

31 October 2019

AUSTRALIAN POTASH LIMITED

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 SEPTEMBER 2019

Highlights

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

- Offtake discussions continue to progress with due diligence underway by a number of international industry partners
- Project financing advisors appointed with discussions commenced with commercial banks
- Definitive Feasibility Study (DFS) results announced:
 - Pre-tax NPV₈ of A\$665M
 - Annual pre-tax free cash flows of A\$100M and Life of Mine (LOM) pre-tax free cash flows of A\$3.1B
 - Pre-tax Internal Rate of Return (IRR) of 25% on robust operational and capital efficiencies
 - 150,000 tonnes per annum (tpa) Sulphate of Potash (SOP) production rate with a 30-year mine life
- Significant increase in the LSOP Measured Resource to 18.1 million tonnes SOP
- Pond constructability and seepage barrier trials confirm design efficiency
- APC signs Joint Cooperation Agreement with the operator and manager of the Port of Geraldton, the Mid West Ports Authority

Next two quarters

- Finalise binding off-take agreements
- Complete Front End Engineering Design (FEED)
- Secure project finance debt package
- Finalise development approvals

Lake Wells Gold Project (LWGP) – 100% Owned, Western Australia, Joint Venture with St Barbara (SBM)

- Initial aircore drill program of 29,337m
- Detailed ground gravity survey covering approximately 1,273km²
- Targeting study using historical data, detailed airborne magnetic survey and results of the first aircore drill program
- Exploration program finalised for second stage earn-in by SBM

Corporate

- Receipt of the FY2018 **\$1.3M** rebate and the FY2019 **\$1.4M** rebate subsequent to quarter end under the R&D Tax Incentive Program

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 September 2019.

Managing Director and CEO, Matt Shackleton, commented: “This quarter saw APC announce the findings of the Definitive Feasibility Study on developing the Lake Wells Sulphate of Potash project as one of the state’s premier mining/agricultural operations.

“Underpinned by one of the most data-rich brine mineral resource estimates in the sector to date, extensive and rigorous testwork, and detailed modelling and field work by the Company’s panel of expert consultants, the DFS confirmed that the LSOP will be a long life, low capital intensity and high margin SOP producer.

“Completing the DFS allowed APC to open the data-room to a number of fertiliser industry parties to commence their due diligence processes. Over the coming two quarters, we will look to finalise binding off-take agreements, optimise and secure the finance debt package, finalise the approvals process and complete Front End Engineering Design (**FEED**) optimisation activities.”

Lake Wells Sulphate of Potash Project

Definitive Feasibility Study

On 28 August 2019 APC announced the completion of an AACE Class 3 DFS (+15%/-5%) on developing the LSOP into a 150,000 tpa Sulphate of Potash operation¹. The DFS was prepared by Lycopodium in conjunction with industry leading consultants including Novopro, AQ2, Knight Piésold, and MBS Environmental.

The Project will use a bore-field to abstract brine, mitigating the geotechnical challenges and decline in grade and production over time, evident in trenching systems. The Project has an extremely competitive capital intensity, forecast first quartile operating costs and exceptional returns.

The highlights of the DFS include:

- Compelling economics:
 - Pre-tax NPV₈ of A\$665M

- Annual pre-tax free cash flows of A\$100M and LOM pre-tax free cash flows of A\$3.1B
- Pre-tax IRR of 25% on robust operational and capital efficiencies
- 150,000 tonnes per annum (tpa) Sulphate of Potash (SOP) production rate
- Long life Project with lowest quartile production costs:
 - 30 year mine life with LOM production of 4.5Mt of premium high-grade SOP
 - LOM cash cost of US\$262/t places the LSOP in the first quartile of the SOP cost curve
- Sector leading CAPEX:
 - Development CAPEX of A\$208M
 - Competitive capital intensity of A\$1,387/t SOP
- Resources and Reserves:
 - LOM production is met using maiden 3.6Mt Probable Reserve and draws on the Measured Resource Estimate of 18.1Mt drainable SOPⁱⁱ

The Company has commenced the FEED program. It is the strategic intent of the Company to conduct the FEED program using a combination of Owner's Team and external consultants over 4 – 6 months.

Logistics

On 9 September 2019, APC announced the signing of a Joint Cooperation Agreement with the operator and manager of the Port of Geraldton, the Mid West Ports Authority. The Agreement allows APC to continue to optimise its logistics and port options for the LSOP.

