

31 July 2020

ASX ANNOUNCEMENT
ASX: APC

AUSTRALIAN POTASH LIMITED

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2020

Highlights

Lake Wells Sulphate of Potash Project (LSOP) – WA, 100% owned

- **Offtake Program**
 - 50,000 tonne take-or-pay binding agreement signed with Migao Corporation
 - 30,000 tonne take-or-pay binding agreement signed with Mitsui (*post quarter end*)
 - Total under offtake agreement 100,000 tonnes: targeting >75% SOP output
 - **Next quarter:** Finalise Offtake Program
- **Approvals Pathway**
 - Final Environmental Review Document (ERD) submitted
 - Environmental Protection Authority (EPA) conducting its assessment
 - **Next quarter:** EPA progress Part IV s28 approval (Environmental approval)
- **Funding Strategy Execution**
 - NAIF preliminary-due diligence program finalised
 - Expressions of Interest (EOIs) from domestic and international commercial banks
 - **Next quarter:** Due diligence by lending institutions, negotiation of indicative terms
- **Front End Engineering Design (FEED) program**
 - Contracting strategy moved to an Engineering Procurement & Construction (EPC) footing for 5 major packages of work
 - Invitations to tender issued to EPC contractors for village, communications and renewable power station
 - **Next quarter:** Receive and review EPC tenders, finalise CAPEX numbers

Lake Wells Gold Project (LWGP) – WA, Joint Venture with St Barbara (SBM)

- **Significant gold anomalies outlined by regional aircore (AC) drilling programs reported**
 - Anomalous arsenic (As), bismuth (Bi) and antimony (Sb) pathfinder geochemistry and weak to moderate sericite alteration associated with gold mineralisation
 - High-grade gold, associated with narrow, laminated quartz veins hosted within shear zones (analogous to Kundana) represents the style of mineralisation targeted within the southern Lake Wells tenements

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 June 2020.

Managing Director and CEO, Matt Shackleton, commented: *“Another quarter of high-paced activity for the focused APC team. Notwithstanding the restrictions imposed by COVID19 we were able to advance our offtake program, which is directly linked to the funding strategy we are executing. Very pleased to see strong indicative support for our development from the local, state and now federal governments through NAIF. Our continued liaison with the EPA has advanced the Environmental Review Document and the approvals process is now in that agency’s hands. And finally, we made the strategic decision to move the LSOP development to an EPC footing, mitigating potential risks on cost and timing of the development to our shareholders. We also believe this will feed directly into the funding strategy.*

“The next quarter looks like a defining 3 months for APC as we round out offtake, have the lending institutions conduct their due diligence and materially advance approvals to proceed to development.”

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

Significant offtake agreement milestones

During the quarter, the Company announced a second significant milestone with the next offtake agreement in the program with Migao International (Singapore) Pte Ltd (Migao) for the supply of 50,000tpa of K-Brite™ sulphate of potash from Lake Wells. This offtake agreement is for distribution in China. Having a tier 1 offtake partner supplying into the world’s largest SOP market domiciled in the near and similar legal jurisdiction of Singapore is a boon for APC’s shareholders.ⁱ

Subsequent to the end of the quarter, the Company announced a third binding offtake agreement with Mitsui & Co. (Asia Pacific) for 30,000tpa of K-Brite™ sulphate of potash from Lake Wells for distribution into Asia (ex China). Again, having an internationally recognised, major fertiliser and chemicals trading house distributing our brand through this rapidly expanding market is a significant achievement and bodes well for our investors.ⁱⁱ

The Company is continuing discussions with other offtake partners for production from Lake Wells, with distribution targeting Europe, the US and Africa.

The Company will continue to keep the market informed as these discussions progress to a contract stage.

Environmental Review Document (ERD)

During the quarter, the ERD for the LSOP was finalised with the Environmental Protection Authority (EPA). The ERD is the comprehensive environmental approval document submitted for assessment by the EPA.

Over the next two quarters, the EPA will progress the ERD through Stage 4 – EPA Report including consultations with the Company on conditions for approval, enabling the EPA to finalise their report and recommendation for the Minister for the LSOP development.

With the progress of the ERD through to Stage 4 of the EPA assessment process, the LSOP becomes only the third solar-salt SOP brine project in Australia to reach this level of assessment.

