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ADDITIONAL SOP PRODUCTION LEVELS CONFIRMED

Test work confirms non-Mannheim MOP to SOP conversion process

Australian Sulphate of Potash (SOP) developer Australian Potash Limited (ASX: APC) is pleased to advise results of laboratory based test-work confirming the conversion process of muriate of potash to sulphate of potash at its 100%-owned Lake Wells Potash Project in Western Australia. This test-work further confirms the ability of the project to increase its SOP output by 50,000tpa to 150,000tpa in stage 1, and by 100,000tpa to 300,000tpa in stage 2, utilising a similar non-Mannheim conversion process to that currently used at the largest brine SOP operation outside of China (Compass Minerals, US).

APC's Canadian based SOP engineering consultants Novopro, lead the test-work program. Novopro also lead the plant design and process engineering for APC's study programs.

APC Executive Chairman Matt Shackleton said, "The Lake Wells SOP project has very high levels of sulphate, which itself is a valuable fertiliser component. Sulphate provides a natural, high-quality source of sulphur, often referred to as the fourth 'macro-nutrient'.

"Unlike the Mannheim process, the conversion process we will use does not create the additional reagent expense associated with purchasing sulphuric acid, as sulphate is already present in our brine. In fact, the economic case for developing this conversion facility is compelling in light of the low marginal operating costs associated with producing an additional 50,000 to 100,000 tonnes of SOP from essentially the same plant.

"Our project team continue to de-risk the three essential components of a brine SOP operation, being brine extraction, brine evaporation and salt processing.

"The Stage 2 test-pumping program commences this month, building on the +20 million litres of test-pumping already conducted. This test-pumping program will feed into the brine flow model for **brine extraction**, where we will build on decades of understanding and operation of brine bore fields in Western Australia.

"All approvals are in place and contractors appointed to commence the pilot evaporation pond development, aiming to confirm construction techniques and validate site evaporation data. This program goes to the **evaporation** model, and will be enhanced in Q3 2017 with the Stage 2 evaporation pond program which includes the development of a second set of evaporation ponds at site.

"The test-work program being managed by Novopro, as discussed here, further de-risks the **process** design. SOP processing plants utilise well understood technology and engineering, and our consultants have experience designing and commissioning them at sites around the globe. This test-work program will continue to optimise the plant design and engineering component of our development over Q3 and Q4 2017."

"As we reported earlier this month the proposed development area of the Lake Wells SOP project is not subject to native title claim, allowing us to progress our plans quickly

compared to our peers. We very much look forward to continuing to update our shareholders as our various programs of work further advance the project towards development."

Canadian based SOP Engineering experts Novopro, lead consultants to the APC scoping and feasibility study programs, visited the Lake Wells SOP project during May 2017.

Upcoming Activity for Q2 2017

- Construction of pilot evaporation ponds
- Commencement of Stage 2 test-pumping program
- Installation of Stage 2 test-production bores
- Continue resource upgrade and expansion programmes
- Feasibility study planned to commence

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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.

Figure 2: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields

A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017[1]. The Scoping Study exceeded expectations and confirmed that 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.

Key outcomes from the Scoping Study are as follows:

- Stage 1 production rate of **150,000tpa** of premium-priced sulphate of potash (years 1 – 5)
- Stage 2 production rate of **300,000tpa** of premium-priced sulphate of potash (years 6 – 20)
- Upgraded JORC 2012 Mineral Resource Estimate comprising 14.7m tonnes of SOP, including 12.7mt in the Indicated category[1]
- Operating expenditure of A$368/US$283 tonne SOP in the first 5 years and A$343 tonne SOP over the life of mine
- At a SOP price of A$795 per tonne SOP, the Project generates LOM annual operating pre-tax cashflow[2] of A$118m/US$81m
- Pre-production capital expenditure (Stage 1) of A$175m/US$135m and Stage 2 of A$163m/US$125m
- Life of Mine (LOM) is 20 years (inc. Stage 1 & Stage 2) –upside to LOM through continued exploration