The LSOP is ideally located to transport infrastructure, with options for rail and various road haul routes being available. During the FEED program, these options will be optimised to drive through the best outcome for the project's economics.

Major Resource Estimate Upgrade

During August 2019, and in conjunction with the DFS referred to above, APC upgraded the JORC 2012 Compliant Mineral Resource Estimateⁱⁱ. The upgraded JORC 2012 Compliant Mineral Resource Estimate comprises 18.1MT of drainable SOP in the measured category.

Completion of the Trial Evaporation Pond Construction Program

Subsequent to quarter end, the on-playa trial pond assessing the constructability, efficacy and economics of three sub-surface, vertical barrier designs was completed. The trial pond was filled using a near-by production bore. The optimisation program highlighted that all the pond perimeters were highly stable and accessible and confirmed that the vertical and lateral brine seepage was contained within the design limits. The trial pond also demonstrated good salt crystallisation even through the low-evaporation winter months.



Figure 1: On-playa trial pre-concentration pond demonstrated low-cost, efficient lateral seepage barrier construction techniques using the highly stable and easily accessible playa perimeter

Lake Wells Gold Project

Earn In & Joint Venture Agreement with St Barbara Limited

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

Under the Agreement, SBM paid APC \$1.25M in cash consideration during the December 2018 quarter, and has met the minimum exploration spend of \$1.75M during the initial 12 month Earn-In period.

During the September quarter, SBM completed:

- Initial aircore drill program of 29,337m
- A detailed ground gravity survey covering approximately 1,273km² with 4,040 stations collected on an 800m by 400m spacing
- A targeting study over the entire tenement package using historical data, a recent detailed airborne magnetic survey and results of the first aircore drill program

A second round of aircore drilling, comprising 230 holes for 13,500m testing 7 targets is expected to commence in Q3 2019.