Organic certification underway

The Company is progressing organic certification for the K-Brite™ sulphate of potash product from Lake Wells. Certification is important for the Company as it increases the sales potential, particularly into higher value organic crops grown in Europe and North America.

Historically, SOP certified for use in organic agriculture has commanded a material price premium.

Front End Engineering Design (FEED)

The new and emerging SOP solar-salt sector in Western Australia is being developed across a number of projects. While still in its infancy, several of these projects are displaying the technical merits that indicate a long-term, sustainable SOP production base will emerge. Commercially, we are of the view that the risk of development and commissioning of these projects, while low, is best mitigated through an Engineering, Procurement and Construction contracting strategy, as opposed to an 'owner build' strategy. Accordingly, APC will be receiving tenders for EPC contracts across the plant build, renewable power station build, HV reticulation, accommodation village(s) and bore-field fit-out.

Given our more than 6 years' experience in drilling the Lake Wells playa environment, including planning, drilling and rehabilitation, we believe we are best placed to manage the drilling program for the +100 well bore-field. In addition, with the augmentation of our team through Rhett Brans joining as Project Director, we are confident our in-house team will manage successfully the civil construction program across the pond development and access roads.

The FEED program sees us closing out the tendering process through Q3 and Q4, with finalised CAPEX numbers, OPEX numbers, production levels (output) and development schedule due for publication during Q4 2020.

Corporate

Rhett Brans joined the team in an executive capacity as Project Director on 6 June 2020.

Placement & Rights Issue Completed

On 7 May 2020 the Company announced the successful completion of a \$2m placement of 40m ordinary shares at 5c to sophisticated and professional investors.

On 3 June 2020 the Company further announced the completion of a rights issue (entitlements issue) to eligible shareholders. The rights issue raised approximately \$2.23m through subscriptions on a 1:7 basis at 5c.

Lake Wells Gold Project

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

Under the Agreement, SBM paid APC a \$1.25M cash consideration and has since met the minimum exploration expenditure commitment of \$1.75M pursuant to the initial 12 month Earn-in period.

Immediately subsequent to the end of the quarter, the financial year 2021 (FY21) exploration program under the Earn-In & Joint Venture agreement was advised by St Barbara Limited for the Lake Wells Gold Project.

During 2019 and 2020, SBM conducted an extensive exploration program including two large programs of AC drilling at the Lake Wells Gold Project (refer to ASX announcement of 27 April 2020).

Key outcomes of work completed to date are:

- Completed framework geology study that included acquisition of detailed magnetic and gravity geophysical data;
- Defined areas of anomalous gold and pathfinder elements (As, Bi and Sb) in AC drilling that require follow-up;
- Potential target styles of mineralisation have been defined;
- Additional areas for first-pass testing have been identified; and,
- Priority follow-up targets generated and program planning advanced.

Subject to access, the FY21 program is planned to commence in September and is likely to continue through to the end of Q2 FY21.

- Extensive regional scale drilling program up to c.30,000 metres comprising:
 - Up to 425 Air-Core (AC) holes for approximately 25,500 metres;
 - Up to 19 Reverse Circulation (RC) holes for approximately 3,400 metres; and,
 - Up to 3 diamond drill (DDH) holes for approximately 900 metres.
- Extensive infill drilling to the Yamarna target area with the program extending into the northern tenement areas (*refer Figure 1*)