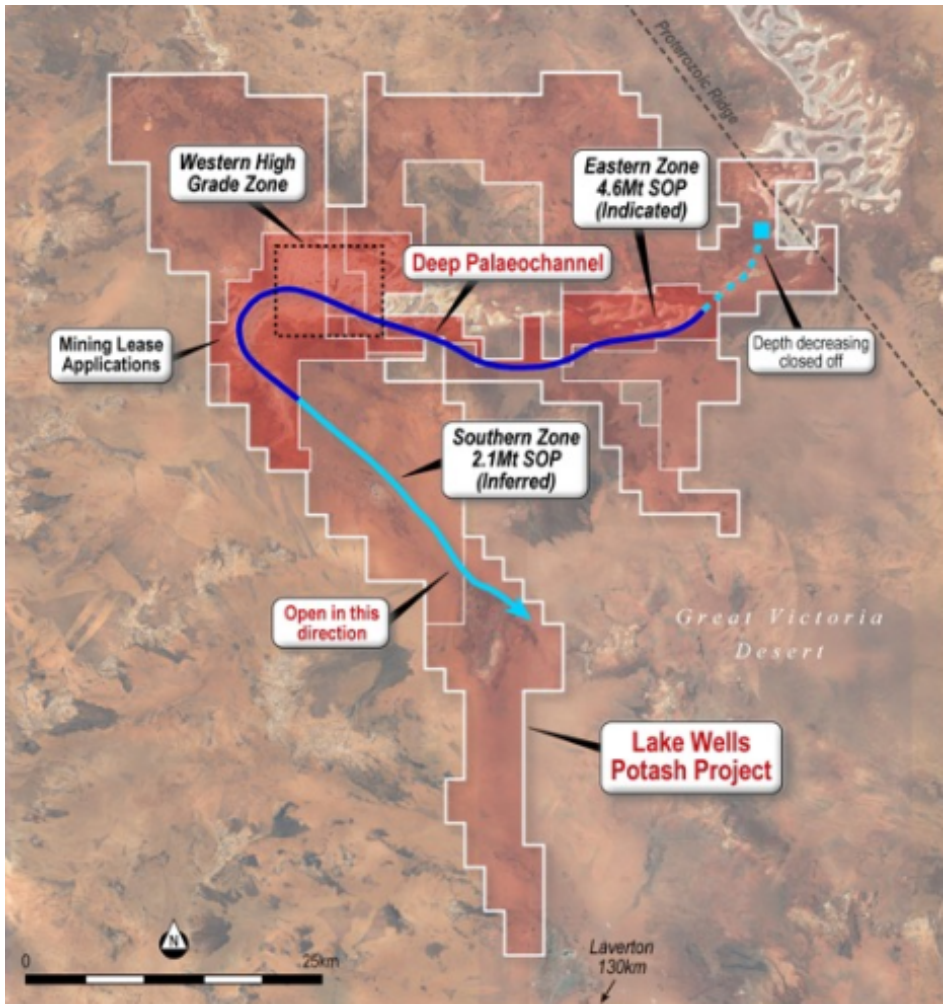

Figure 3: The Lake Wells Potash Project SOP brine resource is hosted within the palaeochannel extending to date over 55kms in length, and to a maximum depth of 174m

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.

Competent persons statement

The information in this announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Jeffery Lennox Jolly. Mr Jolly is a principal hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Jolly nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Jolly has over 30 years of international experience. He is a member of the Australian Institute of Geoscientists (AIG) and the International Association of Hydrogeologists (IAH). Mr Jolly has experience in the assessment and development of palaeochannel groundwater resources, including the development of water supplies in hypersaline palaeochannels in Western Australia. His experience and expertise is such that he qualifies as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jolly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Hydrogeological information in this announcement has been prepared by Carsten Kraut, who is a member of the Australasian Institute of Geoscientists (AIG), and International Association of Hydrogeologists (IAH). Mr Kraut is contracted to the Company through Flux Groundwater Pty Ltd. Mr Kraut has experience in the assessment and development of palaeochannel groundwater resources, including the development of water supplies in hypersaline palaeochannels in Western Australia. His experience and expertise is such that he qualifies as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of

Exploration Results, Mineral Resources and Ore Reserves'. Mr Kraut consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

[1]Refer 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.

[2]Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.