

28 April 2017

MARCH 2017 QUARTERLY ACTIVITIES REPORT

Highlights – March 2017 Quarter

- Significant milestone with the completion of Scoping Study on APC's 100% owned Lake Wells Potash Project
- Upgraded JORC 2012 Mineral Resource Estimate with 86% in the Indicated category
- All necessary approvals to build pilot evaporation ponds received from the Department of Mines and Petroleum, the Department of Water and the Department of Environment Regulation
- Mining Lease applications and permitting and approvals advanced
- Completion of the resistivity survey over groundwater target areas
- Cash on hand at 31 March 2017 of \$3.3 million

Australian Potash Executive Chairman Matt Shackleton said *"The March 2017 Quarter saw our Company achieve a key milestone with the completion of a positive Scoping Study on the Lake Wells Potash Project. We are very excited by the outcomes of the Scoping Study and continual advancement of the Project with the pilot evaporation pond program to commence in May."*

Exceptionally Strong Scoping Study

Australian Sulphate of Potash (SOP) developer Australian Potash Limited (ASX: APC) completed and released a Scoping Study on the Lake Wells Potash Project (the 'Project') on during the quarter¹. The Scoping Study confirmed the Project's economic and technical aspects are all exceptionally strong, and highlights APC's potential to become a significant long-life, low capital and high margin sulphate of potash (SOP) producer.

Overview

- 100% owned Project located in one of the best mining jurisdictions in the world
- Adjustable production rates, low capital, high margin, long mine life
- Project is well understood and development pathways relatively simple
- Consultants to the Study include NovoPro Project Development and Management, internationally recognised experts in Sulphate of Potash process modelling and plant design



Scale

- Stage 1 production rate of **150,000tpa** of high quality sulphate of potash (years 1 – 5)
- Stage 2 production rate of **300,000tpa** of high quality sulphate of potash (years 6 – 20)
- Minor portion of SOP produced through the conversion of imported MOP to SOP using the natural excess sulphate in the brine
- Scoping Study assumes expansion to Stage 2 occurs in Year 5 and the majority of Stage 2 capital expenditure is funded from internal cash flow
- Life of Mine (LOM) is 20 years (inc. Stage 1 & Stage 2) –upside to LOM through continued exploration

Robust financial model^f

- Approximate pre-tax NPV at 10% discount rate of A\$500m/US\$386m and an approximate pre-tax IRR of 33.0%
- Operating expenditure of A\$368/US\$283 tonne SOP in the first 5 years and A\$343 tonne SOP over the life of mine
- Under a SOP price of A\$795 per tonne SOP, the Project generates LOM annual operating pre-tax cashflowⁱⁱ of A\$118m/US\$81m
- Pre-production capital expenditure (Stage 1) of A\$175m/US\$135m and Stage 2 of A\$163m/US\$125m

Upgraded JORC Resourceⁱ

In conjunction with the Scoping Study referred to above, APC upgraded the JORC 2012 Mineral Resource Estimate. The upgraded JORC 2012 Mineral Resource Estimate comprises 14.7m tonnes of SOP, including 12.7mt in the Indicated category. APC believe there is a potential for significant upside in the resource model. The Scoping Study mine plan extracts only 34% of the Indicated Resource in the Western High Grade Zone and 33% of the Inferred Resource in the Southern Zone, providing opportunities to extend LOM with inclusion of the Eastern Zone (4.6mt SOP Indicated).

Pilot Evaporation Pond Program

Subsequent to quarter end, APC received all necessary approvals from the Department of Mines and Petroleum, the Department of Water and the Department of Environment Regulation to proceed with the development of pilot evaporation ponds for the Projectⁱⁱⁱ. An on-site, pilot evaporation pond program will commence to produce the first sample of SOP from the Project. Construction of the evaporation pond is scheduled to commence in May 2017 with the program to operate for a minimum of 6 months. Test-work on the bulk samples of potash salts from the pilot evaporation pond program will further optimise process design.

