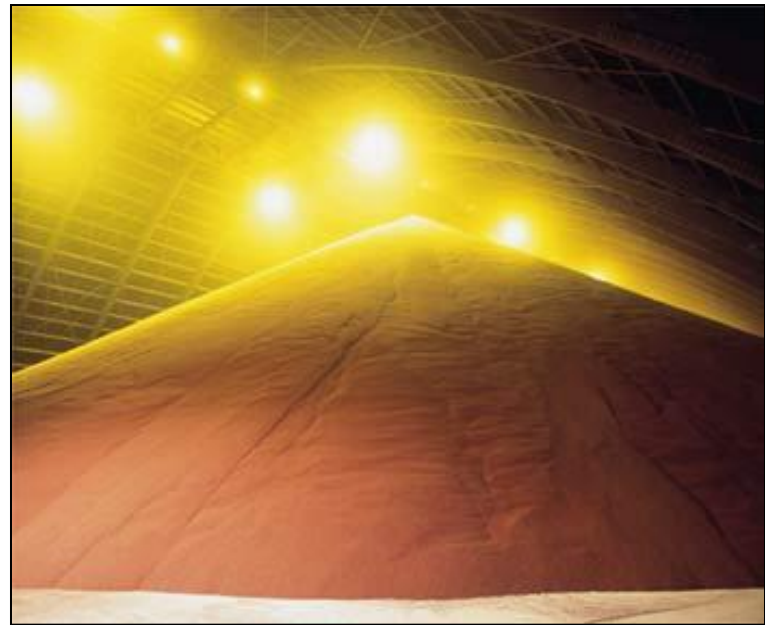
## **American West Potash**

**American West Potash, LLC** is a subsidiary of **Prospect Global Resources Inc.**, a Denver-based company engaged in the exploration, development and mining of potash in the Holbrook Basin of eastern Arizona. See [www.prospectgri.com](http://www.prospectgri.com)

# Agenda

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



# First-Year Accomplishments

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- Leasehold accumulation through multiple transactions
  - 150 sections including 42 state sections & 108 private sections
  - Approximately 93,000 acres
  
- Completed NI 43-101 Resource Report
  - 70 miles of seismic studies, 12 new wells, 81 historic wells
  - Results show a good resource & long mine life
  
- Created cooperative processes & local relationships

And there are more accomplishments...

# More First-Year Accomplishments

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- Prepared preliminary design, budget and permitting plan for full production facility for two million finished tons per year
- Completed Preliminary Economic Assessment that shows capital & operating costs to be very competitive & viable
- Initiated Phase 2 drilling, design, permitting & project-specific potash education

# Potash

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



# Drivers Creating Demand for Potash

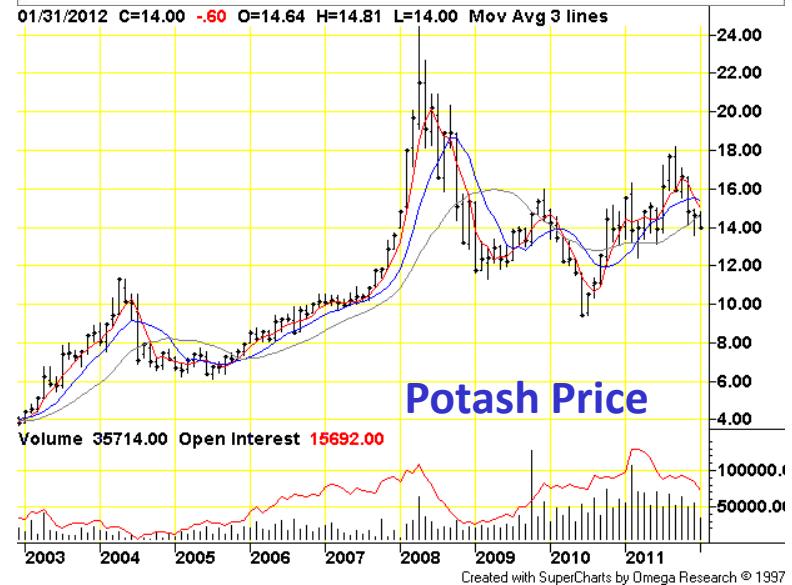
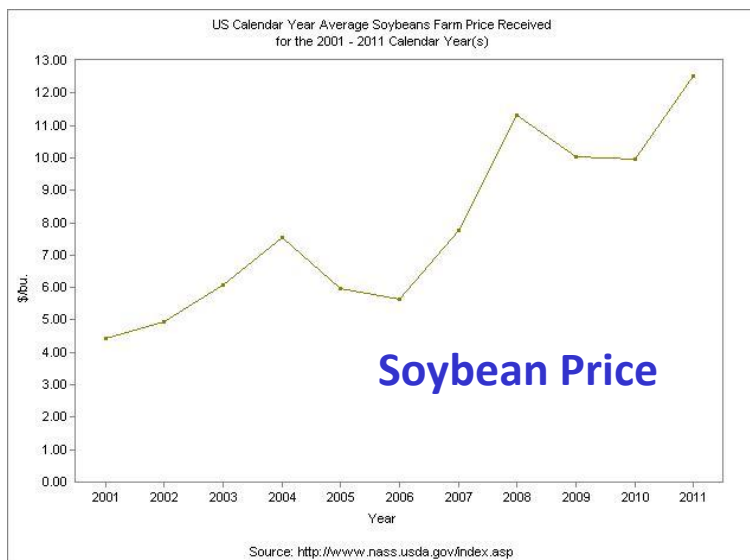
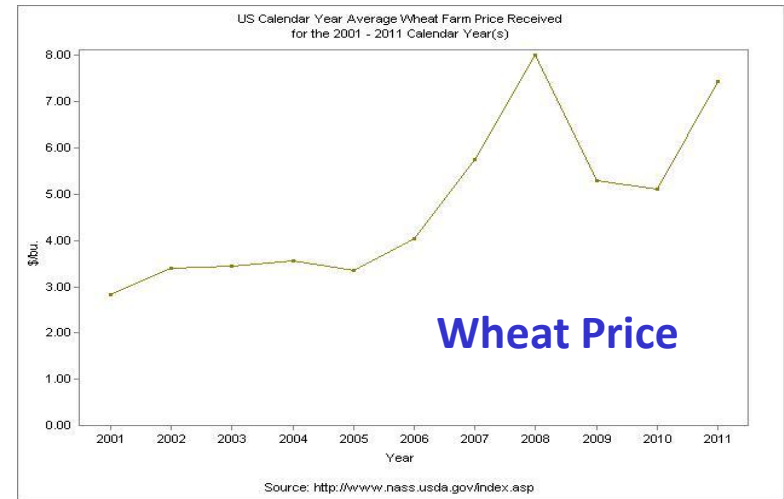
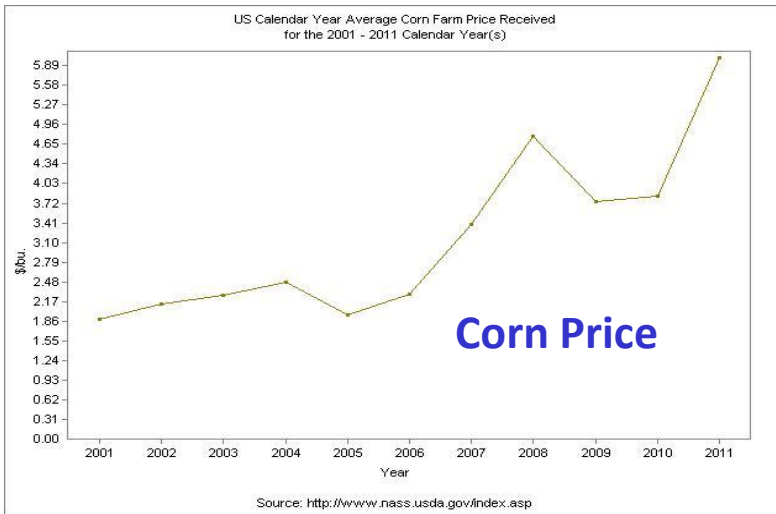
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- Corn, wheat, rice, potatoes, cassava/manioc, soybeans, sweet potatoes/yams, sorghum, plantains
- One to three billion people worldwide trying to upgrade their diets to animal protein

