

Australian Potash Ltd.

RB MILESTONE GROUP 

(ASX: APC)

November 13, 2017

Price (as of Nov 10, 2017) (AUD):	\$0.09
Beta:	-3.73
Price/Book:	N/A
Debt/Equity Ratio:	N/A
Listed Exchange:	ASX



Source: Yahoo Finance

Recent News

27-Oct-17: Australian Potash identified a surface clay layer across the proposed evaporation pond area at its Lake Wells project, supporting the proposed construction of low-cost unlined evaporation ponds.

03-Oct-17: Installed two test production bores at Lake Wells project. 20% of Stage 1 bore development program on track for completion in Q4 2017.

14-Aug-17: Raised \$5 million AUD through private placement to fund operations at Lake Wells and Yamarna Gold project.

27-Jul-17: Reviewed chip samples from historical drilled holes on Yamarna Gold project to identify priority drill targets.

27-Jun-17: Acquired 100% exploration rights in three additional tenements at its Lake Wells Potash project from AngloGold Ashanti Ltd (ASX: AGAA).

09-Jun-17: Signed 100,000tpa SOP off -take agreement with Sino-Agri Holding Company Limited (Sino-Agri), a major Chinese fertilizer group.

30-May-17: Announced potential increase in SOP production levels at its Lake Wells project (50,000tpa to 150,000tpa in stage 1 and by 100,000tpa to 300,000tpa in stage 2) through a non-Mannheim MOP to SOP conversion process.

23-Mar-17: Revealed positive scoping study results confirming Lake Wells Potash Project's SOP production potential.

Shares Outstanding:	256,473,073
Market Cap:	\$23 million
52 Week High:	\$0.16
52 Week Low:	\$0.073
Note:	All \$ symbol represents Australian Dollars (AUD) unless otherwise specified.

Prospective Low-cost SOP Producer

Australian Potash Ltd. (ASX:APC) ("the Company") is a mineral exploration and development company headquartered in Australia. Australian Potash is primarily focused on the production of Sulphate of Potash (SOP), a premium potash fertilizer. The Company operates four projects, the Lake Wells Potash project, Yamarna Gold Project, Laverton Downs Project and Hack Well Project (the last two are gold & base metal prospective projects). The Company's flagship Lake Wells project, located in Western Australia is a mineral exploration and development project aimed at extracting SOP from salt-lake brines. The Lake Wells Project is expected to produce SOP at low cost (average cost of USD 343/t) compared to today's widely used Mannheim production process (upwards of USD 450/t). Further, the Company's Yamarna Gold project is promising with significant gold intercepts from neighboring project area at attractive grades. Recent intercepts there include 10m @ 28.76g/t Au, 9m @ 4.56g/t Au, 8.20m @ 11.63g/t Au.

Investment Rationale

Positive Scoping study results of Lake Wells Project support favorable economics

The result of the scoping study revealed that the Lake Wells project has attractive economics at a low pre-production capex and modest initial production rate. The study results revealed an estimated pre-tax Net Present Value (NPV) of \$500 million. The pre-tax rate of return of the project was attractive at approximately 20.1%, with strong earnings and cash flow generation. Average annual pre-tax cash flow was robust at \$118 million, with Life of Mine (LOM) revenue to cost ratio of 2.32. The study was carried out based on a staged development strategy, with a Stage 1 production rate of 150,000 tpa for the first 5 years (Years 1-5), and a Stage 2 production rate ramping up to 300,000 tpa during the years 6-20. This development strategy has low initial capex (\$175 million for Stage 1), and a favorable payback period of 2.9 years. The stage 2 payback is 1.7 years. The Company is currently focused on accelerating the development process to take advantage of the current robust SOP market dynamics.

Low cost SOP production offers significant competitive edge

Australian Potash's Lake Wells project enjoys a low-cost advantage by extracting SOP from lake brines, instead of using expensive conventional techniques such as the Mannheim process. With an estimated LOM operating cost of \$343/t SOP and revenue to cost ratio of 2.32, Lake Wells project could potentially disrupt the SOP market, since it effectively passes on cost saving benefits to customers. This, in turn, should enable the Company to gain significant market share in the robust SOP market, and operate at profitable margins. Australian Potash's low-cost advantage is further supported by the quality of underlying resource (Inferred and Indicated resources totaling 14.7 million metric tons of SOP) and strategic location with prime access to intermodal transportation facilities. The project enjoys numerous upside potential through resources, since the current development plan intends to extract only 34% of the Indicated resource in the Western zone and 33% of the Inferred resource in the Southern zone. Significant resource opportunity also exists in the eastern zone with 4.6 million metric tons of indicated SOP.

Near Term SOP production and Off-take agreements should strengthen the Company's revenue prospects

Australian Potash expects to complete a definitive feasibility study by H1 2018. Currently, the Company is actively commissioning all necessary arrangements to proficiently carry out the staged 300,000 metric tons per annum (tpa) SOP production process. The Company has brought in an experienced project management team,

Novopro (Canadian SOP consultant), and qualified evaporation and hydrogeological experts to develop the project. On the SOP marketing front, the Company has also signed two 100,000tpa SOP off-take agreement MOUs (non-binding) with two large Chinese fertilizer companies, Sino-Agri and Hubei-Agri. Supportive Chinese government policies with encouraging environmental friendly fertilizer production should incentivize non-Mannheim producers such as Australian Potash. Further, the Company is actively engaged in talks with other Australian customers for potential off-take agreements. In addition, the project also enjoys the potential to extract supplementary products such as MgSO₄ (Magnesium Sulphate) and MgCl (Magnesium Chloride), which can help diversify the Company's revenue stream.

Strong management team to successfully implement the Company's strategy

Australian Potash's management team has a combined experience of more than 100 years in the field of mining and exploration. The management team, led by Executive Chairman Matt Shackleton, is highly experienced to direct the Company in becoming a premium low-cost SOP producer. The team is highly skilled with immense experience in the fields of mining, exploration, mineral processing and project management. Specifically, Mr. Shackleton has more than 20 years of experience in senior management roles, serving as the Managing Director of ASX listed gold explorer Mount Magnet South NL and was the founding director of ASX Listed Canyon Resources Limited, a West African gold and bauxite explorer, carrying out development strategies. Additionally, he has also held senior positions in companies such as Bannerman Resources Limited (a uranium developer), iiNet Limited, and others. The management team is well supported by board members and technical team, who are highly experienced across verticals.

Premium features and higher demand for SOP should enhance operating margin of SOP producers

SOP has premium qualities such as being free of chloride, highly concentrated and a potential substitute for MOP (Muriate of Potash, commonly used potash fertilizer) in all applications and limited supply due to scarcity of feedstock. As a result, SOP has been trading at a premium price to MOP over the years. For instance, as of January 2017, SOP was trading at a premium of USD 275/t over the price of MOP. Further, SOP price has been trending up since 2012, despite the falling prices of other potash products, especially MOP. This is primarily due to increase in demand for chloride free fertilizers used in high-quality crops including tobacco, nuts, fruits, and others. At present, the global potash market is about USD 60 billion per annum. SOP's current market share of 10% in potash market is forecast to reach 20% by 2025. In addition, the growing world population, decreasing per capita arable land and quest for higher crop yields should drive global fertilizer demand further.

Company Overview

Business

Australian Potash is primarily focused on developing its Lake Wells project for Sulphate of Potash (SOP) production. The Company plans to produce SOP from salt-lake brine deposits through a low-cost borefield brine extraction technology. The Company expects to gain competitive edge by leveraging its position as a low-cost producer of SOP, since 60% of the global SOP supply comes from the high-cost Mannheim process. Low cost of production, coupled with rising SOP prices, should benefit the company with substantial operating margins. In addition, the Company also operates three projects namely the Yamarna Gold project, gold and base metal prospective Laverton Downs and Hack Well projects. These three projects are still in the exploration stage.

SOP: Superior product with attractive market potential

Potash represents the group of potassium bearing minerals, one of the essential macronutrients for crop production. SOP and Muriate of Potash (MOP) are commonly used commercial potash fertilizers. SOP is a premium potash fertilizer containing potassium and sulphur with zero chloride content, which is preferred over MOP for chloride sensitive crops. Exhibit 1 presents the comparison between SOP and MOP.

Exhibit 1: SOP vs. MOP – SOP is preferred for crops with zero chloride requirements

Sulphate of Potash (SOP)	Muriate of Potash (MOP)
50% K ₂ O Equivalent	60% K ₂ O Equivalent
17% S	0% S
<1.0% Cl	45% Cl
Suitable for fruits, vegetables, nuts and other high value crops that are sensitive to chloride	Suitable for crops that can withstand chloride such as corn, grain etc.

Source: Company website

The chloride (Cl) content in SOP is less than 1%, whereas, in contrast, MOP contains 45% chloride. In addition, sulphur (S) content in SOP is 17% greater than MOP, making it suitable for sulphur intensive crops such as oil plants, legumes and some vegetable crops. Low chloride and high sulphur content in SOP improves yield, quality and enhances the shelf life of crops. Currently, SOP’s supply deficit and high selling prices have resulted in the continued usage of MOP in farming of chloride sensitive crops. Australian Potash plans to exploit this SOP market opportunity and become a premier producer of SOP.

Australian Potash – Key Projects

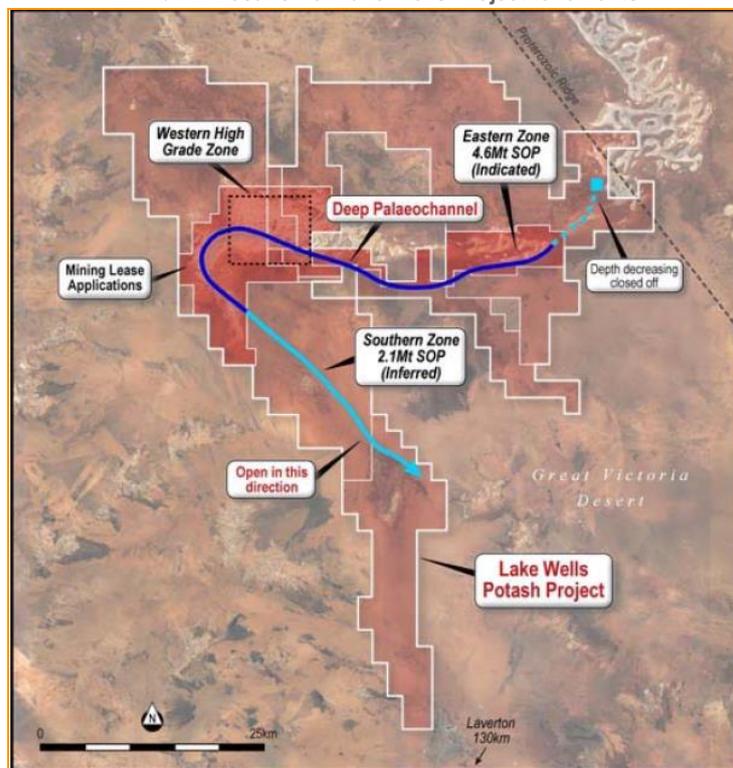
In this section, we cover the Company’s two key projects, Lake Wells SOP project and Yamarna Gold project, highlighting the location and geology, process, current status, resource estimation, project feasibility, exploration activity, and finally the future strategies of these projects.

Lake Wells SOP Project (Western Australia)

The Lake Wells SOP project is a mineral exploration and development project focused on producing SOP. The Company expects to produce SOP, both directly from the potash brine deposits, as well as from the conversion of MOP to SOP utilizing Sulphate content in the brines. The Company’s plan of producing SOP from lake brine deposits is projected to be very economical, providing the company with a significant cost advantage.

The Company owns 100% exploration interests in +2,000 km² tenements, including 14 granted exploration licenses (E38/1903, 2113,2114,2505,2901,3021,3039,3109,2988,3018,3028,3224,3225 & 3226), and the potash rights to a further two exploration licenses (E38/2742 & 2744), and three mining lease applications in the highly prospective Lake Wells area with significant palaeovalley (geologically ancient and buried river valleys) and salt-lake terrains. The area has been recognized as a highly prospective potash salt-lake system by Geoscience Australia (Agency of the Australian Government) in 2013, thereby supporting the Company’s goals and potential.

Exhibit 2: Location of Lake Wells Project tenements



Source: Australian Potash

The geology of the project area is composed of granitic rocks rich in potash, calcic feldspar and green stone rocks. The Company targets the Playa Lake System rich in SOP brine mineralization. Drilling revealed near surface evaporate and sand/silt, silcrete+/-laterite, lake clays and lacustrine clays with sand/silt.

Favorably located to take advantage of extensive existing infrastructure

The Lake Wells SOP project is located in the Eastern Goldfields region of Western Australia, 160 km north northeast (NNE) of Laverton. The site is favorably positioned in the low-risk mining jurisdiction of Western Australia, and is highly accessible through intermodal transportation facilities. Exhibit 3 shows the location and accessibility of the Lake Wells project.

Exhibit 3: Extensive existing infrastructure provides significant logistical advantage



Source: Australian Potash Investor Presentation dates October 2017

Exhibit 4 shows the Company’s relative low-cost logistical advantage. The project is accessible to two major ports, Fremantle & Esperance, enabling transportation costs at \$69/t which is significantly lower than its peers. The Company could also cater to local markets through a major rail head at Leonora.

