



## Potash producers zone in on Amazon as investors pour \$68 billion into Brazil mining

**Frik Els** | August 30, 2011



Potassio do Brasil, partly owned by Canadian merchant bank Forbes and Manhattan, is seeking to renew negotiations with Brazil's government over rights to a potash reserve in the Amazon currently held by state oil company Petrobras adjacent to what it called a 'world class' potash discovery last week.

The Potassio do Brasil mine will take \$4 billion to develop and follows news earlier this month from Toronto-listed Verde Potash which announced a 1.1 billion tonne resource at its Amazon Cerrado Verde project that is suitable for open pit mining.

The discoveries come as Brazil readies a new mining royalty regime – in certain instances doubling the rate – which would be managed by government decree. Mining investment in the world's fifth largest economy is also predicted to accelerate to \$68.5 billion through 2015.

Potassio do Brasil says the discovery could eventually produce 4 million tonnes of potash-rich sylvinitic ore and [Reuters reports](#) the company is also in the process of readying an initial public offering which it hopes to launch before the end of the year.

[Founded as Amazon Mining in 2005, Verde Potash says](#) it has at its Cerrado Verde project over 90 million tonnes of potassium oxide versus Brazil annual consumption of 4 million tonnes.

[Brazil's mining institute Ibram](#) expects \$68.5 billion investments in the 2011-15 period, up more than 6% from the previous forecast of \$64.4 billion. Ibram says political stability and high quality deposits have favoured Brazil's mining sector while a strong local currency, official red tape and uncertainty over the mining code are challenges.

[Fox Business reports](#) according to the system now under discussion, royalties charged on mineral sales in Brazil would vary according to global market prices, within a band that would specify a minimum and maximum royalty chargeable to be set by government decree. Analysts at Barclays Capital, BTG Pactual and elsewhere recently said they expect Brazilian iron-ore royalties to be doubled to 4%.

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