¹ Based on Stage 2 being developed



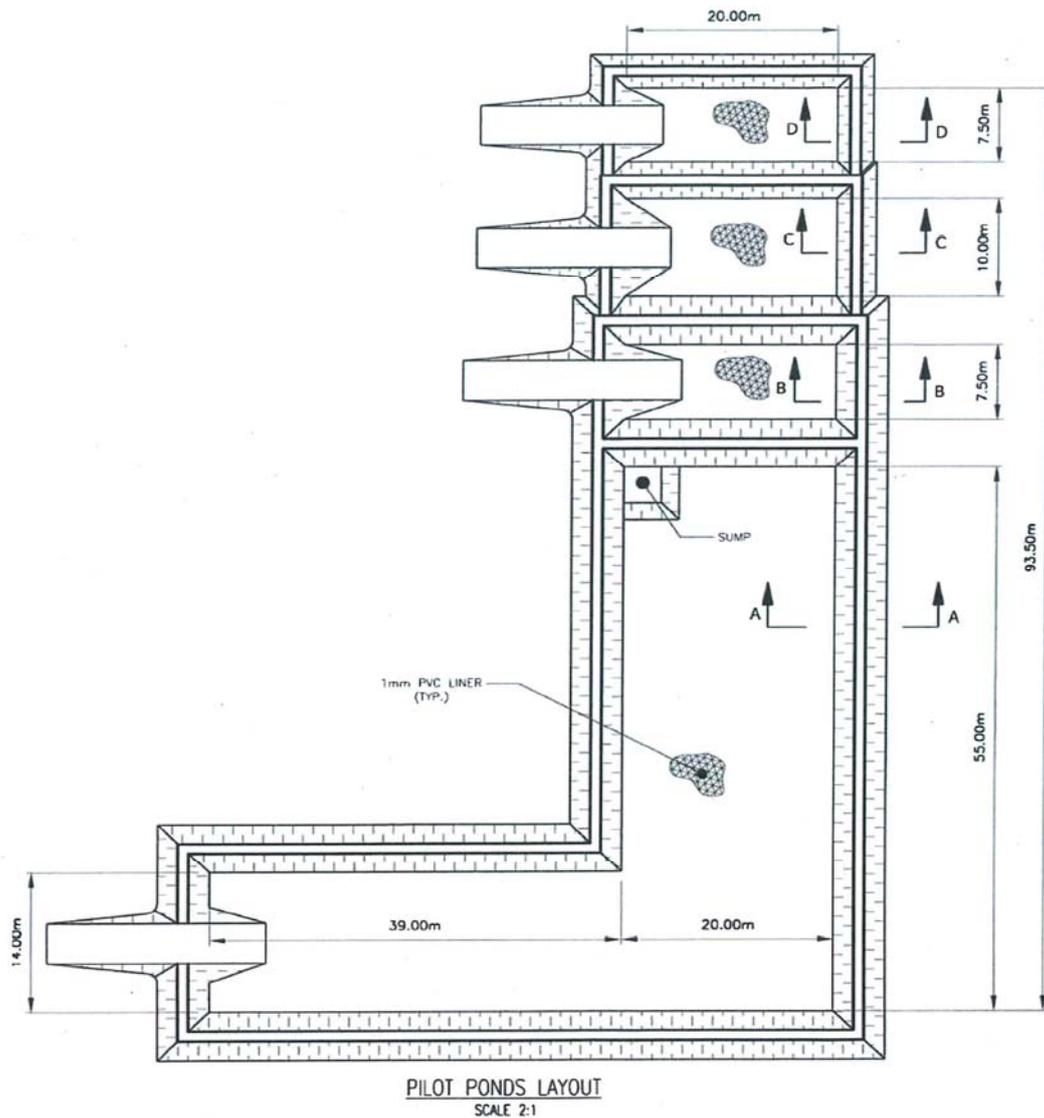


Figure 1: The pilot evaporation ponds will mirror the full-scale evaporation process with the large pre-concentration pond (A) feeding brine into the smaller crystallisation (B & C) and harvest ponds (D)

Groundwater Drilling Program

Resistivity Survey

During the quarter, APC identified target areas for groundwater drilling. As part of this process a resistivity survey was, the purpose of which was to optimize drilling locations at identified groundwater target areas. Groundwater will be required as part of the evaporation ponds for the production of SOP. Data was acquired over the target areas and prospective drill locations were pegged at sites surveyed ahead of the groundwater drilling program planned for Q2.