Exhibit 4: Favorably located to take advantage of extensive existing infrastructure

Leg	Mode	Km	\$A/t
Lake Wells-Leonora	Road	300	14
Leonora-Fremantle	Rail	800	55
Lake Wells-Fremantle			69

Source: Australian Potash Investor Presentation dated October 2017

Exploration History & Development Timeline

The Lake Wells project area was initially explored for gold and base metals until mid-2014, when the site’s rich potash brine potential was identified through a reconnaissance pit sampling program (which recorded high potassium and SOP levels: 7.36 kg/m³ K equivalent to 16.41 kg/m³ SOP). Since then, the Lake Wells Playa Lake System was explored for its rich SOP potential. The Company has completed exploration campaigns including pit sampling, seismic survey, AC (Air Core) and auger drilling in the project area. These campaigns demonstrated the presence of high grade potash brine concentrations at depth as well as adjacent to salt lakes. Further, the Company completed a strong maiden resource estimate in June 2016 and an encouraging scoping study in March 2017, confirming good favorable economics. The Company plans to complete a definitive feasibility study by the first half of 2018.

The Company is currently working on pond pilot evaporation and test-pumping programs to rapidly advance the project, leading up to the 2018 feasibility study. On October 3, 2017, the Company commissioned pilot evaporation ponds at its Lake Wells project that pre-concentrates brine extracted from installed production bores (This process is explained in the Process Flowsheet section). Further, on October 27, 2017, the Company confirmed the presence of low permeable clay region across the evaporation pond area, suitable for the proposed development of economical unlined evaporation ponds. This eliminates significant expenditures associated with lining the large evaporation pond network, thereby strengthening the company’s ability to develop the project at low capital expenditure (as explained in the ‘Geotechnical survey supports the project’s low-capex development strategy’ section).

We now discuss, in brief, the Process flow sheet of the proposed SOP extraction process as per the scoping study, Highlights of the maiden resource estimate, followed by the Scoping study details.

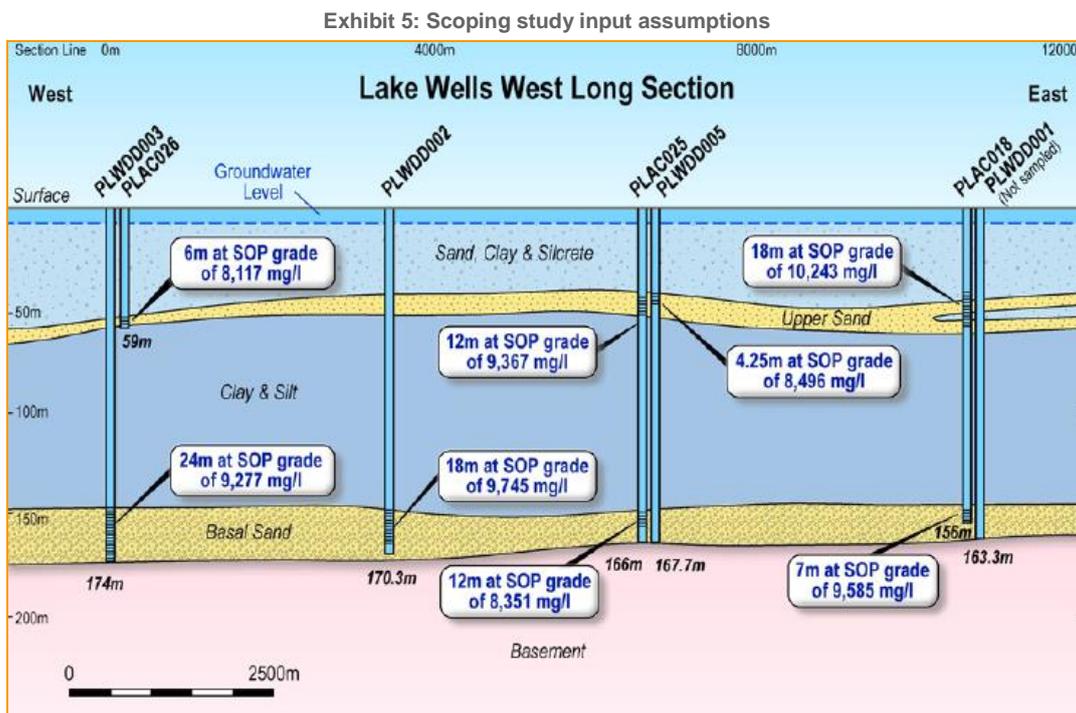
Process Flowsheet

In the section, we discuss the process by which the Company expects to produce SOP from brine deposits. The site layout of the project plan includes a brine borefield, evaporation ponds, process plant and other infrastructure needed for a 300ktpa SOP output.

Brine Extraction

Brine will be extracted from aquifers through bores, placed along the center line of palaeovalley channel at 250m spacing. As per the scoping study, the proposed borefield consists of 35 bores, which is estimated to produce a total of 3.3 million metric tons of SOP through the 20-year LOM period. Assuming an average potassium (K) concentration of 3,700 Mg/l, the brine borefield will produce 46,400 KL/d of brine during stage 1, increasing to 102,200 KL/d of brine in stage 2 on a continuous basis. The total volume of brine to be extracted over the LOM period signifies 34% of the indicated resource in the western zone and 33% of the inferred resource in the southern zone. Further, any risk related to this measurement is cushioned by the opportunity to also expand further to the eastern zone that has an indicated resource of 4.6 Mt.

Exhibit 5 below shows the West Long section of the Lake Wells area, highlighting bores and grades of SOP.



Source: Australian Potash presentation

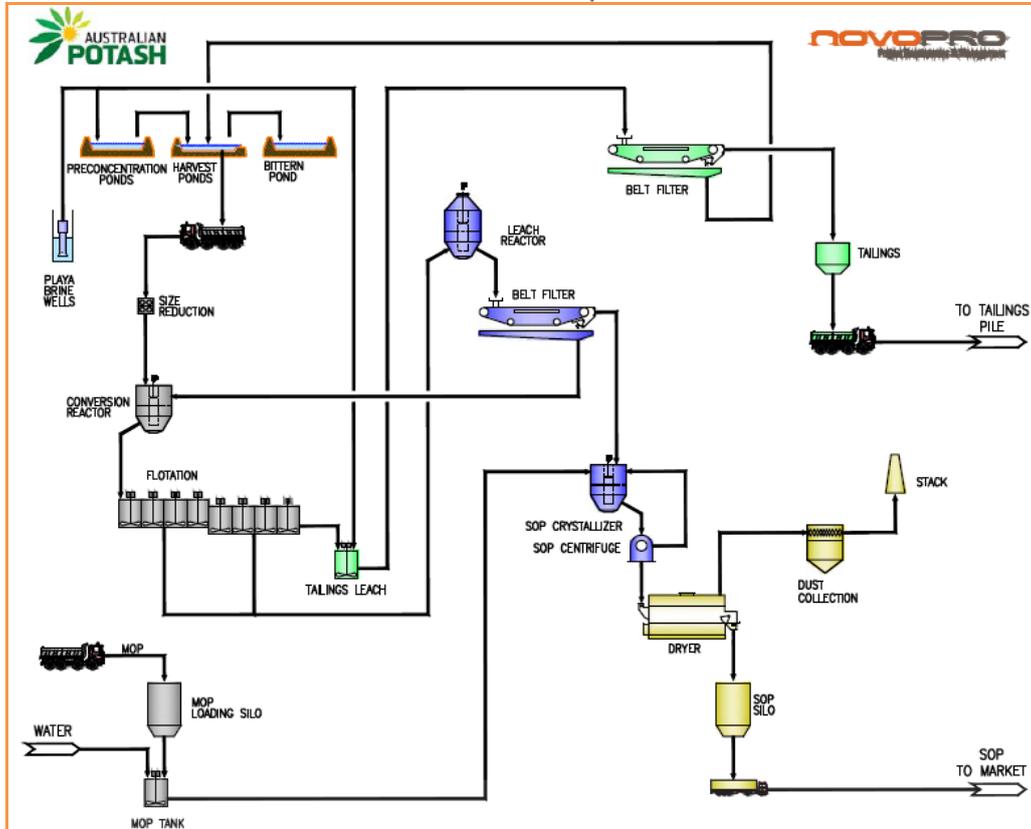
Evaporation ponds

The extracted brines are then evaporated in solar ponds to separate potassium bearing minerals from Sodium Chloride (NaCl) and Gangue minerals. Three types of ponds, including Brine pre-concentration and storage pond (Storage/Concentrators), Sodium Chloride deposition (Crystallizers) and potassium harvest pond (Harvest), are utilized in the process. The extracted brine is first pumped into the pre-concentration ponds, where it is concentrated till potassium saturation. As the water evaporates, potassium minerals and NaCl are separated from gangue minerals in the pre-concentration ponds. After this, the brine is moved to crystallizers, where NaCl precipitates gradually and its proportion decreases in the brine. The brine is then transferred to harvest ponds, once the potassium salts starts to precipitate. These harvested salts are then fed into the processing plant. The harvest ponds also receive a brine recycle stream from the processor to increase the total potassium recovery. Exhibit 6 presents the layout of the processing plant.

Process description

Processed salts from the harvest ponds are then crushed into salt slurry of correct size distribution. This crushed salt slurry is then converted into a single potassium bearing mineral (schoenite) in the conversion reactor by mixing it with mother liquor (liquid remaining over crystallization). This conversion slurry is then transferred to a series of floatation cells where the potassium mineral is favorably separated from halite and gangue materials. The floatation concentrate is then transferred to a leach reactor, from where the leached schoenite solids are crystallized in a SOP crystallizer. This final slurry is then transferred to a centrifuge to separate SOP crystals from mother liquor, subsequently dried and packaged into the final SOP product.

Exhibit 6: Process Flowsheet of SOP production at Lake Wells



Source: Australian Potash Scoping study

Further, MOP is added to the SOP crystallizer from a separate inlet, where MOP is processed to SOP by utilizing natural sulphate presence in the project brine. As noted before, the study includes the production of 50,000 tpa SOP in stage 1 and 100,000 tpa SOP in stage 2 from MOP conversion.

JORC Resource estimate signifies rich exploration potential

Exhibit 7 below presents the most recent resource estimate as per the March 2017 scoping study. As per the study, the total Life of Mine (LOM) resources at Lake Wells area is estimated at 14.7 Mt SOP (Indicated + Inferred). On an average, SOP grades of indicated and inferred resources stood at 8,267 mg/l and 5,963 mg/l respectively.

Exhibit 7: Results of Updated JORC Compliant Resource Estimate are promising

	Indicated	Inferred	Total
SOP Mt	12.7 Mt	2 Mt	14.7 Mt
SOP grade	8,267 mg/l	5,963 mg/l	7,896 mg/l
Aquifer volume	17,050 Mm ³	3,279 Mm ³	20,329 Mm ³
Drainable resource	1,521 Mm ³	340 Mm ³	1,861 Mm ³

Resources do not include exploration target at Lake Wells South (tenement areas south of southern zone)

Source: Australian Potash presentation

The indicated mineral resource is static, representing the potentially recoverable brine, without considering the variable factors such as the design of the borefield, etc.

Positive Scoping study also revealed robust economics at reduced capital expenditures

In March 2017, the Company completed a scoping study, which confirmed the asset's ability to become a low cost, long life and high margin SOP project. As per the study, the Net Present Value for the project is estimated at \$500 million at a 10% discount rate. The project's pre-tax internal rate of return stood at an attractive 33% (approximate). The study estimates an average annual operating pretax cash flow of \$118 million for a LOM period of 20 years. The study assumed a Stage-1 production rate of 150,000tpa of SOP for the first 5 years, and a Stage-2 production rate of 300,000tpa of SOP per year for years 6-20. As mentioned earlier, a minor portion of SOP (100,000 to 150,000 in stage 1 and 200,000 to 300,000 in stage 2) is expected to be produced from conversion of MOP into SOP by utilizing natural excess sulphate presence in the brine. The project has an initial capital outlay of \$175 million for Stage 1 and a \$162.9 million capital outlay for Stage 2 (from years 6-20). The study identifies that the Stage 2 capital costs can be funded by cash flow from Stage 1 operations. This staged plan supports a relatively low initial capex, resulting in favorable project financing. Further, staged production also enables management to take appropriate economic decisions, based on SOP market dynamics. The study envisions its first production in the late 2020/early 2021, with a two-year construction period from H2 2018.

Exhibit 8 and 9 presents SOP parameter assumptions and results summary of the scoping study released in March 2017.

Exhibit 8: Scoping study input assumptions

Discount rate	10%
US\$:AU\$ exchange rate	c.0.77
State royalty	A\$0.73/t
Sale price of granular grade SOP delivered to Fremantle	A\$795/US\$612 t SOP
MOP price delivered to site	A\$326/t
Plant production days per year	325 days/yr.