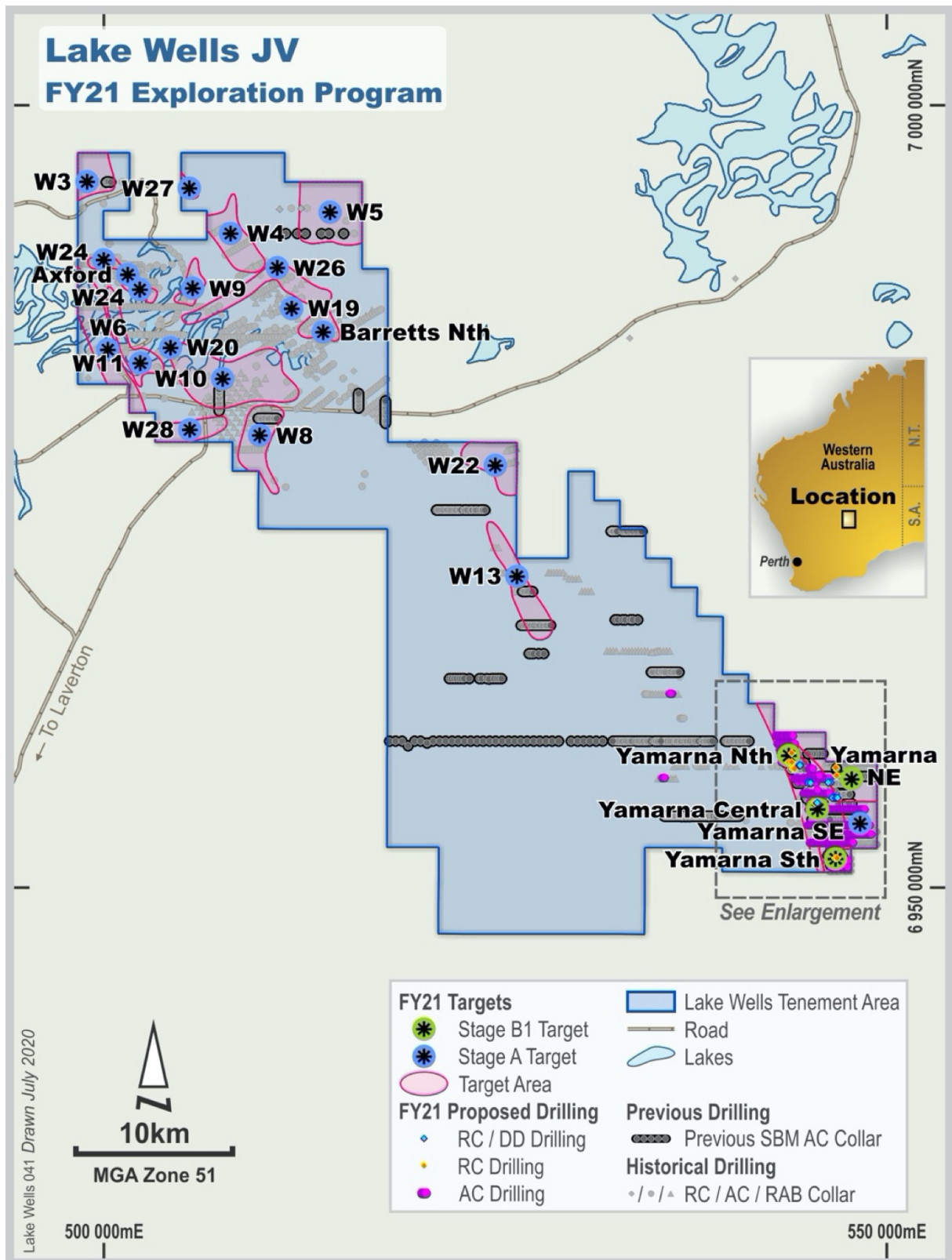


Figure 1: Summary of proposed FY21 exploration program drill locations showing the Yamarna and Lake Wells target areas