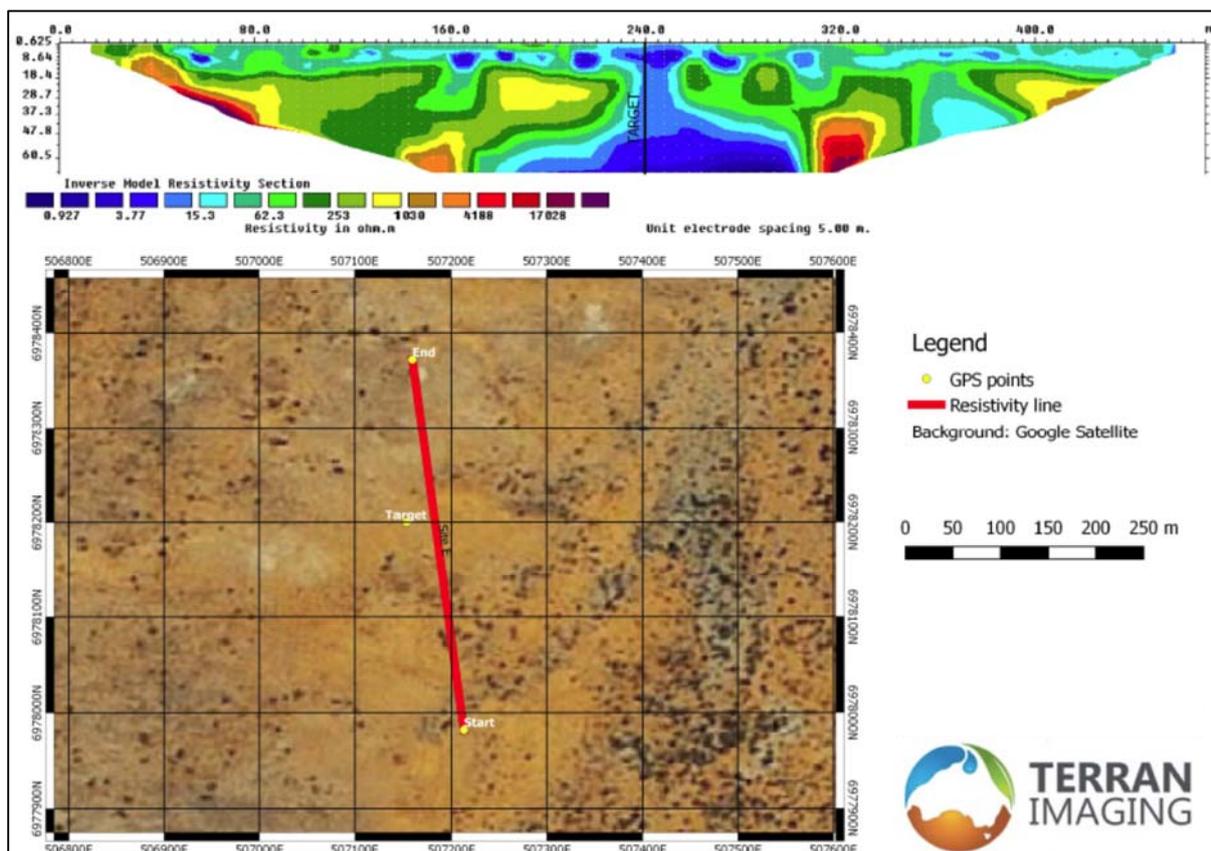


Figure 2: Site E resistivity cross-section and map

Next steps

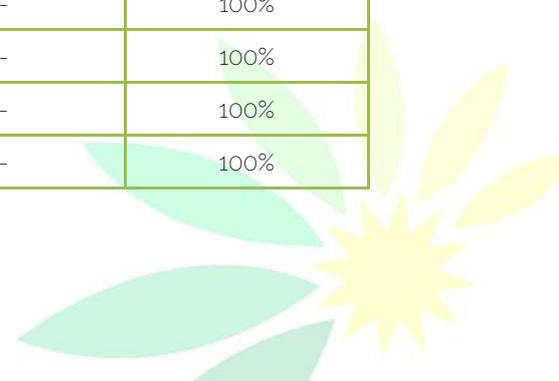
- Construction of pilot evaporation ponds
- Commencement of Stage 2 test-pumping program
- Feasibility study planned to commence Q2 2017
- Mining Lease applications and permitting and approvals advanced and progressing in parallel with feasibility study

Cash

At the end of the quarter, the Company had cash balances of \$3.3m.

Tenement schedule

Project	Tenement	Interest at 1 January 2017	Action	Interest at 31 March 2017
Lake Wells Potash Project	E38/1903	100%	-	100%
	E38/2901	100%	-	100%
	E38/2505	100%	-	100%
	E38/3021	100%	-	100%
	E38/3039	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	-	100%



	E38/2744 ²	100%		100%
	E38/2742 ³	100%		100%
	E38/3109	100%		100%
	ELA38/3224	0%	Application	0%
	ELA38/3225	0%	Application	0%
	ELA38/3226	0%	Application	0%
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
Hack Well	E38/2945	100%	-	100%

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About Australian Potash Limited

Australian Potash Limited (ASX: APC) is an ASX-listed Sulphate of Potash (SOP) developer. The Company holds a 100% interest in the Lake Wells Potash Project located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

The Lake Wells Potash Project is a palaeochannel brine hosted sulphate of potash project. Palaeochannel bore fields supply large volumes of brine to many existing mining operations throughout Western Australia, and this technique is a well understood and proven method for extracting brine. APC will use this technically low-risk and commonly used brine extraction model to further develop a bore-field into the palaeochannel hosting the Lake Wells SOP resource.

² Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

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Figure 3: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields

Forward looking statements disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

ⁱRefer to ASX announcement 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned Lake Wells Potash Project In WA'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 23 March 2017 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 23 March 2017 announcement continue to apply and have not materially changed.

ⁱⁱOperating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

ⁱⁱⁱ Refer to ASX announcement 27 March 2017 'Final Approvals Received for Pilot Evaporation Pond Program'.