## 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 and Impact on the Price of Potash



# Potash Economics

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- ❑ Key agricultural nutrient-  
current wholesale price  
\$500-\$550
- ❑ World shortage, limited  
global reserves
- ❑ Increasing global demand
- ❑ Increasing sales prices &  
improved technology...



**Now make Arizona project viable!**



# Is a Proposed Plant Cost Competitive?

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- The producer starts with the “Inside Fence” cost – that is, the actual cost of production (for example \$100/per ton)
- Then the producer will likely add:
  - Freight
  - Warehousing
  - Royalties
  - Taxes
  - Overhead, sales, staffing
  - Future capital replacement costs - must replace and repair equipment every year
- Resulting in a total cost to the producer of \$200 - \$250

# Production and Sales

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- Last ten years potash price range: \$280-\$700  
(\$500 current wholesale price)
- Total cost to the producer: \$220-\$250
- So...there is a very tight time-and-cost window for securing funding, permitting, capital & operating costs

**One must hit that window**

# State and Local Benefits

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- 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 (property tax) revenue
- Sales tax revenue (hundreds of millions)
- Underground mining reduces visual & environmental impact relative to other types of mining

# Local Impacts and Resources Needed

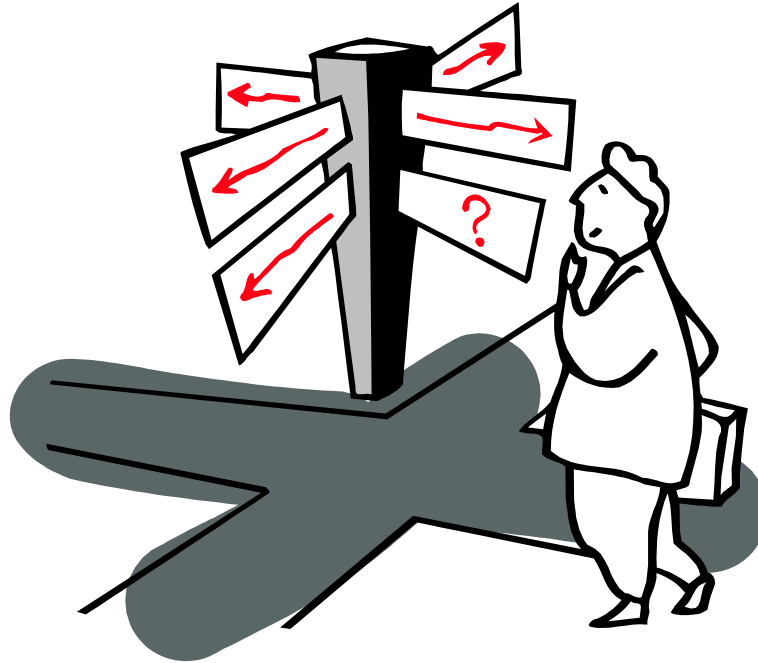
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Example studies developed by American West Potash:

- Construction resources, numbers, timing, skills
- Operations staffing: types, numbers, skills
- Types of vendors

# Questions?

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**Thank You**

**Pat Avery, American West Potash**