

ASX Announcement



31 October 2013

COMPANY DETAILS

ABN: 62 147 346 334

PRINCIPAL AND REGISTERED OFFICE

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ASX CODE

PWN

OTC-QX CODE

PWNNY

CORPORATE INFORMATION

(31 October 2013)

92M Ordinary shares
3M Unlisted options
8M Listed options

BOARD OF DIRECTORS

Adrian Griffin
(Non-Executive Chairman)
Patrick McManus
(Managing Director)
George Sakalidis
(Non-Executive Director)
Gary Johnson
(Non-Executive Director)

QUARTERLY ACTIVITIES REPORT – SEPTEMBER 2013

Highlights

- **Very robust Scoping Study released for Dandaragan Trough single superphosphate project**
- **Single superphosphate development offers low cost start-up opportunity**
- **Significant increase announced for phosphate JORC Indicated Resource at Dinner Hill**

Dandaragan Trough Project

The significant phosphate potential contained within the Dandaragan Trough Project in Western Australia was a major area of focus for Potash West NL (ASX: PWN) during the September 2013 quarter.

On September 17 Potash West announced it had achieved very positive results from a Scoping Study targeting single superphosphate (SSP) production on the wholly owned Dandaragan Trough Project.

This latest and very focused Scoping Study was undertaken after the significant phosphate potential of the Dinner Hill region of Dandaragan Trough project area was recognised during development of the economics of the Company's patent-pending K-Max process, which produces phosphate alongside potash, alum and iron oxide.

The Scoping Study demonstrated the robust nature for a potential single superphosphate project, with a particular highlight being the estimated \$144 million in capital costs – a figure considered to be feasible for a company of our size.

Major attributes identified in the study included the advantageous location, low mining costs, simple processing route and cheap acid supply.

The positive outcomes of the study have now provided Potash West with the confidence to move forward towards a Definitive Feasibility Study (DFS) on a stand-alone phosphate project.

Key outcomes of the study included:

- The initial focus on a processing rate 3.8 Mtpa
- An initial mine life of 20 years
- Average revenues per year of \$131 million
- Average cash costs per year of \$97.6 million
- IRR 26.2%
- NPV8 \$218 million
- Capital cost \$144 million
- Payback period 4 years

The Scoping Study work programme also highlighted a number of potential processing breakthroughs that would bring benefits to a proposed project. These included:

- Opportunities for metallurgical recovery improvements
- The potential to easily and significantly increase the scale of the project as operations are established and markets grow in the region thanks to the extensive nature of the phosphatic greensand at Dandaragan Trough.
- An opportunity to build a combined phosphate plant and K-max plant to produce potash and alum products from the same feed material. This could be expected to lead to an increase in phosphate production, coupled with lower capital and operating costs compared to two separate plants.

The processing component of the Scoping Study focused on treating the mined phosphate rich greensands in a superphosphate processing plant consisting of conventional unit operations, including scrubbing, screening, de-sliming, magnetic separation and flotation to produce phosphate rock containing >30% P₂O₅. The phosphate rock will be acidulated using purchased sulfuric acid to produce SSP containing >18% P₂O₅.

The key operating parameters include:

- Screening at 0.5 mm recovers approximately 63% of the contained phosphate for direct feed to the flotation plant.
- De-sliming and magnetic separation recovers a further 7% of the contained P₂O₅ for direct feed to the flotation plant.
- Flotation and magnetic separation recovers 88% of the phosphate from the flotation feed to the phosphate concentrate.
- Acidulation recovers 100% of the phosphate from the phosphate concentrate to the SSP product
- An overall recovery of 61.3%.

The major attributes of the processing plant identified in the study included the relatively simple and cheap upgrade of the phosphate mineralisation from an average head grade of 2.65% P₂O₅ to approximately 5.2% P₂O₅ for feed to the flotation plant. This involves a phosphate recovery of 70% to 36% of the mass. These processing steps, which include screening, de-sliming and magnetic separation, are low cost and relatively easy to operate. The significant upgrade allows for relatively small downstream processing units. The main reagents required include sulfuric acid, for the acidulation process, and fatty acid, for flotation. Calcite is present in the deposit and will be used for neutralisation, if required.

The new studies also identified that the phosphate component in the samples were fluorapatite and relatively liberated. The apatite was nodular in nature and as such proved easy to concentrate to the coarser fractions. Phosphate concentrates responded well to conventional anionic flotation and high recoveries and grades (>30% P₂O₅) were achieved.

Resource Upgrade

The study considered a mine production rate of 3.8Mtpa to produce an average of 342ktpa SSP, with the project based on the JORC compliant resource outlined at Dinner Hill, which is only a small part of the Dandaragan Trough project area.