Source: Australian Potash presentation

Exhibit 9: Scoping study results summary

Parameters	Stage 1	Stage 2
Minimum Life of mine(LOM)	20 years	
Annual plant capacity (SOP production)	150,000 tpa (1-5 years)	150,000tpa moving to 300,000 tpa from year 6
Capital expenditure	A\$175m/US\$135	A\$163m/US\$125m
Payback	2.9 years	1.7 years
LOM NPV10% (approximate)	A\$500m/US\$385m	
LOM IRR (approximate)	33.00%	
LOM average annual OPEX	A\$343/US\$264 t SOP	
LOM average annual operating pretax cash flow	A\$118m/US\$81m	
LOM revenue to cost ratio	2.32	

Source: Australian Potash presentation

Exhibit 10 presents the sensitivity analysis of the project's NPV to changes in parameters such as the SOP price, operating expenditure and capital expenditure. It can be inferred that the project is NPV positive even at negative 20% bear case scenarios.

Exhibit 10: NPV is positive even at -20% bear case

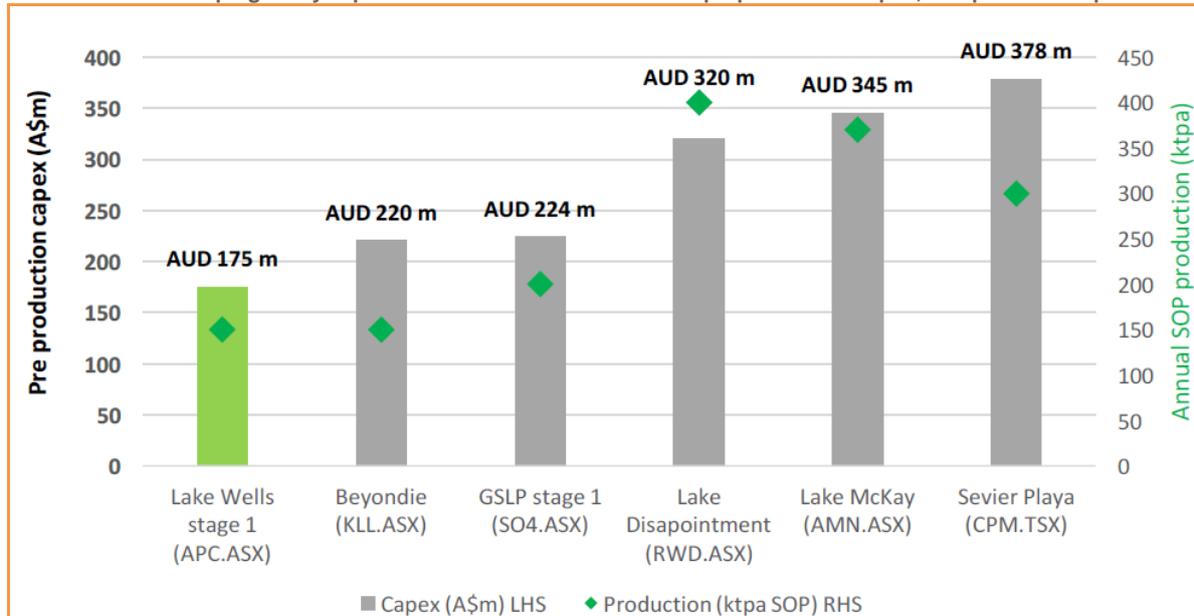
	-20%		-10%		Base Case NPV (10% discount rate)		10%		20%	
	A\$m	US\$m	A\$m	US\$m	A\$m	US\$m	A\$m	US\$m	A\$m	US\$m
SOP Prices	231	177	366	280	500	383	635	486	769	589
Opex	618	473	559	428	500	383	442	338	383	293
Capex	552	423	526	403	500	383	475	364	449	344

Source: Australian Potash presentation

Business Economics: Capital efficient development strategy- First mover advantage

From Exhibit 11, we observe that Australian Potash’s two staged development plan as per the scoping study requires significantly lower capex compared to its peers’ SOP projects. This favorably positions the Company for fund raising and flexibility in developing relationships with potential SOP customers.

Exhibit 11: Scoping study capital cost estimates shows lowest preproduction capex, compared to its peers



Source: Australian Potash press release

Exhibit 12 presents the details of capital cost estimates as per the scoping study.

Exhibit 12: Scoping study capital cost estimates

Description	Pre-production 150ktpa (Stage 1) A\$m	Expansion 150ktpa (Stage 2) A\$m
Brine Borefield	15.4	26
Evaporation Ponds	26.4	25.5
Process Plant	62.9	60.4
Non-Process Infrastructure	11	3.6
Sub-total direct costs	115.7	115.5
Indirect costs	34.8	24.3
Contingency	24.4	23.1
Total	174.9	162.9

Source: Australian Potash presentation

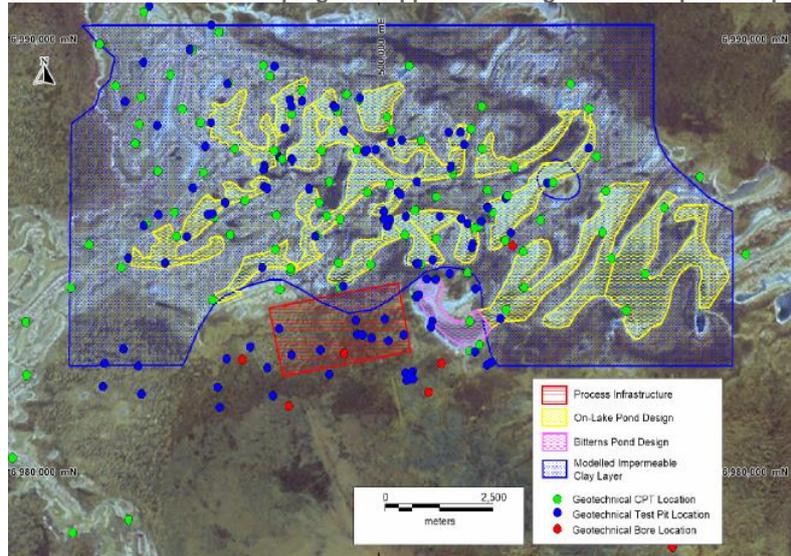
The scoping study proposed the development of economical unlined evaporation ponds, by taking advantage of the near-surface low-permeability clay region to reduce brine leakage. Through a preliminary geotechnical investigation, the Company has now identified the presence of low permeable clay surface (average permeability of 6.12×10^{-10} m/s of 0.06 mm/day) adequate to support the development of unlined evaporation ponds. Hence, the company continued to carry out the geotechnical survey program to identify the continuity of low permeable clay region across the playa network where the full-scale evaporation ponds will be built. This should save significant construction expenditures associated with lining the bottom of the large evaporation pond network.

Geotechnical survey supports the project’s low-capex development strategy

The proposed low capex development strategy is further strengthened by the positive geotechnical survey results revealed on October 27, 2017, which de-risks the project’s evaporation process. The geotechnical survey confirmed the continuity of low permeable clay layer across the entire proposed region of evaporation pond development, suitable for the construction of unlined evaporation ponds. Further, the results are superior to the conservative scoping study assumptions of evaporation pond design, which would add up to the ongoing optimization of capital costs. The permeability assumption resulted in a potassium recovery of approximately 76-77% through the pond system and an overall process recovery of 71-72%. Additionally, the overall recovery of pond and process plant is expected to increase to an attractive 80%, after the addition of MOP conversion circuit in the process plant.

Galt Geotechnics, a Perth based Geotechnical consultant managed the Geotechnical survey program. The survey comprised of 106 Cone Penetrometer Test holes (CPT) and airborne LIDAR survey lines (500km) over the proposed pond development area, which includes lake surface and surrounding paleochannel areas leading to the Great central road. Exhibit 13 shows the low permeable clay layer identified across the playa surface, and Exhibit 14 presents the summary of geotechnical survey results supporting the construction of unlined evaporation ponds.

Exhibit 13: Geotechnical field program supports building unlined evaporation ponds



Source: Australian Potash press release

Exhibit 14: Summary of Geotechnical survey results

Sample Name	Depth	Gravel	Sand	Fines	LL	PL	PI	LS	SMDD	OMC	Permeability	
Units	(m)	%	%	%					(t/m3)	(%)	(m/s)	(mm/day)
TP06	2.2-2.4	-	29	71	38	18	20	10	1.68	18.9	6.0*10 ⁻¹⁰	0.05
TP08	2.0-2.4	1	10	89	43	21	22	9.5	1.616	23.3	9.8*10 ⁻¹⁰	0.08
TP16	1.5-1.8	-	23	77	57	23	34	14	1.558	25.2	5.2*10 ⁻¹⁰	0.05
TP23	1.3-1.7	-	10	90	53	21	32	15	1.476	27.7	4.5*10 ⁻¹⁰	0.04
TP28	0.8-1.2	-	8	92	21	22	29	10	1.64	22.4	4.7*10 ⁻¹⁰	0.04
TP30	1.3-1.7	-	17	83	47	21	26	9	1.66	22.1	8.7*10 ⁻¹⁰	0.08
TP37	1.9-2.3	-	11	89	44	21	23	11	1.546	24.5	7.5*10 ⁻¹⁰	0.07
TP41	2.2-2.6	-	8	92	51	13	28	13	1.532	25	7.4*10 ⁻¹⁰	0.06
TP43	1.5-1.8	-	24	76	40	15	25	9.5	1.72	19.5	1.2*10 ⁻¹⁰	0.1

Further, the Company plans to continue the geotechnical program, to bring in samples of the Playa lake system for laboratory testing. The laboratory testing expects to refine the clay permeability data and establish a relationship between the CPT data and laboratory information. In addition, the Company also plans to develop a 3D model of playa clay layer to identify the permeabilities of each evaporation pond, pond embankment design and other necessary requirements for the construction of demonstration ponds. This should assist the company in identifying the optimal pond designs and costings for the 2018 feasibility study.

Low operating expenditure to boost operating margins

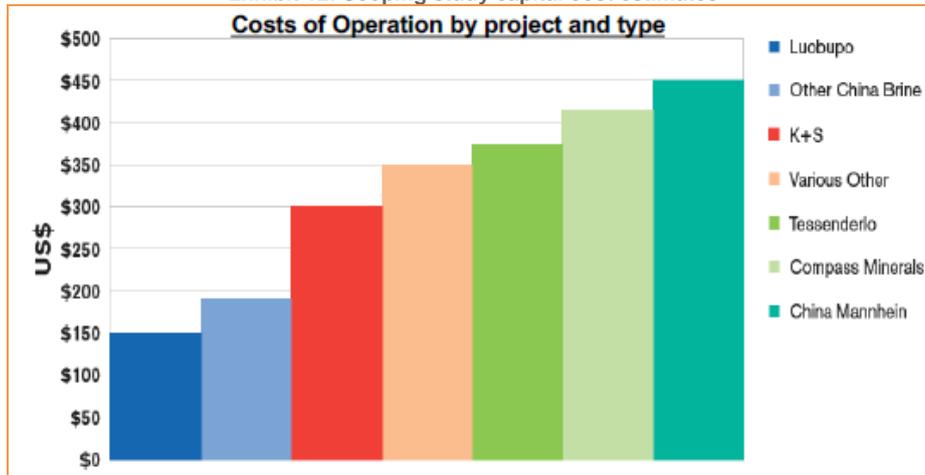
Exhibit 15 presents the operating cost estimates of Stage 1 and Stage 2 development plants. The scoping study results revealed an average operating expenditure of \$343/t for the 20-year mine life (\$368/t in stage 1 and \$339/t in stage 2). The estimated operating expenditure is relatively lower than other conventional methods as seen in Exhibit 16, which presents the comparison of operating expenditures across project and extraction types. It could be seen that the project's operating cost lies in the bottom quartile of the overall SOP extraction cost curve, which is significantly lower than widely used Mannheim process. This suggests favorable long-term economics for Australian Potash's Lake Wells project and is expected to have a significant competitive advantage over its peers.

Exhibit 15: Scoping study operating cost estimates

Development	Stage 1: 150ktpa			Stage 2: expansion by 150ktpa to 300ktpa		
	A\$/m/yr	A\$/t	%	A\$/m/yr	A\$/t	%
Cost category						
General & administration	2.6	17	5	3.2	11	3
Labor	7.2	48	13	8.6	29	9
Power	14.9	98	26	29.1	97	29
Reagents/consumables	19	127	34	37.8	126	37
Maintenance	1.4	9	3	2.1	7	2
Product transport	10.4	69	19	20.7	69	20
Total	55.5	368	100	101.5	339	100

Source: Australian Potash presentation

Exhibit 12: Scoping study capital cost estimates



Source: Australian Potash presentation

Commercial Offtake agreements can speed up the Company's cash flow generation

Australian Potash is actively involved in signing SOP off-take agreements with global fertilizer companies. The Company's strategy is to secure significant supply agreements as it advances the Lake Wells SOP project. This should benefit the Company with significant cash flow once the Company initiates production in the Lake Wells project. As of October 2017, the Company has signed the following off-take agreements in chronological order:

- On June 9, 2017, Australian Potash signed a non-binding MOU ((Memorandum Of Understanding) for SOP supply agreement with CNAMPGC Holding Limited Corporation subsidiary, Sino-Agri Holding Company Limited (Sino-Agri), one of the largest fertilizer companies in China. The MOU was signed for a sales volume of up to 100,000 tpa of SOP with favorable economic terms. Further, the Company expects to strengthen its relationship with Sino-Agri as it advances its Lake Wells project to a binding commercial agreement.
- Recently, on June 19, 2017, Australian Potash signed an off-take MOU with Hubei Agricultural Means of Production Group Co Ltd (Hubei-Agri). The agreement was signed for sales volume of up to 100ktpa (Kilo metric tons per annum).