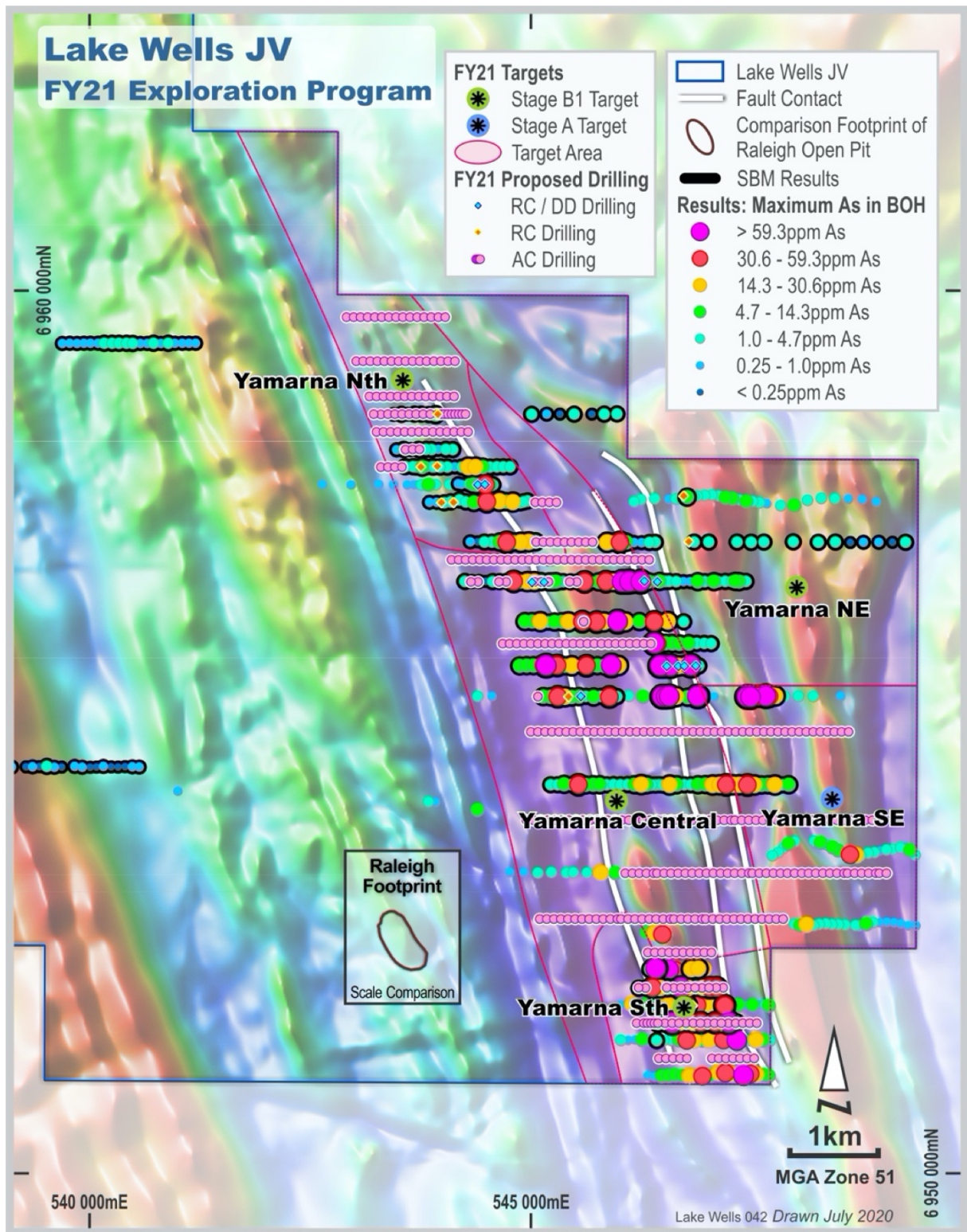


Figure 2: Location of proposed drilling and targets in the Yamarna area of the Lake Wells Gold Project.

Mining Tenements

Area	Tenement	Interest at 1 April 2020	Action	Interest at 30 June 2020
Lake Wells	E38/1903	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	-	100%
	E38/2505	100%	-	100%
	E38/2901	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
	E38/2744 ⁱⁱⁱ	100%	Access Rights	100%
	E38/2742 ⁱⁱⁱ	100%	Access Rights	100%
	E38/3021	100%	-	100%
	E38/3028	100%	-	100%
	E38/3039	100%	-	0%
	E38/3224	100%	-	100%
	E38/3225	100%	-	100%
	E38/3226	100%	-	100%
	E38/3270	100%	-	100%
	ELA38/3423	100%	Application	100%
	M38/1274 ^{iv}	100%	-	100%
	M38/1275	100%	-	100%
	M38/1276 ^{iv}	100%	-	100%
MLA38/1287	0%	Application	100%	
MLA38/1288	0%	Application	100%	
MLA38/1289	0%	Application	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
	E38/3132	100%	-	100%
	E38/3402	100%	-	100%
	E38/3403	100%	-	100%
	E38/3404	100%	-	100%
Darlot East	ELA37/1388	100%	Application	100%
	ELA37/1389	100%	Application	100%
	ELA37/1390	100%	Application	100%

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 2019^v, 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

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 14 April 2020 'Second Agreement Executed in Offtake Program'.

ⁱⁱ Refer to ASX Announcement 20 July 2020 'Third Agreement Executed in Offtake Program'.

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.

^v 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.