The Company was highly confident that potential existed to expand the initial JORC compliant resource of 244Mt at 3.0% K₂O and 1.6% P₂O₅ that was announced at Dinner Hill in 2012, and particular the phosphate numbers.

This was further validated during the quarter when Potash West was able to announce on September 25 a revised JORC phosphate Indicated Mineral Resource of 90Mt at 2.65% P₂O₅ at a 1.85% P₂O₅ lower cutoff for the Dinner Hill Deposit.

The upgraded figure was delineated during mining optimisation studies of the phosphate mineralisation at Dinner Hill.

Importantly the mineralisation still remains open to the north and the east in an area of postulated basin closure thought to present favourable conditions for the development of nodular phosphate within the Cretaceous Coolyena Group.

Dandaragan Trough Project Background

Potash West has continued to build on its holdings associated with its flagship Dandaragan Trough project, since its listing in May 2011. It now holds exploration licenses and applications in 13 tenements in the Dandaragan Trough, covering an area of 2,700km².

This project is focused on exploiting the large glauconite deposits present in the Dandaragan Trough, which commences less than 60km to the north of Perth, Western Australia. The objective is to produce potash and single superphosphate fertilisers and a range of valuable by-products from the glauconite.

The Dandaragan Trough project has unique advantages of excellent connectivity to transport facilities, infrastructure and proximity to local markets.

The current time frame for commercialisation of the Dandaragan Project is:

- Completion of Phosphate Feasibility Study in Q4 2015
- Construction commence Q1 2016
- Start-up of Full Scale Production in Mid-2018.

Corporate

As the phosphate scoping study has been completed the development activities were significantly reduced, until committing to the Phosphate feasibility study.

The Company has continued to promote the values of the Dandaragan Trough Project through a number of road shows locally and internationally, and participation in the annual AMEC Conference in Perth.

The company also featured in two BRR Webcast, and an Open Briefing video Q&A Webcast and produced a Project Update and an Investor Update during the Quarter.

Potash West continues to investigate opportunities to market the company and to further expand its activities.

Announcements

The following ASX announcements were made during the quarter:

- Quarterly Activities and Cashflow Reports (July 26)
- Project Update (August 12)
- BRR Webcast (August 16)
- AMEC Presentation (September 4)
- Positive results from phosphate scoping study (September 17)
- BRR Webcast (September 18)
- Revision to Phosphate Scoping Study Announcement (September 19)
- PWN Revises Phosphate Resource at Dinner Hill Project (September 23)
- Update to Investors, September 2013 (September 27)
- Annual Report to shareholders (September 30)

Cash on Hand

At 30 September 2013, \$269,000 cash was on hand and approximately \$525,000 R&D grant is expected to be received in December 2013.

For further information contact:

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About Potash West

Potash West (ASX: PWN) is an exploration company focused on developing potassium-rich glauconite deposits in West Australia's Perth Basin. The Company aims to define a substantial resource base and investigate how best to recover potash from the mineral. The project is well situated in relation to infrastructure, with close access to rail, power and gas. A successful commercial outcome will allow the Company to become a major contributor to the potash market at a time of heightened demand.

The Company has a major land holding over one of the world's largest known glauconite deposits, with exploration licenses and applications covering an area of 2,905km². Previous exploration indicates glauconite sediments are widespread for more than 150km along strike and 15km in width. An indicated JORC resource of 244 Mt at 3.0% K₂O, including 122 Mt at 4.6% K₂O has been established.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Potash West NL

ABN

62 147 346 334

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(361)	(361)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Government grant)	8	8
Net Operating Cash Flows	(878)	(878)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(878)	(878)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(878)	(878)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Equity Raising Costs)	(10)	(10)
	Net financing cash flows	(10)	(10)
	Net increase (decrease) in cash held	(888)	(888)
1.20	Cash at beginning of quarter/year to date	1,157	1,157
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	269	269

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	116
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to Directors Remuneration, Directors Fees and Superannuation Contributions.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	
4.3 Production	
4.4 Administration	140
Total	190

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	269	1,157
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	269	1,157

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
	E70/3999		100%	NIL
	E70/4000		100%	NIL
	E70/4001		100%	NIL
6.2	Interests in mining tenements and petroleum tenements acquired or increased			
	NIL			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	92,021,064	92,021,064	
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities			
	<i>(description)</i>			

+ See chapter 19 for defined terms.


Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		100,000	-	\$0.400	8 September 2016
		100,000	-	\$0.600	8 September 2016
		500,000	-	\$0.300	8 September 2014
		1,250,000	-	\$0.280	30 November 2014
		1,350,000	-	\$0.355	13 November 2015
		8,221,457	8,221,457	\$0.300	15 March 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2013
 Director

Print name: Patrick McManus

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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