Early engagement with potential customers should enable product trials and modifications as per client requirements and help the Company quickly advance to binding commercial agreements. In addition, the Company is also actively engaging with other potential Australian customers as the Company targets to sell 50% of its SOP produce in the Australian market (by leveraging its near proximity to rail network in Leonora, which provides access to the Trans-Australia rail network).

Project Development Timeline

Exhibit 17 presents the milestones and development timeline of the Lake Wells project. It could be seen that the Company expects to define JORC reserve estimates by H1 2018 and begin construction by H2 2018.

Exhibit 17: Lake Wells Milestones – Project Development Timeline

	CY 2017		CY 2018	
	Q3	Q4	H1	H2
Final commissioning of pilot evaporation ponds	✓			
Finalization of test-pumping program		<input type="checkbox"/>		
Completion of geotechnical field work		<input type="checkbox"/>		
JORC Reserve estimate			<input type="checkbox"/>	
Reporting of Feasibility Study results			<input type="checkbox"/>	
Formalize off-take agreements MOU/other partners			<input type="checkbox"/>	
Environment Protection Authority assessment				<input type="checkbox"/>
Ministerial decision				<input type="checkbox"/>
Early works				<input type="checkbox"/>
FEED				<input type="checkbox"/>
Project execution				<input type="checkbox"/>

Source: Australian Potash Presentation

We now discuss the Company’s second project, the Yamarna Gold Project.

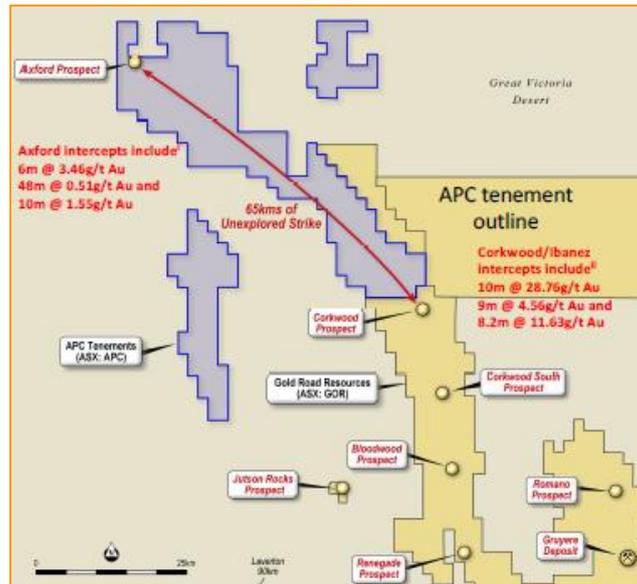
Yamarna Gold Project

Australian Potash’s Yamarna Project is a gold exploration and development project. The project is located approximately 130 kms north-east of Laverton, in the Eastern Goldfields province of Western Australia. The Company holds 65km strike length of 100% owned exploration tenements, 60 kilometers NW (North-West) of the Gruyere mine development. The site is strategically located near other prospective mines of other major gold explorers including Gold Road Resources (ASX: GOR).

Exceptional regional economics favor project potential

Recently, in June and August 2017, Gold Road Resources revealed significant gold intercepts in its exploration tenement located 2Km south-east of the Company’s Yamarna prospect. The results revealed significant grades including 10m @ 28.76g/t Au, 9m @ 4.56g/t Au and 8.2m @ 11.63g/t Au at the Cockwood/ Ibanez prospect as seen in Exhibit 18. Such encouraging regional economics, coupled with the Company’s underexplored mining tenements, prompted the Company to explore this significant resource opportunity. Subsequently, the Company hired CSA Global, an expert geological consultancy to study the structural interpretation and identify drill-hole targets in the Company’s exploration tenements.

Exhibit 18: Yamarna Gold Project Location



Source: Australian Potash Presentation

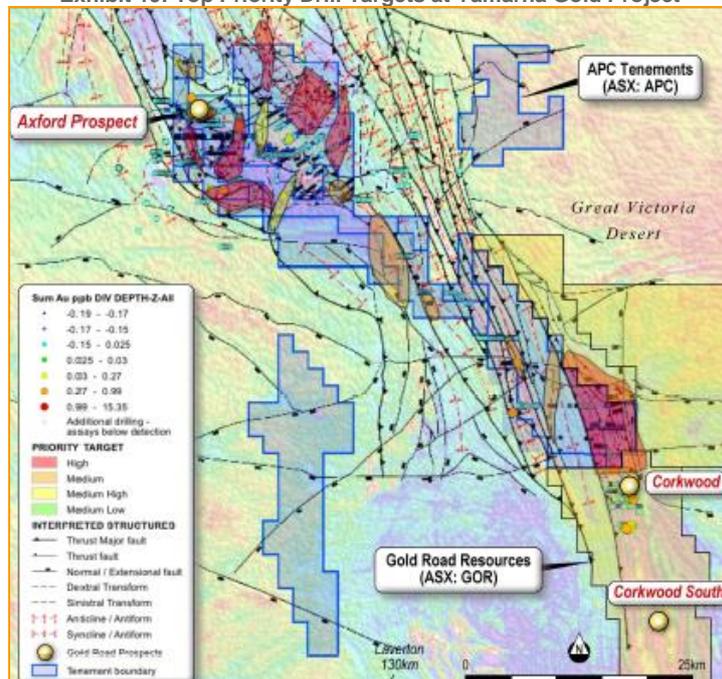
Highly prospective and significantly underexplored project tenements provide immense opportunity

Australian Potash commenced its exploration program in the Yamarna Gold prospect, following a successful review on the project’s gold mineralization by CSA Global. The review revealed highly prospective drill targets of significant gold mineralization. A total of 18 gold targets were identified along a 62km strike length dilational zone in the middle of APC’s tenement holdings. Of the 18 gold targets identified, 9 were considered as highly prospective. Further, the CSA review also inferred close similarity in the geological and structural setting between the Company’s Yamarna Gold project and the world-class Archean gold deposits in the Timmins district of the Southern Abitibi, Canada.

Subsequently, a total of 230 samples of pulps and chips (from limited historical work done) collected from the project area were sent for multi element analysis. The Company expects the result of the multi-element analysis to be released in Q4 2017. The analysis results could enable the Company to have significant understanding of the regional mineralization, exploration potential and further delineate high priority drill targets.

Exhibit 19 presents the Yamarna project’s exploration tenements highlighting its top priority drill targets.

Exhibit 19: Top Priority Drill Targets at Yamarna Gold Project



Source: Australian Potash presentation

Future strategy

As mentioned earlier, the Company remains committed to advancing the project towards gold production. The Company is currently carrying out field based sampling and detailed mapping study to delineate additional high priority targets. Going forward, the Company plans to commence drill programs across priority targets in Q4 2017.

Company Timeline and Key Events

Exhibit 20 below shows the reverse chronological timeline of the evolution of Australian Potash, summarizing key annual events for the Company since 2011.

Exhibit 20: Timeline summarizing significant annual events since 2011

Dates	Events
27-Oct-17	Australian Potash identified a surface clay layer across the proposed evaporation pond area at its Lake Wells SOP project through a geotechnical program which supports the proposed construction of low-cost unlined evaporation ponds.
03-Oct-17	Announced installation of two test production bores at Lake Wells project. 20% of Stage 1 bore development program on track for completion in Q4 2017
14-Aug-17	Raised \$5 million through private placement to fund operations at Lake Wells and Yamarna Gold project
27-Jul-17	Reviewed chip samples from historical drilled holes from the Yamarna Gold project to identify priority drill targets
27-Jun-17	Acquired 100% exploration rights in three additional tenements at its Lake Wells Potash project from AngloGold Ashanti Ltd (ASX: AGAA)
09-Jun-17	Signed a 100,000tpa SOP off -take agreement with Sino-Agri Holding Company Limited (Sino-Agri), a major Chinese fertilizer group
30-May-17	Announced potential increase in SOP production levels (50,000tpa to 150,000tpa in stage 1 and by 100,000tpa to 300,000tpa in stage 2) through a non-Mannheim MOP to SOP conversion process at Lake Wells
23-Mar-17	Positive scoping study confirmed the Lake Wells Potash Project's ability to develop into a high margin SOP producer
31-Oct-16	Announced positive air lift development results revealing high yield of 35 liters per second in Lake Wells project
13-Oct-16	Installed two of four test production bores at Lake Wells project region to test SOP brine flow rates from aquifers.
29-Jun-16	Maiden JORC resource estimate revealed 70Mt of SOP at 8.05 kg/m ³ at Lake Wells potash project
31-May-16	Identified high grade intersections of potash bearing aquifers in its assay results of Lake Wells potash project
07-Apr-16	Drill holes intersected significant widths (20m – 50m) of potash rich basal sands at Lake Wells potash project
14-Mar-16	Raised \$1.1 million through the issuance of up to 17.2 million shares at 6.4 cents per share for the Lake Wells Potash project
08-Mar-16	Outlined Sulphate of Potash exploration targets at the Lake Wells Project area, aimed at producing 75,000 – 100,000 tpa of SOP
08-Feb-16	Seismic survey results highlighted the presence of deep palaeovalley with potash brine deposits at the Lake Wells project area
11-Dec-15	Completed the Sale and Split agreement with Lake Wells Exploration Pty Ltd, to secure 1000 km ² ground package adjacent to Lake Wells Potash Project
07-Dec-15	Received \$108,000 grant from the West Australian government to fund exploration drilling at Lake Wells prospect
02-Dec-15	Acquired 100% potash rights on a 1,000 km ² land adjacent to Lake Wells project from Lake Wells Exploration Pty Ltd.
26-Aug-15	Released high grade drill results with significant potash concentration across depth at the Lake Wells Potash Project
22-Jul-15	Commenced drilling at the Lake Wells Potash Project
24-Jun-15	Raised \$1 million through the issuance of approximately 31 million shares at 3.2c per share to fund exploration at Lake Wells Potash project
11-Jun-15	Identified an extensive acquirer volume in the Lake Wells potash project through historical drill datasets
10-Mar-15	Identified high grade potash brine deposits returning a maximum of 7.36 kg/m ³ (equivalent to 16.41 kg/m ³) through a pit sampling program in the Lake Wells Project
27-Jan-15	Released positive drill results from the Laverton Downs project with significant gold (4m @ 1.99 g/t Au) and Zinc (8m @ 0.21% Zn) anomalies
11-Dec-14	Completed 8-hole RC drill program at the Laverton Downs project, targeting gold and base metal anomalies of the southern section
27-Oct-14	Acquired unexplored 350km ² circa land with significant nickel and copper deposits at the Albany Fraser Range Orogen
21-Aug-14	Raised \$340,000 through issuance of 12,682,995 fully paid shares to professional investors
17-July-14	Assay results revealed encouraging nickel (49m @ 0.22% Ni from 10m), copper (2m @ 441 ppm Cu from 8m) and gold (2m @ 440 ppb Au from 25m) anomalies in Lake Wells project
26- May-14	Initiated Rotary Air Blast (RAB) and Air Core Drilling (AC) program targeting gold/base metals in the Lake Wells project area
13-Dec-13	Identified high grade gold intercepts of 8m @ 3.50 g/t gold from 20m including 4m @ 6.13 g/t gold from 20m through a rotary air blast drill program at Laverton Downs Project
12-Dec-12	Identified significant gold intercept of 1m @ 10.63g/t gold from further RC drilling conducted at the Axford prospect
28-Sep-12	Intersected high grade gold intercept of 1m @ 19.73g/t gold through RC and AC drilling at the Axford Prospect, Lake Wells Project
20-Dec-11	Listed on ASX as Goldphyre Resources Limited (ASX: GPH)

Source: Company filings

We now discuss the economics of the fertilizer industry, followed by an overview of the gold industry

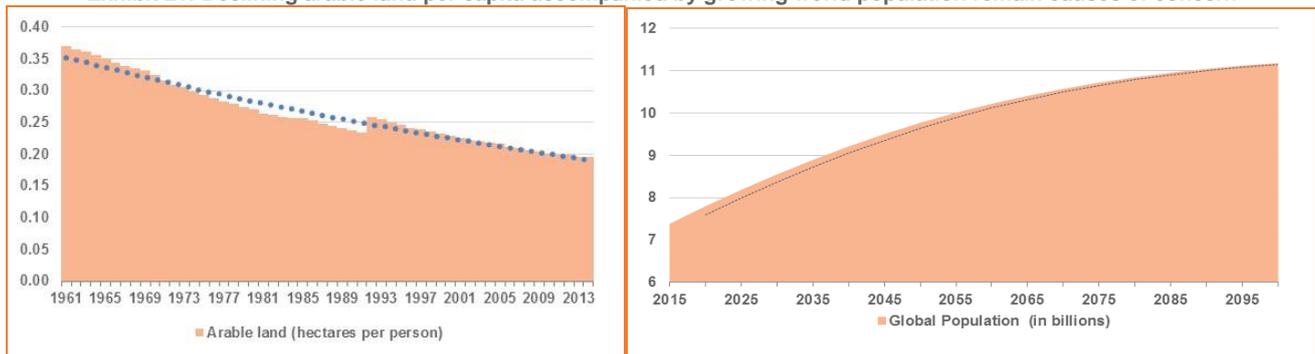
Industry Overview

Fertilizers play a crucial role in adding nutrients to the soil to increase crops yield over the years. According to the International Fertilizer Industry Association (IFIA), fertilizers-used crops feed more than 50% of the global population, and the fertilizer market is expected to grow along with global population growth in the coming years. Other fundamental demand drivers such as the increase in income level, decrease in arable land and changing dietary preferences should drive fertilizer demand further.

