

20 September 2017

TEST-PRODUCTION BORE PROGRAM ADVANCES AT LAKE WELLS POTASH PROJECT, WA

Highlights:

- **20% of proposed Stage 1 Development bore-field on track for completion Q4 2017**
- **Five test-production bores now installed at the Lake Wells Potash Project with a further two set to be developed by October 2017**
- **Additional five monitoring bores have also been installed on site**
- **Site D test-production bore returning impressive airlift yields over 20 litres per second**
- **Long-term test pumping program to commence shortly – key catalyst towards converting resources to reserves at Lake Wells**

Australian Potash Limited (ASX: APC) (“APC” or “the Company”) is pleased to provide an operational update on the test-production bore program at its flagship Lake Wells Potash project, located 480km north-east of Kalgoorlie in Western Australia.

Following the installation of three test-production bores (TPBs) in October last year, the current program has installed two additional TPBs across the high-grade zone hosting the large indicated JORC compliant resource of 12.7Mt of contained SOP¹.

A further two TPBs will be developed before the end of the program by October 2017, which will represent completion of 20% of the Stage 1 development borefield at the Lake Wells Potash project. On development, Lake Wells will comprise a 150,000 tonne per annum (tpa) SOP processing operation supported by a 35 bore brine abstraction network.

In addition to the two new TPBs, five monitoring bores have also been completed to further define the geometry and stratigraphy of the palaeovalley sequence along which the production borefield will be constructed.

TPBs installed under the current program are undergoing test-pumping to determine accurate flow rates, with long-term test pumping of up to 12 weeks/24 hours per day to commence shortly. Data acquired through long-term test-pumping programs will assist with the calculation of a JORC compliant reserve estimate.

Australian Potash, Executive Chairman, Matt Shackleton commented: “The installation of these new bores is another key step in unlocking the value of our flagship Lake Wells Potash project.

“Initial results from the new bores installed at sites C and D are very promising, and with several active site programs underway, we look forward to updating our shareholders on further operational progress from our ongoing feasibility study in the near-term.”

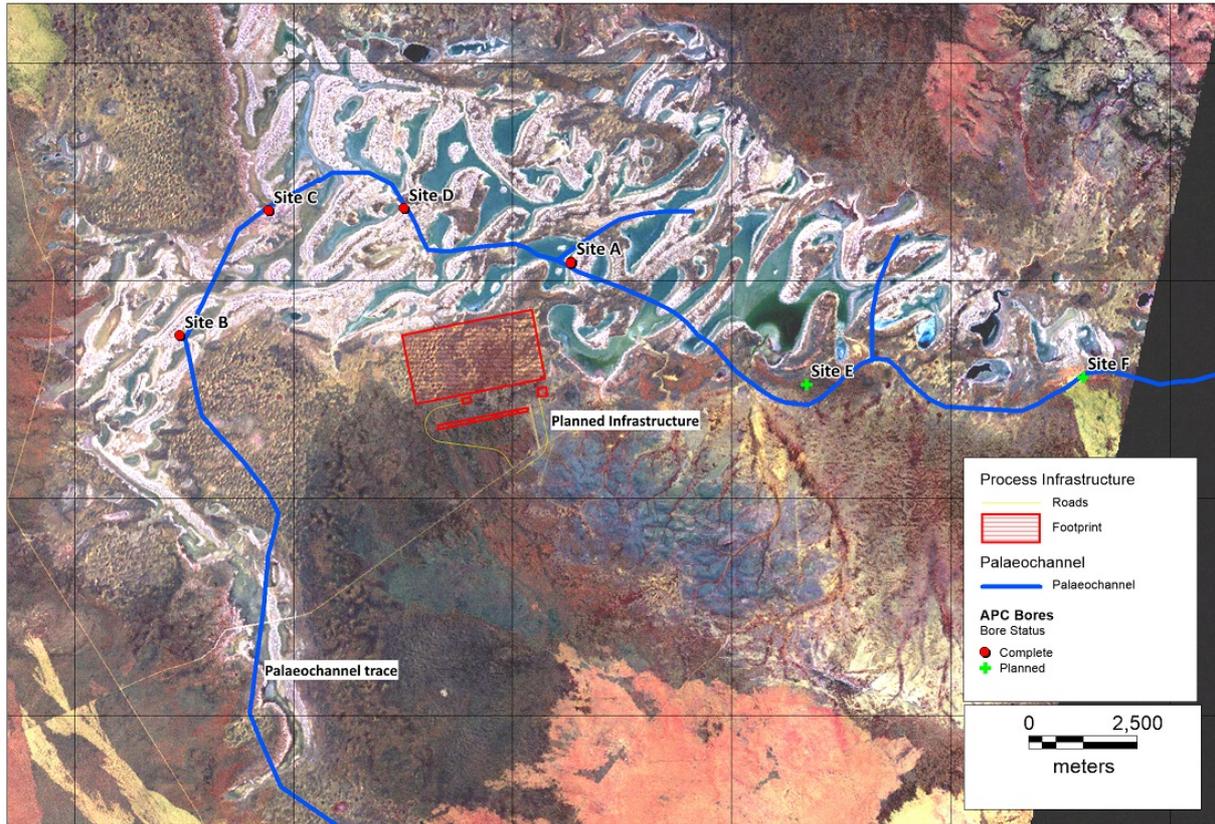


Figure 1: Test-production bores have been developed into the palaeochannel hosting the large brine SOP resource at Lake Wells

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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.

A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017ⁱⁱ. 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 categoryⁱⁱ
- 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 cashflowⁱⁱⁱ 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

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.

ⁱ Refer to ASX announcement 29 June 2016 'Strong Maiden Resource Underpins Goldphyre's WA Potash Development Strategy'. 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 29 June 2016 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 29 June 2016 announcement continue to apply and have not materially changed.

ⁱⁱ 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.

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

