

30 April 2019

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2019

Highlights:

Lake Wells Sulphate of Potash (SOP) Project (LWPP) – 100% Owned, Western Australia

- 53% K₂O field evaporated trade samples of SOP produced
- Commencement of final field programs of work for Definitive Feasibility Study (DFS)
- SOP for WA Farmers research collaboration project announced

Lake Wells Gold Project (LWGP) – 100% Owned, Western Australia

- *Earn-In & Joint Venture Agreement with St Barbara Limited (SBM) meeting exploration expenditure:* Planning for 500 hole Aircore drill program for 23,500 metres testing 13 targets completed with commencement expected Q2 CY2019

Corporate

- Successful raise of \$4.2m under a pro-rata renounceable entitlements issue, APC fully funded to completion of Lake Wells DFS

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 March 2019.

Managing Director and CEO, Matt Shackleton, commented: “The \$4.2m raised by APC through an entitlements issue to shareholders during the quarter has set the Company up well for the final field programs of work in the DFS.

“We have mobilised earth moving equipment to site post quarter end and have already completed more than 75% of the On-playa Trial Pond construction program. We anticipate finalising the development of the program and moving to first fills of the ponds in May.

“Two drill rigs are currently operating at Lake Wells, with diamond core being recovered and permanent pressure sensors being installed for long term pump testing. The second rig has commenced development of the first of two or three proposed additional production wells. On completion of these drill programs, and subsequent test pump program, we will be in a position to finalise the Reserve estimate for the completion of the DFS.

“We continue to develop commercial relationships in the near Asian agricultural markets, with attendance at the Shanghai fertiliser conference proving to be a successful interaction with end users. We look forward to updating investors presently on this aspect of the DFS.

“The joint venture agreement with St Barbara Limited is progressing well, with planning finalised for a comprehensive SBM funded Aircore gold exploration drill program across the Lake Wells tenements, commencing in the current quarter. On SBM electing to proceed past the first 12 months of the JV agreement, it has agreed to reimburse APC for previous exploration expenditure up to \$500,000.”

Lake Wells Potash Project

First Field Evaporated SOP Produced

During the quarter, the Company completed the production of the first field evaporated Sulphate of Potash at its pilot processing facility in Canning Vale.

The achievement of this significant milestone exceeded expectations of product purity previously held by APC. The result followed a month after the industry-first delivery milestone of 3 tonnes of the final potassium rich harvest salts from APC's Lake Wells site in Western Australia's Goldfields to the processing facility. Working to the flow-sheet designed by Novopro, the production process was managed by one of that firm's senior engineers seconded to APC for the duration.

Preliminary analysis from titration indicated a 98% pure SOP equivalent to approximately 53% K₂O.



Figure 1: APC Director Rhett Brans, Novopro Chemical Engineer Mike Morrison and Bureau Veritas Senior Metallurgist Jeremy Neal handle a sample of 98% pure K₂SO₄ produced at the pilot processing plant

Definitive Feasibility Study programs

During the quarter, the Company commenced the final field programs of work in the DFS, which included the following:

- Resource finalisation
 - 2 or potentially 3 further production wells to be developed to depths of between 140m and 170m;
 - 3 monitoring bores per production well drilled to plot aquifer response during pump-testing;
 - Long term pump testing of production wells to confirm flow rates, which in turn underpin the hydro-flow model for the bore-field design;

- Diamond drilling in order to recover basement rock core and test permeability; and
- Down-hole geophysics across 30 of the deepest holes drilled at site to provide further confidence in the permeability of the sediment strata.
- On-playa Trial Pond construction program
 - Trial evaporation ponds built on lake to assess design constructability and efficacy.
- Environmental monitoring program finalised, which will feed into the Environmental Review Document to be submitted to the EPA for project development approval.

Research Collaboration Project

During the quarter, the Company was pleased to announce an Australian first collaborative research program between the Western Australian No-Tillage Farmers Association (**WANTFA**), The University of Western Australia's Institute of Agriculture, and APC for a two-year controlled environmental study (glasshouse trial) and accompanying broadacre field trials.

Commencing in this growing season and planned for two years, the program will analyse the benefits of sulphate of potash fertilizer.

The APC, Sulphate of Potash for WA Farmers (**SOPWA**) project will compare commonly used muriate of potash (MOP) with SOP and investigate the full effects of both potassium sources on crop yield, quality, safety and value.