Declining per capita cropland and increasing world population growth should increase global fertilizer demand

At present, there is a significant need to increase crop yields to meet the ever-increasing global food demand. Reduction in global arable land per person, world population growth, and the need for higher yields crops are major factors that should increase global fertilizer demand significantly in the years to come. As seen in Exhibit 21, arable land per person has declined tremendously by 47%, from 0.37 hectare (ha) in 1961 to 0.20 ha in 2014. It is mainly attributable to the loss of agricultural land to non-agricultural uses and continued increase in global population growth. Further, the United Nation’s World Population Prospect (June 2017) estimates (based on medium variant assumption) the current global population of 7.6 billion to grow to 9.8 billion by 2050. These factors provide a strong future case that crop productivity should continue to improve with higher fertilizer usage.

Exhibit 21: Declining arable land per capita accompanied by growing world population remain causes of concern

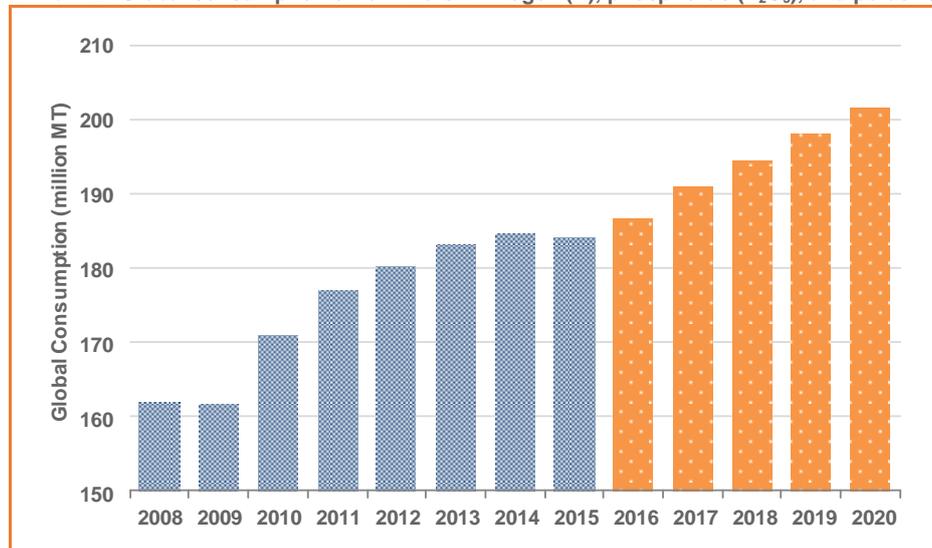


Source: Department of Economic and Social Affairs, United Nations & World Bank Data

Global fertilizer demand should continue to grow

Exhibit 22 shows the upward trend in fertilizer consumption. As per the United Nations’ Food and Agricultural Organization (“FAO”), world demand for the three main plant nutrients such as nitrogen (N), phosphorus (P₂O₅), and potash (K₂O) is estimated at 184 million metric tons in 2015, and has grown at the rate of 1.85% CAGR from 2008 to 2015. Further, the world fertilizer demand is anticipated to continue its growth to reach 201.7 million metric tons in 2020, at a CAGR of 1.85% from 2015 levels.

Exhibit 22: Global consumption of fertilizers - nitrogen (N), phosphorus (P₂O₅), and potash (K₂O)



Source: World Fertilizer Trends and Outlook to 2020, FAO United Nations

Demand-supply imbalance of potash significantly impacts MOP prices

According to the FAO, the demand for potash fertilizer is expected to grow at 2.44% CAGR between 2015 and 2020. Exhibit 23 presents the upward trend in potash demand and supply from 2015 to 2020. In 2020, more than 50% of the demand is expected to be from Asia, followed by Americas (39%) and Europe (14%). In the meantime, potash supply is expected to grow at a CAGR of 2.60% (higher than demand growth), leading to demand-supply imbalance. Further, as per the International Fertilizer Association (IFA) “Fertilizer Outlook 2017-2021”, new projects from Russia, China, Canada Turkmenistan and Belarus are anticipated to add 17 million metric tons of MOP between 2017 and 2021. As a result, expected higher potash supply and moderate potash demand should exert a downward pressure on the price of potash, particularly MOP.

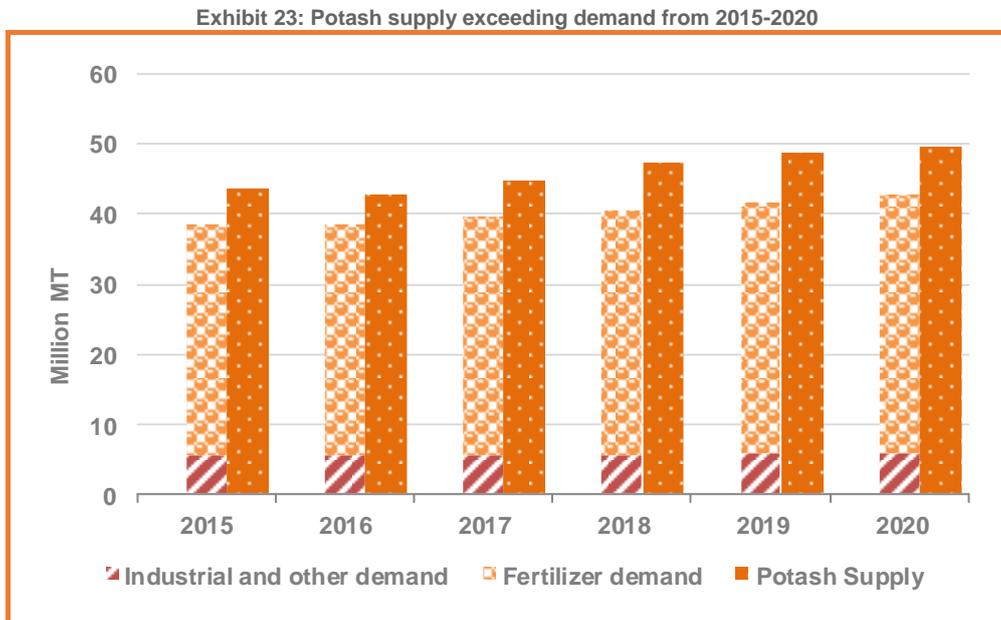
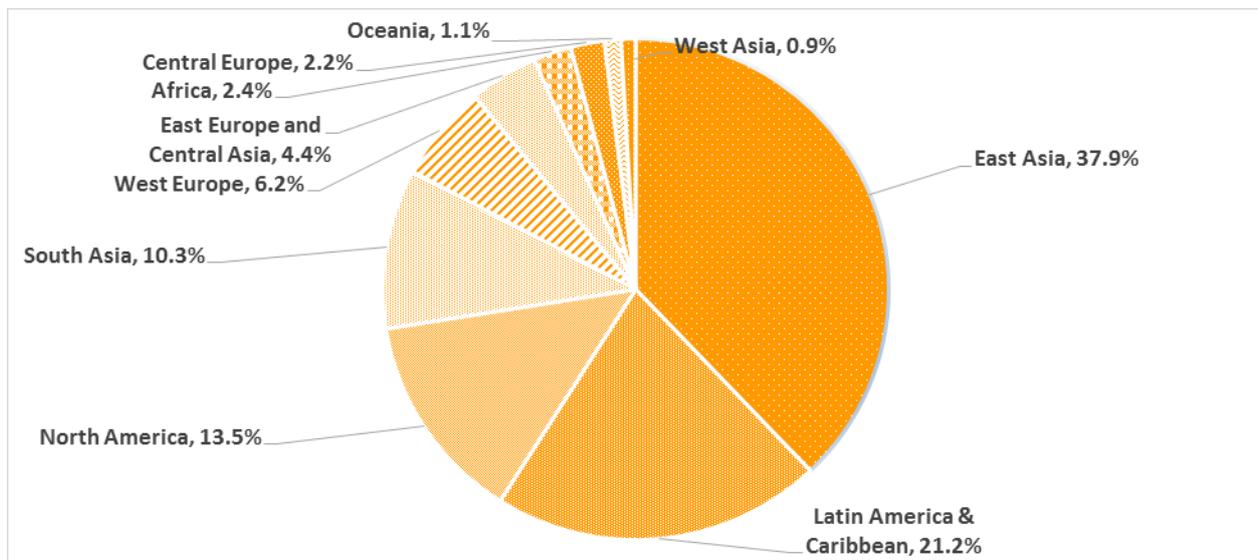
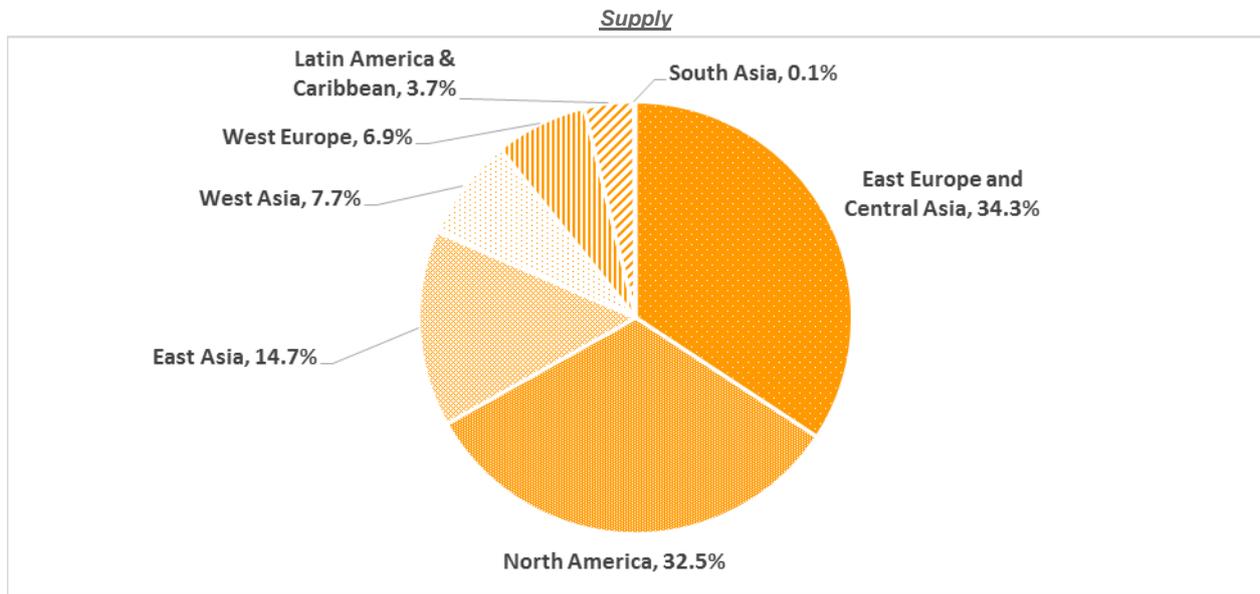


Exhibit 24 presents the geographical demand and supply of potash. The data implies that, in 2020, East Asia would have 37.9% of potash demand and East Europe and Central Asia would supply 34.3% of total potash.

Exhibit 24: Geographic distribution of potash demand and supply in 2020





Source: World Fertilizer Trends and Outlook to 2020, FAO United Nations

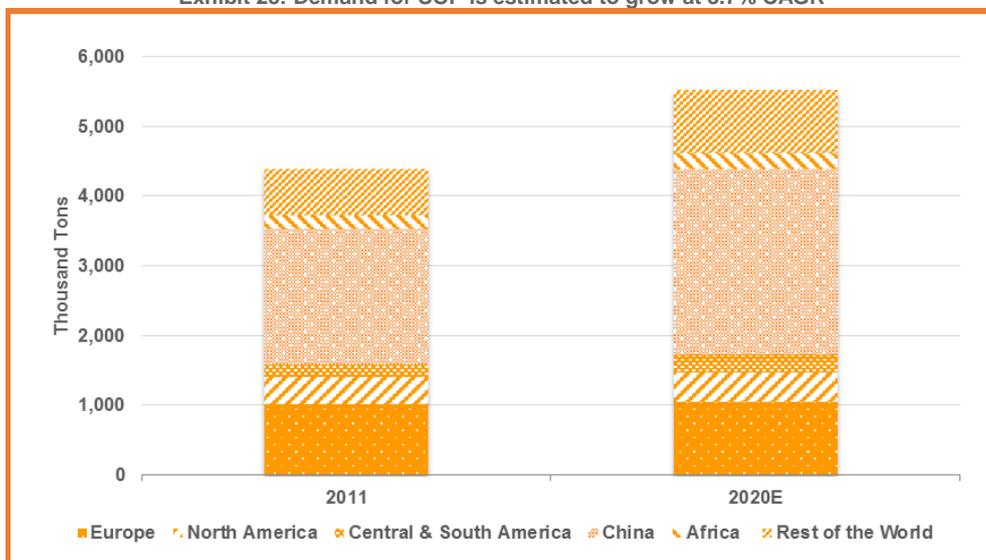
Strong growing need for chloride-free potash fertilizer drives SOP demand

As mentioned in the Company section, Potassium Sulphate (K₂O₄) or SOP is a premium quality nutrient used in high-value crops. Therefore, SOP trades at a significant premium over MOP. Currently, the global potash market is about US\$60 billion per annum. SOP has approximately a 10% market share in the potash fertilizer market and is expected to double (to reach 20%) by 2025. The global demand for SOP is expected to increase from 4.4 million metric tons in 2011 to 5.5 million metric tons in 2020, at a CAGR of 2.58%. Premium crops such as nuts, fruits and vegetables are chloride sensitive and need chloride free potash fertilizers such as SOP. SOP offers higher crop yields, resulting in higher demand.