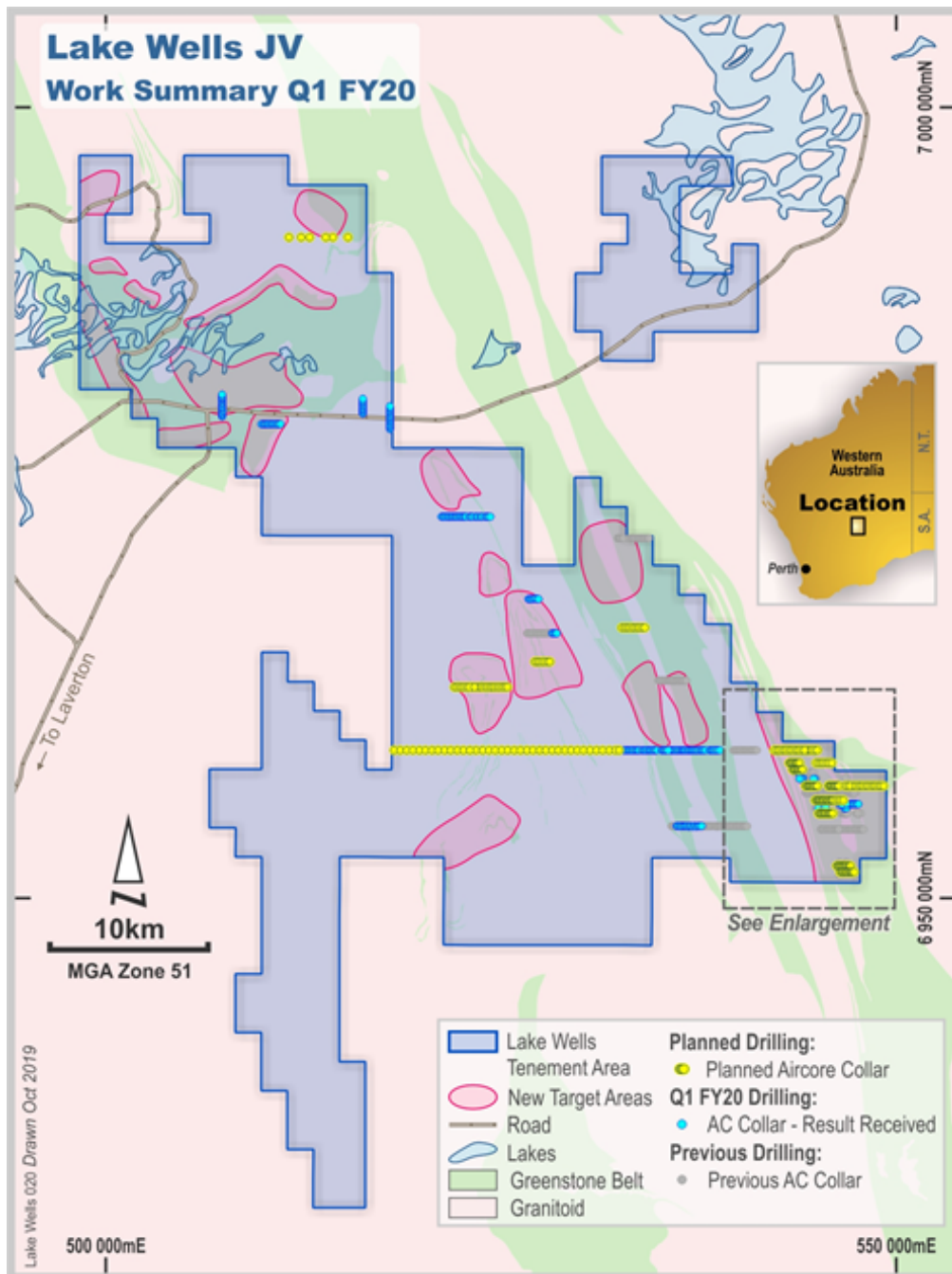


Figure 2: Location of recently completed and planned aircore drilling.

CORPORATE

R&D Tax Incentives Received

During the quarter, the Company received a \$1.3M refundable Research and Development (R&D) Tax offset relating to the work performed in the year ended 30 June 2018. Subsequent to quarter end, the Company further advised that it had received the 30 June 2019 refundable R&D Tax offset from the Australian Taxation Office amounting to \$1.4M. The R&D Tax incentive recognises the innovative abstraction bore construction and pre-concentration pond testwork trials on the project undertaken by the Company during the

financial years ending 30 June 2018 & 2019. The funds will be used to continue the work streams for the FEED program.

ASX Waiver for Listed Options

During the quarter, the Company obtained a waiver from ASX Listing Rule 6.24 in relation to the 37,594,906 listed options exercisable at \$0.20 each and expiring on 25 October 2019 (**Options**), to the extent necessary to permit the Company not to send notices to holders of the Options as otherwise required by item 6.1 of Appendix 6A of the ASX Listing Rules.

Mining Tenements

Area	Tenement	Interest at 1 July 2019	Action	Interest at 30 September 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 ⁱⁱⁱ	100%	-	100%
	E38/2742 ⁱⁱⁱ	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%
	ELA38/3423	-	Application	100%
	M38/1274 ^{iv}	100%	-	100%
	M38/1275	100%	-	100%
M38/1276 ^{iv}	100%	-	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
	E38/3132	100%	-	100%
	ELA38/3402	100%	Application	100%
	ELA38/3403	100%	Application	100%
	ELA38/3404	100%	Application	100%
Norseman East	ELA63/1988	-	Application	100%
	ELA63/1989	-	Application	100%
	ELA63/1990	-	Application	100%

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Forward Looking Statements

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.

ⁱ Refer to ASX Announcement 28 August 2019 'Definitive Feasibility Study Outstanding Financial Outcomes'. 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 28 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 28 August 2019 announcement continue to apply and have not materially changed.

ⁱⁱ Refer to ASX announcement 5 August 2019 'Major Resource Estimate Upgrade'. 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 5 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 5 August 2019 announcement continue to apply and have not materially changed.

ⁱⁱⁱ Tenements are subject to a Sale and Split Commodity Agreement with Lake Wells Exploration Pty Ltd (**Lake Wells**) and Mark Creasy, where the Company has the right to explore for and exploit potash minerals in preference to all other minerals' exploration and prospecting activities. Should a Mining Lease be applied for by the Company on any part of these licenses, on grant it will be transferred to 100% Company ownership and the Company will grant to Lake Wells exploration rights and Mark Creasy prospecting rights. Any rights thus granted cannot be exercised in preference to the Company's activities in exploring for or exploiting potash minerals.

^{iv} Tenement transfers have been lodged to transfer 100% ownership of the lease to the Company, whereupon the Company will grant to Lake Wells exploration rights and Mark Creasy prospecting rights. Any rights thus granted cannot be exercised in preference to the Company's activities in exploring for or exploiting potash minerals.