Figure 2: Broad acre field trials demonstrating the relative benefits of SOP over MOP on typical Western Australian soil types are underway across the state's wheat belt

These trials will also investigate crop response to SOP and soil biology in comparison to MOP. Such comparative studies have not been done in the past. WANTFA has selected paddock trial sites in Bolgart, Grass Patch, Kojonup, Southern Cross and Yuna. Each site will receive four to six treatments of SOP and MOP, with differences to crops and soil biology recorded over two seasons.

UWA will add scientific rigour by studying the yield and quality of key grain crops applied with APC's Lake Wells SOP and MOP on soils collected from the paddocks.

At the same time as the scientific studies are happening, APC will release its DFS on its Lake Wells Sulphate of Potash Project.

APC plans to initially produce 150,000t per annum of premium SOP for the local and overseas markets. The second stage is planned to commence in 2026 providing an additional 150,000t per annum.

“The co-operative relationship APC has developed with WANTFA is paramount to our strategy to distribute Lake Wells SOP through the WA ag sector,” APC Managing Director and CEO Matt Shackleton said. “As one of the state’s most highly influential, broadacre grower groups, their technical agronomic leadership skills lend immense authority to the work APC is part of. In conjunction with UWA’s Institute of Agriculture, arguably one of the world’s leading agricultural research institutions, APC is proud to be part of what will be a game-changing shift for WA and Australian agriculture.”

Lake Wells Gold Project

Earn In & Joint Venture Agreement with St Barbara Limited

As previously announced on 8 October 2018, APC and St Barbara Limited (**SBM**) have entered into an Earn In & Joint Venture Agreement covering tenure at the Lake Wells Gold Project.

Under the terms agreed and previously announced, SBM paid APC \$1.25M in cash consideration during the December quarter for entering into the Agreement and has agreed to fund minimum exploration expenditure of \$1.75M in the first year of the Agreement.

During the March quarter, APC and SBM continued to progress their joint venture by forming a management committee as provided for under the Earn In & Joint Venture Agreement.

A 500 hole Aircore drill program for 23,500 metres testing 13 targets is expected to commence early in the Q4/June FY19.

Corporate Activity

Renounceable Entitlements (or Rights) Issue

During the quarter, the Company successfully completed a pro-rata renounceable rights issue (**Rights Issue**), raising \$4,200,000 (before costs)¹. Eligible shareholders were able to participate in the Rights Issue, comprising an offer on the basis of three (3) rights shares (**Rights Shares**) for every fourteen (14) existing shares held at an issue price of 8 cents (\$0.08) per Rights Share, together with one (1) free attaching listed option exercisable at 12 cents (\$0.12) each on or before 8 August 2021 for every four (4) Rights Shares subscribed.

The Rights Issue was underwritten by Patersons Securities Limited, who also acted as Lead Manager. The Company’s directors participated in the Rights Issue, in their capacity as eligible shareholders.

The funds raised from the Rights Issue are being used to complete the DFS for the Company’s high-grade, low cost LWPP, and for general working capital.

Attendance at Argus’ Shanghai Asia Fertiliser Conference

The Company’s Managing Director and CEO, Matt Shackleton, and Chief Commercial Officer, Jay Hussey, recently attended the Argus Asia Fertilizer conference held in Shanghai, China. The setting was an opportunity for APC to meet with some of the 450+ key organisations doing fertilizer business in Asia including global players, major Chinese suppliers, consumers, and distributors from across China and Southeast Asia.

¹ \$0.4m in subscriptions were received post quarter end

Mining Tenements

Area	Tenement	Interest at 1 January 2019	Action	Interest at 31 March 2019
Lake Wells	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%
	E38/27422 ²	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
	E38/3028	100%	-	100%
	E38/3109	100%	-	100%
	E38/3224	100%	-	100%
	E38/3225	100%	-	100%
	E38/3226	100%	-	100%
	E38/3270	100%	-	100%
	M38/1274 ²	100%	-	100%
	M38/1275	100%	-	100%
M38/1276 ²	100%	-	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
	E38/3132	100%	-	100%

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 LWPP located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

The LWPP 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.

A Scoping Study on the LWPP was completed and released on 23 March 2017ⁱ. 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^j
- 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 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
- 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 the announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Duncan Gareth Storey. Mr Storey is a Director and Consulting Hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Storey nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Storey has 30 years of international experience. He is a Chartered Geologist with, and Fellow of, the Geological Society of London (a Recognised Professional Organisation under the JORC Code 2012). Mr Storey has experience in the assessment and development of paleochannel aquifers, including the development of hypersaline brines in Western Australia. His experience and expertise are such that he qualifies as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves". Mr Storey consents to the inclusion in this report of the matters based on this information in the form and context as it appears.

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ⁱ Refer to ASX announcement 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned LWPP 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.

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