China is the world’s largest producer of premium crops such as tobacco and fruits, which are best fit for SOP. In 2011, China accounted for 44% of the SOP market share. Further, SOP demand from China is expected to grow at a CAGR of 3.51% to 2.65 million metric tons in 2020 from 1.94 million metric tons in 2011.

Currently, India (a larger producer of tea and tobacco) consumes only 50,000 metric tons of SOP per year. Brazil, the largest producer of citrus fruit, uses 32,000 metric tons per year. As per CRU, Australia imported 273,000 metric tons of MOP in 2016 and 72,000 metric tons of SOP in 2015. Supply deficit, premium prices of SOP, existing demand from China and expected demand from India and Brazil should benefit potential SOP producers like Australian Potash.

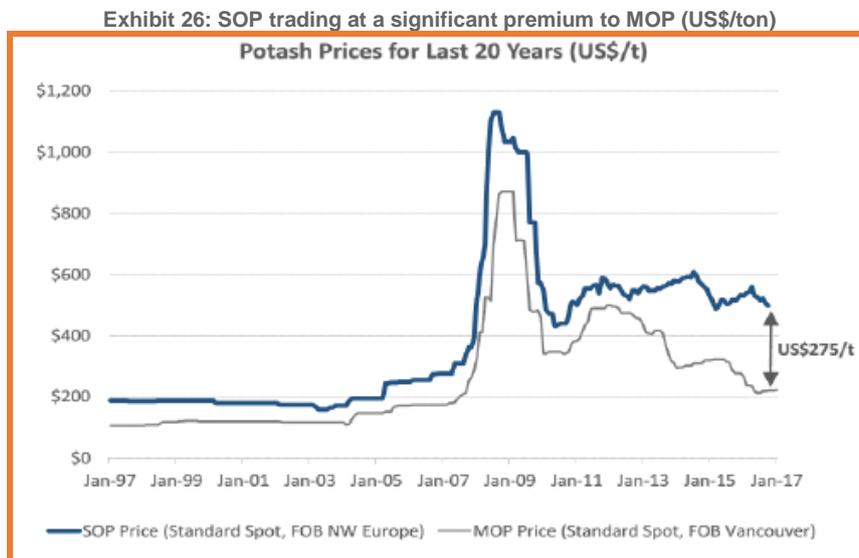
Exhibit 25: Demand for SOP is estimated to grow at 3.7% CAGR



Source: Company website

Lower MOP price should offer higher margin to SOP producers

Despite the surplus potash supply exerting a downward pressure on MOP prices, SOP prices have continued to increase as seen in Exhibit 26. Due to the decline in the price of MOP, SOP producers enjoy a significant operating margin benefit since MOP is also used as the primary feedstock (Mannheim process) to produce SOP. As seen in Exhibit 26, SOP has been trading at a premium price over MOP. As of January 2017, SOP was trading at a premium of US\$ 275/t over the price of MOP. There is a significant demand for SOP due to limited worldwide production, premium quality with chloride-free contents, and high costs to produce due to limited availability of input feedstock. Further, it is observed that since 2012, the price of SOP has been increasing mainly due to increased usage of SOP in high-value crops. As per CRU (an independent business intelligence company), SOP prices are forecast to increase over US\$700/t in 2020 and MOP price is expected to trade at about US\$500/t at the same time. Such expected increase in SOP prices and higher future demand should boost the margins of SOP producers such as Australian Potash.



We now discuss the global gold industry market

Physical gold demand should increase due to expected higher jewelry demand

According to the GFMS Survey 1H2017, during the first half of 2017, global physical gold demand (jewelry fabrication, industrial fabrication, and retail investments) increased by 17% to 1.6 metric tons compared to the same period a year ago. This increase was mainly attributable to increased jewelry consumption by 5% compared to the first half of 2016. It is also expected that jewelry consumption could increase further as the current jewelry demand is still lower than the levels reported in 2015.

According to the World Gold Council (Gold demand trends 2Q17 update), total global gold demand including ETF's slowed down in the first half of 2017 by 14% to 2,003.8t, mainly due to lower ETF demand. To note, ETFs' gold holdings stood at 2.3 metric tons in June 2017. Exhibit 28 shows global gold demand by segments. As seen in Exhibit 28, gold demand from jewelry and coin and bar are 50.9% and 25.0% respectively. For the quarter ended June 30, 2017, jewelry consumption increased 33.9 metric tons, or 8%, to 480.8 metric tons and coin and bar also increased 27.9 metric tons, or 13%, to 240.8 metric tons, compared to the quarter ended June 30, 2016. It was mainly due to higher jewelry consumption from India (+41% Y-o-Y), which was partially offset by China (-5% Y-o-Y).

Global gold supply remained subdued in the first half of 2017. According to the World Gold Council, total gold supply decreased 8% to 1,066 metric tons in the second quarter of 2017, compared to the same period a year ago. Gold mines and recycled gold contribute approximately 74% and 26% of world gold supply respectively. Particularly, gold mine production stood at 791.2 metric tons (declined by -0.34% Y-o-Y) and recycled gold stood at 279.7 metric tons (decreased by -18.34% Y-o-Y). As of June 2017, Trailing Twelve Months (TTM) global gold supply and demand stood at 4,348 metric tons and 3,990 metric tons respectively, a 2% decrease on a Y-o-Y basis.

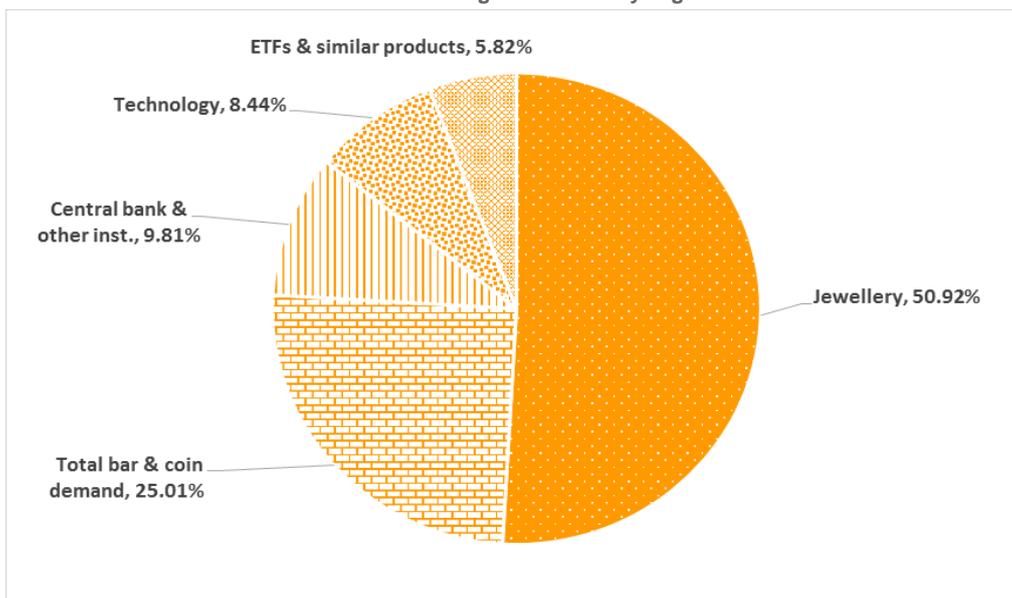
Exhibit 27 shows the global gold demand and supply trends since 2007.

Exhibit 27: Global gold demand and supply situation to improve



Source: GFMS Survey

Exhibit 28: Global gold demand by segment



Source: World Gold Council

India continues to dominate global jewelry consumption

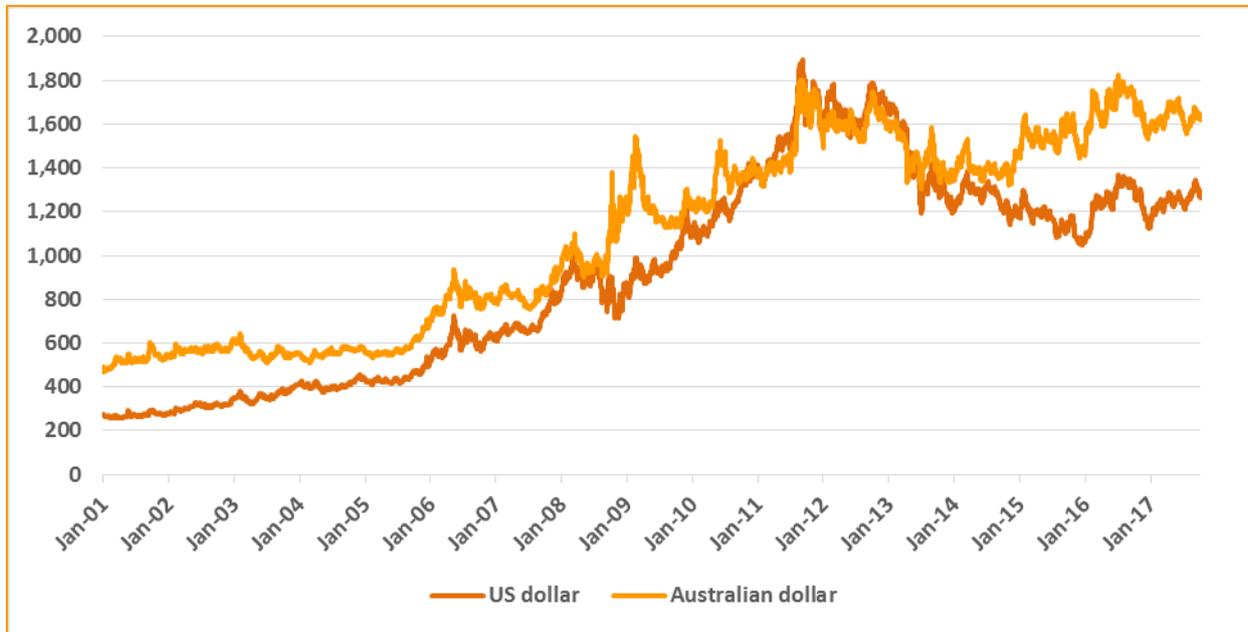
As of June 2017, India and China contributed approximately 26% and 29% of total global jewelry consumption respectively. For the first quarter of 2017, Indian gold demand increased to 198 metric tons, a 167% increase compared to the same period in 2016. This increase was mainly attributable to higher gold consumption due to the fear of higher gold price post-GST implementation accompanied by the lower price of the gold. Further, above average monsoon increased the disposable income of agricultural households (who consume approximately 33% of total Indian gold) in 2Q17, resulting an increase in gold consumption in this period. The Indian government announced demonetization on 8th November 2016, which severely affected gold consumption in the first quarter of 2017. However, post-demonetization paper currency circulation increased to normal levels in the second quarter of 2017, which significantly increased gold consumption in 2Q17.

China consumes approximately 29% of world jewelry. During 2Q17, gold jewelry demand from China was 131.4 metric tons, a 5% decrease compared to 2Q16. This decline was mainly attributable to combination of factors such as retailers' focus on selling high-margin gold resulting in lower sales volume in 2017, younger Chinese generation's low attraction to gold and weak sentiment. However, during the second quarter of June 30, 2017, demand for bar and coin from the Chinese investors increased significantly by 56% to 62.6 metric tons.

Gold price is expected to continue its uptrend

Volatility in global gold supply and demand has continued over the years. During 2006 to 2012, gold prices had been on an upward trend, which was also fueled by the recession in 2008/09. However, after 2012, gold prices declined mainly due to the strengthening of the US dollar. Such events forced Australian gold miners to cut significantly reduce their gold mining costs in 2013. To note, the Australian dollar was trading approximately at US\$ 0.95 in 2013 and is now trading at US\$0.78. Therefore, at present, Australian miners earn higher margins due to the weak Australian dollar and lower mining costs. In addition, gold prices have steadily increased by 10% year to date. Persistent world economic uncertainties, such as tensions over North Korea, all-time high global debt (US\$217 trillion, or 327% of world GDP) should increase gold prices further in the near term. Exhibit 29 shows the gold price trends since 2001.

