

14 April 2020

ASX ANNOUNCEMENT
ASX: APC

AUSTRALIAN POTASH LIMITED

SECOND AGREEMENT EXECUTED IN OFFTAKE PROGRAM

China

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to advise signing of the second binding term sheet with Tier 1 partner Migao International (Singapore) Pte Ltd (Migao) for the supply of 50,000 tonnes per annum (tpa) of premium **K-Brite™** sulphate of potash from the Lake Wells Sulphate of Potash Project (LSOP).

Highlights



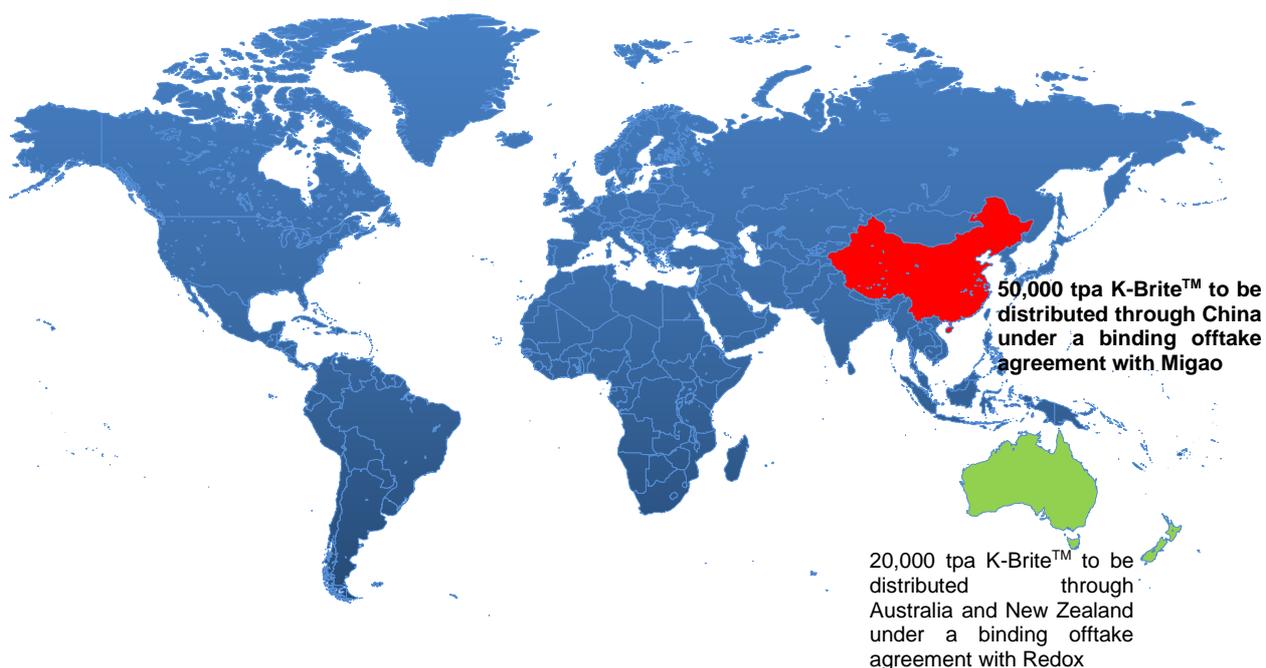
- Binding 10-year take-or-pay term sheet for 50,000 tpa of K-Brite™
- Pricing on Net Realised Price basis incentivising Migao to achieve the highest sales price in the market
- Geographic rights for distribution through China
- The parties' obligations under the binding term sheet are subject to and conditional on board approval (which has been satisfied), long form documentation being executed, and APC reaching a final investment decision to develop the LSOP
- Discussions well advanced with further Tier 1 offtake partners covering Asia (ex-China), Europe and the Americas
- Total offtake under binding term sheet agreements including Redoxⁱ and Migao: **70,000 tpa**

Managing Director and CEO, Matt Shackleton, commented: *"We are pleased to announce the second binding term sheet for offtake supply, covering sales and distribution rights to K-Brite™ in the world's largest SOP market, China."*

“The management teams of both APC and Migao have developed a co-operative and trusting relationship over the course of the LSOP project development, which is reflected in this binding offtake position. From their position as one of China’s largest Mannheim SOP producers, Migao is ideally positioned to distribute the LSOP K-Brite™ into their long-term supply chain relationships in China.

“Notwithstanding restrictions on movement due to the COVID pandemic, APC continues with its corporate activities, including progressing the offtake program. Our strategic intention remains to secure the majority of the LSOP output under offtake, with now 70,000 tonnes, or approximately 45% of the targeted output of 150,000 tpa, agreed to.

“We look forward to updating shareholders presently on progress across the offtake program, permitting & approvals, and project financing.”



Key Terms

The Migao offtake contains commercial terms and clauses customary to this type of agreement, including the following key terms:

- Pricing based on the market price minus traditional ‘net back’ costs including a marketing fee and ‘flow through’ shipping, storage and handling costs (Net Realised Price)
- Binding agreement to take-or-pay 50,000 tpa of K-Brite™ over an initial 10-year term
- K-Brite™ sales and distribution rights on an exclusive basis to China
- Subject to board approval (which has been satisfied), the finalisation of long-form documentation, and the board of APC making a final investment decision

About Migao International (Singapore) Pte Ltd

Migao International (Singapore) Pte Ltd is a fully owned subsidiary of Migao Group Holdings Limited ('Migao Group'). Migao Group, a privately-owned specialty fertiliser manufacturer and distributor established in 2003, is headquartered in Hong Kong, with a regional distribution and corporate centre in Singapore. In 2019, Migao produced over 1 million tonnes of specialty potassium fertilisers, including potassium sulphate (SOP) and potassium nitrate (NOP), from its seven production facilities across mainland China. Migao has a strategic intent to expand its position in fertiliser supply chains within and external to China, aligning well with APC's offtake partner strategy to secure Tier 1 long-term agreements into the material global SOP markets.

To learn more about the Migao Group, please visit www.migaogroup.com.

This release was authorised by the Board of Directors of the Company.

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About Australian Potash Limited



K-Brite is a registered trademark brand of Australian Potash Limited (ASX: APC), representing the premium Sulphate of Potash (SOP) to be produced from the Company's flagship Lake Wells Sulphate of Potash Project (LSOP).

APC holds a 100% interest in the LSOP, located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Following the release of the Definitive Feasibility Study (DFS) in August 2019ⁱⁱ, APC is focused on the Front-end Engineering Design (FEED) Study, finalising offtake discussions and securing financing to develop the LSOP.

The DFS was underpinned by extensive and rigorous testwork, data, and modelling. The DFS confirmed that the LSOP will be a long life, low capital and high margin SOP producer.

Key outcomes from the DFS include:

- 30-year mine life producing 150,000tpa of premium grade SOP utilising approximately 21% of the total Measured Resource estimate
- Long mine life underpinned by 3.6Mt reserve and **18.1Mt** Measured Resource estimate
- Pre-tax NPV₈ of **A\$665m** and an IRR of 25%
- Development capex of A\$208M with sector leading capital intensity of A\$1,387/t
- First quartile industry opex of US\$262/t providing high cash operating margins

ⁱ Refer to ASX Announcement 16 March 2020 'FIRST OFFTAKE AGREEMENT'.

ⁱⁱ 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.