

## Verde Announces Preliminary Economic Assessment for the Production of Conventional Potash

**Initial Capex of US\$ 654.1 million and initial Opex of US\$ 263.23 per tonne for 0.6 million tonnes per year**

TORONTO, Jan. 31, 2012 /CNW/ - **Verde Potash Plc** (TSX-V: NPK) ("Verde" or the "Company") is pleased to announce the results of a Preliminary Economic Assessment ("PEA") for the production of conventional potash: potassium chloride ("KCl"). The PEA was prepared by SRK Consulting ("SRK") on Verde's wholly-owned Cerrado Verde project ("Cerrado Verde" or the "Project") located in Minas Gerais State, Brazil.

The PEA evaluated the technical and financial aspects of two different scenarios. The first scenario has an initial production of 0.6 million tonnes per year ("mtpy") increasing to 3 mtpy of KCl, with production growth financed largely from anticipated internal cash flow. The second scenario has an initial production of 1 mtpy increasing to 4 mtpy, with production growth also financed largely from anticipated internal cash flow. Each scenario was scheduled into three phases, assuming significant cash accumulation and anticipated construction times. This announcement presents the results for the 3 mtpy scenario while results for the 4 mtpy scenario are expected to be available in the coming weeks.

"We believe that the estimated operating expenses ("Opex") presented in the PEA are competitive with the world's lowest cost potash producers for buyers in Brazil when importation and distribution costs are included. According to the PEA, estimated capital expenditures ("Capex") and expected time to production are lower and shorter than most KCl greenfield projects and many brownfield expansions in the pipeline. The proprietary production process we have developed relies entirely on existing proven commercial processes applied successfully to our potash rock, which we believe provides greater certainty in the capital costs and equipment efficiencies," said Cristiano Veloso, President & CEO.

### Key Economic Highlights:

- Capex for the initial 0.6 mtpy phase is estimated at US\$ 654.1 million.
- Capex for the 3 mtpy phase is estimated at US\$ 2,369.3 million (including Capex for the initial 0.6 mtpy plant).
- Life of Mine sustaining capital is US\$ 738.4 million.
- Opex for the initial 5 years of operation is estimated to be US\$ 273.70 per tonne KCl, starting at US\$ 263.23 per tonne in 2015. The weighted average OPEX for 3 mtpy operation is US\$ 291.74 per tonne KCl.
- Estimated after tax Internal Rate of Return ("IRR") of approximately 23.7%.
- Estimated after tax Net Present Value ("NPV"), using a 10% discount rate, of US\$ 2,258.7 million for the 3 mtpy operation.

### The PEA is based on the following assumptions:

- 100% equity
- Phase 1 production of 0.6 mtpy of KCl, start up 2015
- Phase 2 production of 1.6 mtpy of KCl, to be achieved in 2019
- Phase 3 production of 3.0 mtpy of KCl, to be achieved in 2024
- A total 30 years planned production life
- US Dollar-Brazilian Real exchange rate of \$1USD=\$1.8 BRL
- A 25% Contingency applied to the Capex
- The PEA assumes an average granular KCl price of US\$ 539.97 per tonne free on board ("FOB") Vancouver, Canada, based on market research done by CRU International (2012). The net sales price per tonne realized by Verde has been adjusted for the final costs of delivered product in the Brazilian Cerrado, approximately US\$ 120 to US\$ 180 per tonne.

In 2008, the Company initiated KCl production studies and has since then undertaken over 300 tests in order to develop a simple production flow sheet relying on proven production technology. To such end, the Company established a partnership with Professor Dr. Derek Fray, at the University of Cambridge, and under the leadership of Verde's in house engineers and its now COO, Pedro Ladeira, assembled an Engineering Consortium focused on process scaling and economic optimization of the Project, details of which were disclosed in a news release on November 30, 2011.

"The PEA was focused on developing a construction and production schedule that Verde could finance and execute as a development company gearing towards production. As a consequence, while the PEA does not maximize its NPV or IRR, it takes full advantage of the project's scalability to minimize dilution and shorten timeline to cash flow," said Cristiano Veloso, President & CEO.

### Next Steps

Verde will advance a definitive feasibility study for KCl production which is expected to be completed by the end of the year.

### ThermoPotash Feasibility Study

In view of the results of the PEA for KCl, Verde intends to focus its efforts on a KCl product and has therefore decided to temporarily suspend its ongoing feasibility study work on ThermoPotash. Verde currently expects that it would resume the feasibility study on ThermoPotash once it completed the proposed Phase 1 of KCl production, anticipated to be in 2015. ThermoPotash registration with the Ministry of Agriculture will continue and is expected to be achieved in the coming months.

### Technical Report

A copy of the PEA will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) within a maximum of 45 days of this news release.

The scenarios presented in the PEA are preliminary in nature and make use of Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Mineral Resources which are not mineral reserves do not have demonstrated economic viability. There is no certainty that the preliminary economic assessment will be realized.

### Qualified Person

All scientific and technical disclosures in this press release have been prepared under the supervision of Neal Rigby and Robert Bowell of SRK Consulting who are Qualified Persons within the meaning of National Instrument 43-101.

### About SRK Consulting

SRK Consulting ("SRK") is an independent, global consulting practice that provides focused advice and solutions to clients, mainly from earth and water resource industries. For mining projects, SRK offers services from exploration through feasibility, mine planning, and production to mine closure. Formed in 1974, SRK now employs more than 1,000 professionals internationally in 38 permanent staffed offices on 6 continents.

### Other Matters

Verde has issued a total of 45,000 stock options exercisable at \$8.56 per share, expiring January 31, 2016 to consultants and staff.

### About Verde Potash

Verde is a fertilizer exploration and development company; it was founded and is led by Brazilians. Verde is developing the Cerrado Verde project in Brazil, a

source of potash-rich rock from which the Company plans to produce a potash fertilizer product. Founded as Amazon Mining Holding Plc in 2005, the Company changed its name to Verde Potash Plc in April 2011 to better reflect its core business.

#### **About the Cerrado Verde Potash Project**

Cerrado Verde is a unique project: 1) its high grade potash rock outcrops and is amenable to strip mining, allowing fast construction of a scalable operation; 2) it is located in the midst of the world's third largest and fastest growing fertilizer market; 3) it connects to Brazil's largest fertilizer distribution districts via existing and high quality infrastructure.

On behalf of the Board of Directors of Verde Potash, Cristiano Veloso, President and CEO.

#### **Cautionary Language and Forward Looking Statements**

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THIS NEWS RELEASE CONTAINS CERTAIN "FORWARD LOOKING STATEMENTS", WHICH INCLUDE BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO THE RESULTS OF THE PEA FOR THE PRODUCTION OF CONVENTIONAL POTASH, ANTICIPATED PRODUCTION LEVELS AND TIMING OF COMMENCEMENT OF PRODUCTION, LONG TERM KCI PRICES, PRODUCTION LIFE, COSTS AND COMPLETION OF A FEASIBILITY STUDY FOR KCI.

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