Exhibit 29: Gold price movements from January-2001 to August-2017



Source: World Gold Council

Australian Potash – Comparables

- **Salt Lake Potash Limited (ASX: SO4) (“Salt Lake Potash”)** – Salt Lake Potash is a Western Australia based mineral exploration and development company with a market capitalization of \$77.02 million. Salt Lake Potash has exploration interests in Lake Irwin and Lake Minigwal and Lake Ballard in Western Australia.
- **Reward Minerals Ltd. (ASX: RWD) (“Reward”)** – Reward is an Australian exploration company with market a capitalization of \$31.2 million. Reward focuses on advancement of its LD Potash project, located in the Little Sandy Desert, Western Australia.
- **Agrimin Ltd (ASX: AMN) (“Agrimin”)** – Agrimin is an Australian exploration company with a market capitalization of \$81.8 million. Agrimin owns 100% interest in the Mackay Sulphate of Potash (SOP) Project and produced its first SOP samples in October 2016. This project has indicated mineral resources of about 4.3 million metric tons of SOP.

Exhibit 30 shows the financial/valuation metrics of the comparables.

Exhibit 30: Financial/Valuation metrics of comparables

Companies	Market Cap (AUD million)	Price (AUD)	EV	P/B	1-year price chart
Salt Lake Potash Limited (ASX: SO4)	\$77.02	\$0.44	\$63.62	4.4x	
Reward Minerals Ltd. (ASX: RWD)	\$31.20	\$0.23	\$29.12	0.91x	
Agrimin Ltd (ASX: AMN)	\$81.80	\$0.52	\$73.42	4.43x	
Australian Potash Limited (ASX: APC)	\$23.82	\$0.09	\$21.86	5.17x	

Source: Company filings and Yahoo! Finance

SWOT

We now discuss the various strengths and weaknesses of the Company. Further, we also offer a brief outlook of the various opportunities and threats that the Company is exposed to.

Strengths

Potential low-cost producer of SOP

Australian Potash expects to gain significant advantage, producing SOP, using low cost production methods. As per the Company's scoping study, Australian Potash is expected to produce SOP at a production cost \$368 per ton in Stage 1 and \$339 per ton in Stage 2, which is significantly lower than other conventional methods such as Mannheim process (accounting for 60% of the global supply), and other conventional production methods. Further, increasing demand for SOP, due to its chloride free nature and tight SOP supply, should support SOP prices. The Company is expected to benefit due to its potential ability to produce SOP at a low cost.

Significant underlying resource

The resource (total resource of 14.7 Mt SOP) at the Lake Wells Potash project is expected to operate through the LOM period of 20 years. The proposed SOP development model is estimated to extract only 34% of the Indicated Resources in the Western High-grade zone and 33% of the Inferred Resource in the Southern zone through the project's life. Further, the Company also has significant opportunity to expand the project's LOM by expanding into the prospective eastern zone with 4.6Mt of SOP (Indicated resource). Further, the Company's Yamarna Gold project shows excellent prospects with significant gold intercepts of 10m @ 28.76g/t Au, 9m @ 4.56g/t Au and 8.2m @ 11.63g/t Au.

Two Staged development strategy- Low initial capex

The planned two-staged development strategy of the Lake Wells Potash project is scalable, requiring low upfront capex. This should support the Company in limiting fund raising. The Stage 1 plant requiring US\$140m upfront capex is expected to produce 150ktpa of SOP, easing the Company into the existing markets prior to expansion. Such structured development strategy allows flexibility into the Company's financing and operations.

Management team

Australian Potash's management expertise in technical and financial skills strengthens the Company's business operations. The Company's top executives have more than 100 years of combined experience. Mr. Matt Shackleton, Executive Chairman of the Company, has more than 20 years of mining and resource experience. Mr. Alan Rubio, Project Manager of the Company has over 20 years of experience in engineering design and project management. Mr. Ross Bran's Non-Executive Director of the Company has over 45 years of experience in resource and mining project development. Such a qualified and well diversified top-level team can deliver on the Company's strategy and goals.

Strategic location of Lake Wells project

The Lake Wells project is favorably located in the low risk mining jurisdiction of Eastern Goldfields, Western Australia. The region is an established mining destination, hosting numerous world class deposits. Further, Fraser Institute (an independent research and educational organization) consistently ranks Australia in the top two mining jurisdictions globally. Adding to this report, well established infrastructure facilities in the Lake Wells project region favors significant logistical advantages at low cost. The project region is just 300km away from a major rail head at Leonara and another 800km from a major port, Fremantle. Due to low cost freight facilities, the Lake Wells project also expects to incur less on logistics operating expenditure compared to its peers, which should increase the profitability of bulk mineral production.

In Place MOUs with Sino-Agri and Hubei-Agri for SOP offtake

As discussed in the Company section, the Company has signed two non-binding MOUs with Chinese fertilizer groups, Sino-Agri and Hubei-Agri. Although the MOUs are non-binding, these lay a foundation for the Company to build relationships with potential regional as well as international customers. As the project progresses, the existing agreements enable the Company to optimize volume and product specification and progress it to a binding commercial agreement.

Weakness

Negative operating cash flow

Australian Potash has not recorded any revenues from operations till date, since it is in the early stages of exploration. Further, the Company is not expected to generate revenues from operations near term. The Company also has continued to record negative operating cash flow. During the period ended June 30, 2017, the Company reported an accumulated deficit of \$14.52 million. The Company's inability to generate operational cash flow is a cause of concern. However, after the completion of exploration phase and commencement of production of SOP, the cash flow is expected to turn positive.

Opportunities

Australian companies enjoy significant competitive advantages

Australian mining companies enjoy significant competitive advantages compared to other companies. Australia is well-known for its diverse mineral endowment, abundant skilled labor, world-class infrastructure facilities, advanced mining and exploration technologies, and lower cash costs to explore minerals. Particularly, Western Australia owns most of the mines and the Western Australia government continues to support mining activities. Such facilities, coupled with recent depreciation of the Australian dollar over the US dollar, should position the Australian mining companies to significant profit margin.

Growing demand of SOP should benefit the Company

Despite the downward pressure on traditional potash products due to the surplus potash supply, SOP continues to enjoy significant price premium over MOP and has been trending up since 2012. Further, MOP is also used as a primary feedstock to produce SOP (the Mannheim process), therefore, the decline in the MOP price significantly increases the operating margin of SOP producers. In addition, other macro factors such as declining per capita arable land coupled with growing world population increase fertilizer demand further. At present, the potash market is estimated about US\$60 billion, of which, SOP has 10% market share. Expected growth in SOP demand is forecast to double SOP's market share (to reach 20%) by 2020.

Uptrend on the price of gold benefits gold mining companies

Gold is considered as a safe haven investment during the period of economic uncertainties. Persistent threat from North Korea, Syrian-civil war, Catalonia-independence referendum, US-China trade war, coupled with all-time global high debt levels (US\$217 trillion, or 327% of world GDP) should increase the risks on return from investments other than gold. Further, the US Fed rate remains at same rate in the recent meetings and is anticipated to increase only in 2018, which should help increase gold-ETFs investments in the near future. In addition, India, which consumes 26% of world gold jewelry, is expected to increase private gold demand to 660 tonnes by 2017, a 10% increase compared to the same period in 2016. Such economic turbulences and expected gold jewelry demand from India should increase gold prices further in the near term, benefiting gold mining companies.

Threat

Competition

The company competes with local and global mining companies with better access to resource and experience, technical expertise and labor capacity. Further, a significant demand-supply imbalance along with high retail prices of SOP could lead to a large number of new entrants into the industry. In addition, increased competition could cause downward pressure on SOP prices, thereby affecting the company's ability to compete for funding, development and market share.

Financial Performance

We now discuss the financial performance of Australian Potash Corp. We begin by analyzing the Company's cash burn followed by the financial statements of the Company. The Company follows July-June as its financial year calendar. All financial symbols represent Australian Dollars (AUD), unless otherwise noted.

Exhibit 31 presents the cash burn analysis of the Company. The Company's average cash burn per month stood at \$276,000 with an average survival period of 10 months. We have calculated the cash burn based on the Company's operating activities since investment activities are not part of the Company's core business. As of September 30, 2017, the Company's cash position stood at \$1.89 million.

Exhibit 31: Cash burn analysis (in \$ '000s)

Period/ Amount (in '000)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	AVG
Net operating cash flow	(100)	(76)	(418)	(203)	(173)	(1,040)	(286)	(1,482)	(958)	(1,136)	(3,246)	(829)
Net investing cash flow	-	-	-	-	(5)	-	(9)	(45)	-	(206)	(151)	(38)
Net financing cash flow	-	56	880	-	992	178	2,227	3,353	-	-	3,329	1,001
Cash position (quarter end)	304	284	746	543	1,357	495	2,427	4,282	3,295	1,960	1,892	1,599
Burn Rate per month	(33)	(25)	(139)	(68)	(58)	(347)	(95)	(494)	(319)	(379)	(1,082)	(276)
Survival period (in months)	9.1	11.2	5.4	8.0	23.5	1.4	25.5	8.7	10.3	5.2	1.7	10.0

Source: RBMG Research

Exhibit 32 shows the Company's income statements for the year ended June 30, 2017 and 2016. For the year ended 2017, Australian Potash did not generate revenue from its operating activities as the Company is still in the initial stage of exploration. However, the Company received interest income of \$16,281 and research and development grant refund of \$421,715 (411% higher than the previous year). The Company's total expenses increased significantly by 50% to \$7,269,457, mainly due to higher exploration expenses (+45% Y-o-Y), administration expenses (+75% Y-o-Y) and employment benefit expenses (+119% Y-o-Y). As a result, the Company reported a net loss of (\$6,810,326) during the year ended June 30, 2017, 44% higher than the same period in 2016.

Exhibit 32: Income statements for the year ended June 30, 2017 and 2016

Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016	Y-o-Y (%)
Revenue	\$16,281	\$16,893	-4%
Other Income	442,850	86,693	411%
EXPENDITURE			
Administration expenses	786,376	448,368	75%
Depreciation and amortization expenses	7,374	-	
Employee benefits expenses	483,875	220,775	119%
Exploration expenses	5,747,151	3,972,210	45%
Share-based payments expense	244,681	193,734	26%
Total expenses	\$7,269,457	\$4,835,087	50%
LOSS BEFORE INCOME TAX	(\$6,810,326)	(\$4,731,501)	44%
Income tax benefit/(expense)	-	-	
Total comprehensive loss for the period	(\$6,810,326)	(\$4,731,501)	44%
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	(\$3.4)	(\$4.4)	-23%
Weighted average number of common shares outstanding - Diluted	203,097,066	108,333,561	87%

Source: Company filings

Exhibit 33 represents Australian Potash's balance sheets as of June 30, 2017 and 2016. As of June 30, 2017, the Company's cash and cash equivalents stood at approximately \$1,960,557, a 296% increase compared to a year before. This increase was mainly attributable to approximately \$6 million funds raised during the second half of 2016 through the issuance of shares and options. At the end of the year ended 2017, trade and other receivables reduced by 34% as compared to the same period in 2016. However, the Company invested \$76,129 on plant and equipment during the year ended June 30, 2017, compared to no investments in the previous year. Total liabilities during the year ended June 30, 2017 increased to \$2,580,580, compared to \$156,188 in 2016, primarily due to significant increase of trade payables. Further, total shareholder's equity decreased by 143% for the year ended 2017, mainly due to 88% increase in accumulated deficit.

Exhibit 33: Balance sheets as of June 30, 2017 and 2016

Particulars	As of June 30, 2017	As of June 30, 2016	Y-o-Y (%)
ASSETS			
Current assets			
Cash and cash equivalents	\$1,960,557	\$495,173	296%
Trade and other receivables	231,049	351,981	-34%
Total current assets	2,191,606	847,154	159%
Non-current assets			
Plant and equipment	76,129	-	
Intangibles	17,333	-	
Total non-current assets	\$93,462	\$0	
Total assets	\$2,285,068	\$847,154	170%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	2,554,736	156,188	NM
Provisions	25,844	-	
Total current liabilities	2,580,580	156,188	NM
Total liabilities	\$2,580,580	\$156,188	NM
Net Assets	(295,512)	690,966	-143%
Shareholders' equity			
Issued capital	13,025,831	7,446,664	75%
Reserves	1,202,086	957,405	26%
Accumulated losses	(14,523,429)	(7,713,103)	88%
Total equity	(\$295,512)	\$690,966	-143%

Source: Company filings

Exhibit 34 presents Australian Potash's cash flow statements for the quarter ended September 30, 2017 and June 30, 2017. For the three months ended September 30, 2017, the Company's operating cash outflow was \$3.24 million, a 186% increase as compared to the cash outflow during the previous quarter ended June 30, 2017. This increase was mainly attributable to significant expenditures on exploration activities, followed by payments to suppliers and employees. Further, net cash outflow from investing activities for the quarter ended September 30, 2017 was \$0.15 million approximately, as compared to \$0.21 million for the quarter ended June 30, 2017. In addition, the Company raised \$3.32 million in net proceeds through its financing activities, as compared to no fund-raising activities for the quarter ended June 30, 2017.

Exhibit 34: Cash flow statements for the quarter ended September 30, 2017 and June 30, 2017 ('000)

Particulars	For the quarter ended September 30, 2017	For the quarter ended June 30, 2017	Y-o-Y (%)
Cash flows from Operating activities			
Receipts from customers	-	-	
Payments for:			
(a) exploration & evaluation	\$ (2,846)	\$ (919)	210%
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(155)	(127)	22%
(e) administrative and corporate costs	(248)	(99)	151%
Dividends received	-	-	
Interest received	3	9	
Interest and other costs of finance paid	-	-	
Income taxes paid	-	-	
Research and development refunds	-	-	
Other	-	-	
Net cash outflow from operating activities	\$ (3,246)	\$ (1,136)	186%
Cash flows from Investing activities			
Payments to acquire:			
(a) property, plant and equipment	\$ (1)	\$ (56)	-98%
(b) tenements	(150)	(150)	0%
(c) investments	-	-	
(d) other non-current assets	-	-	
Proceeds from the disposal of:			
(a) property, plant and equipment	-	-	
(b) tenements	-	-	
(c) investments	-	-	
(d) other non-current assets	-	-	
Cash flows from loans to other entities	-	-	
Dividends received	-	-	
Other	-	-	
Net cash used in investing activities	\$ (151)	\$ (206)	-27%
Cash flows from Financing activities			
Proceeds from issue of shares	\$ 3,503	\$ -	
Proceeds from issue of convertible notes	-	-	
Proceeds from exercise of share options	-	-	
Transaction costs related to issues of shares, convertible notes or options	(174)	-	
Proceeds from borrowings	-	-	
Repayment of borrowings	-	-	

Transaction costs related to loans and borrowings	-	-	
Dividends paid	-	-	
Other	-	-	
Payments of share issue transaction costs	-	-	
Net cash provided by financing activities	\$ 3,329	\$ -	
Net increase / (decrease) in cash and cash equivalents for the period			
Cash and cash equivalents at the beginning of period	\$ 1,960	\$ 3,295	-199%
Net cash outflow from operating activities	(3,246)	(1,136)	
Net cash used in investing activities	(151)	(206)	
Net cash provided by financing activities	3,329	-	
Effect of movement in exchange rates on cash held	-	7	
Cash and cash equivalents at end of period	\$ 1,892	\$ 1,960	-3%

Source: Company filings

Key Risk Factors

Ability to raise additional capital for business operations/construction

The Company does not have sizable capital to fund capital expenditure for the construction of its projects. The Company requires \$175 million and \$163 million capex for Stage 1 and Stage 2 production respectively at the Lake Wells project. The Company expects that it can raise the capital on favorable terms. However, failure to raise required capital may negatively affect the Company's development projects, delaying milestones.

Highly speculative nature of mining, exploration and development activities

Australian Potash's ability to generate revenue is based on mining and sale of SOP and gold from its projects. Demand and prices of these commodities is governed by various factors, which is outside the control of the Company. The factors are macroeconomic which includes global economic scenario, foreign exchange rate, inflation, consumption pattern and others. Unfavorable factors could affect the Company's sale and in future return on investments.

No guaranteed success of mining activities and its commercial viability

The process of exploration involves a high level of risk and there is no assurance that the project will be successful. The Company has still not completed the definitive feasibility study. Also, early stages of the scoping study of the project do not provide enough data to declare that there exist economically viable minerals reserves by the Company. Though the Company has witnessed a few positive results from its exploration activities, there is no guarantee for the conversion of indicated and measured mineral resources to ore reserves or the project to be commercially viable.

Operations are subject to environmental laws and regulations

The mining and exploration industry are subject to extensive government regulations and environmental laws. Regulations related to taxes, labor standards, waste management and protection of natural and historic sites govern the Company's operations. Non-compliance of these laws and regulations may result in enforcement actions resulting in delays in project completion and increase liabilities.

Negative operating cash flow and uncertainty in projects

As mentioned earlier, the Company has negative operating cash flow as none of the projects have commenced production. The Company has not recorded any operating revenue and expected to incur losses in near future. There is also no guarantee that the Company will be able to achieve assumed levels of minerals from the projects.

Profile of Directors and Management

Matt Shackleton, Executive Chairman

Mr. Shackleton currently serves as the Executive Chairman of the Company. He has held various senior management and board roles in resource companies, with more than 20 years of experience. Some of his earlier experience includes serving as the Managing Director of ASX listed gold explorer Mount Magnet South NL. He was also the founding director of ASX listed Canyon Resources Limited, a West Australian based gold and bauxite explorer. Mr. Shackleton also held senior positions in companies including iiNet Limited, Skynet Airlines, Bannerman Resources Limited. He holds a B.Comm. (Economics and Accounting) degree from Murdoch University, Western Australia. He is also a member of the Australian Institute of Company Directors.

Rhett Brans, Non-Executive Director

Mr. Brans is a non-executive director of the Company. He is also an experienced civil engineer, with more than 45 years of experience in project development. Currently, Mr. Brans also serves as a Non-Executive director of Syrah Resources and Carnavale Resources Ltd. Prior to joining Australian Potash, he was a founding director of Perseus Mining Limited and also served in the boards of companies such as Tiger Resources Limited and Monument Mining Limited. He has significant experience in the management of feasibility studies, design and construction of treatment plants for various commodities worldwide. Mr. Brans holds a Dip. Engineering (Civil) degree. He is also a member of the institution of Engineers, Australia, and also the Australian Institute of Company Directors.

Brett Lambert, Non-Executive Director

Mr. Lambert is a non-executive director of the Company. He has over 35 plus years of management expertise, and has held senior management position in various exploration companies including Western Mining Corporation, Herald Resources, Intrepid Mines, Western Metals, Bullabulling Gold, Thundelarra Exploration and Padaeng Industry. In his career, he has effectively developed several green-fields resource projects through a feasibility study. Currently, Mr. Lambert also serves as a non-executive Director of Mincor Resources NL. In the past, he also has served as a director in the boards of companies listed on Australian Securities Exchange and Toronto Stock Exchange. He holds a B.App.Sc. degree from Curtin University, Western Australia. He is a member of the Australian Institute of Mining and Metallurgy.

Alan Rubio, Project Manager

Mr. Rubio is the Project Manager of the company. He has over 20 years of experience in engineering design and project management. He has assisted numerous clients in managing development projects worldwide. He holds significant expertise in developing exploration projects from resource stages through to development, with a significant background in project evaluation, de-risking and managing teams (specifically in the development of rare earth projects). Prior to Australian Potash, Mr. Rubio worked for companies including Greenland Minerals, Arafura Resources, Bateman Engineering, Worley Parsons, Northern minerals and Hatch Associates. He has a Bachelor of Engineering degree, specializing in Mechanical Engineering.

Carsten Kraut, Principal Hydrogeologist

Mr. Kraut currently serves as the Principal Hydrogeologist of the Company. He has over 20 years of experience in groundwater resource evaluation and mining development in Australia, Asia and Americas. Previously, he has held senior hydrological positions in numerous Australian and international companies such as Golder Associates, Aquaterra, AECOM and WSP Parsons Brinckerhoff. He is also a member of the International Association of Hydrogeologists (IAH) and International Mine Water Association (IMWA). He holds a B. App.Sc in Applied Geology and Post Graduate Diploma in Hydrogeology from Curtin University, Western Australia.

Shaun Triner

Mr. Triner is a Process Engineer of the Company. He has over 30 years of experience in the mining industry, and has undertaken various operational, technical, customer and compliance roles during his career. He has significant expertise in exploring commodities including gypsum, salt, wood panels, iron ore, gold and water. He holds a BSc in Mineral Science degree. Previously, for the past 20 years, Mr Triner held leadership roles in project operations and technical marketing with Rio Tinto's Dampier Salt Limited.

Shareholding Pattern

As of October 19, 2017, the Company had approximately 270.6 million fully diluted shares outstanding, including warrants and options. Exhibits 35 and 36 display details of the capitalization structure. Exhibit 37 display the top ten shareholders of the company's quoted ordinary shares.

Exhibit 35: Share capitalization details

Market Capitalization (@ A\$0.09)	\$23 million
Total Shares Outstanding	256,473,073
Warrants (average price & expiration)	14.2 million (\$0.10-\$0.225) 11/18 - 4/21
Total fully diluted shares	270,685,596

Source: Australian Potash presentation

Exhibit 36: Warrant/Option details (as of October 16, 2017)

Unlisted Options	Exercise Price	Expiring
4,000,000	\$ 0.13	30-Nov-18
4,000,000	\$ 0.18	30-Nov-18
5,000,000	\$ 0.13	2-May-19
3,430,000	\$ 0.10	21-Apr-21
3,430,000	\$ 0.15	21-Apr-21
1,861,702	\$ 0.18	28-Nov-19
2,034,883	\$ 0.23	28-Nov-19
2,559,526	\$ 0.18	14-Dec-19
2,756,412	\$ 0.23	14-Dec-19

Source: Australian Potash presentation

Exhibit 37: Top ten shareholders of quoted ordinary shares (as of October 19, 2017)

Top Ten shareholders	Number of shares	Percentage of ordinary shares
Yandal Investments Pty Ltd	29,040,772	11.32%
Perth Select Seafoods Pty Ltd	14,000,000	5.46%
Goldphyre WA Pty Ltd	7,013,807	2.73%
Jemaya Pty Ltd	6,400,000	2.50%
Coultas Geoffrey Donald	6,000,000	2.34%
Surtees Norman	5,000,000	1.95%
Oceanic Cap Pty Ltd	4,550,000	1.77%
Cen Pty Ltd	4,150,000	1.62%
Trade Holdings Ptd Ltd	4,000,000	1.56%
Shackleton M W + N J <Hurrayshack Family A/C>	3,636,363	1.42%

Source: Australian Potash annual report 2017

Sources

- Company Website
- Company Press Release & Presentations
- ASX Filings
- World Fertilizer Trends and Outlook to 2020, FAO United Nations
- World Bank Data
- United Nations World Population Report
- Department of Economic and Social Affairs, United Nations
- K+S Kali GmbH

Disclaimer

The information contained herein is not intended to be used as the basis for investment decisions and should not be construed as advice intended to meet the particular investment needs of any investor. The information contained herein is not a representation or warranty and is not an offer or solicitation of an offer to buy or sell any security. To the fullest extent of the law, RB Milestone Group LLC ("RBMG"), its staff, specialists, advisors, principals and partners will not be liable to any person or entity for the quality, accuracy, completeness, reliability or timeliness of any information provided, or for any direct, indirect, consequential, incidental, special or punitive damages that may arise out of the use of information provided to any person or entity (including but not limited to lost profits, loss of opportunities, trading losses and damages that may result from any inaccuracy or incompleteness of such information). Investors are expected to take full responsibility for any and all of their investment decisions based on their own independent research and evaluation of their own investment goals, risk tolerance, and financial condition. Investors are further cautioned that small-cap and microcap stocks have additional risks that may result in trading at a discount to their peers. Liquidity risk, caused by small trading floats and very low trading volume can lead to large spreads and high volatility in stock price. Small-cap and microcap stocks may also have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the small-cap and microcap segments of the market. The information, opinions, data, quantitative and qualitative statements contained herein have been obtained from sources believed to be reliable but have not been independently verified and are not guaranteed as to accuracy, nor does it purport to be a complete analysis of every material fact regarding RBMG client companies, industries, or securities. The information or opinions are solely for informational purposes and are only valid as of the date appearing on the report and are subject to change without notice. Statements that are not historical facts are "forward-looking statements" that involve risks and uncertainties. "Forward looking statements" as defined under Section 27A of the Securities Act of 1933, Section 21B of the Securities Exchange Act of 1934 and the Private Securities Litigation Act of 1995 include words such as "opportunities," "trends," "potential," "estimates," "may," "will," "could," "should," "anticipates," "expects" or comparable terminology or by discussions of strategy. These forward-looking statements are subject to a number of known and unknown risks and uncertainties outside of the company's or our control that could cause actual operations or results to differ materially from those anticipated. Factors that could affect performance include, but are not limited to those factors that are discussed in each profiled company's most recent reports or company filings or registration statements filed with the SEC or other actual government regulatory agency. Investors should consider these factors in evaluating the forward-looking statements contained herein and not place undue reliance upon such statements. Investors are encouraged to read investment information available at the websites of Australian Potash Ltd. ("AP") at www.australianpotash.com.au and the SEC at <http://www.sec.gov> and/or FINRA at <http://www.finra.org> and/or other actual government regulatory agency. RBMG is a consulting firm headquartered in New York, New York, USA and is hired by client companies globally to carry out consulting services that include: corporate strategy formation, business development, market intelligence and research. RBMG is not a FINRA member or registered broker/dealer. RBMG research reports and other proprietary documents or information belonging to RBMG are not to be copied, transmitted, displayed, distributed (for compensation or otherwise), or altered in any way without RBMG's prior written consent. RBMG has received a cash fee equal to sixty five thousand USD from AP in exchange for RBMG consulting services. In this case, consulting services consist of corporate strategy formation, business development, market intelligence and research. These services include the preparation of this research report and RBMG helping AP communicate its corporate characteristics to applicable investment and media communities. In addition, RBMG and/or its respective affiliates, contractors, principals or employees may buy, sell, hold or exercise shares, options, rights, or warrants to purchase shares of AP at any time. In the past, RBMG's principal ("Principal"), through a separate investment fund that was controlled by Principal ("Fund"), purchased 1,708,860 common shares of AP from AP. Currently, Principal, through Fund, indirectly owns shares of AP. Principal will directly or indirectly buy, sell, hold or exercise shares, options, rights, or warrants to purchase shares of AP at its lawful discretion and this can happen at any time.