



 31 Ord Street, West Perth WA 6005
 PO Box 1941, West Perth WA 6872
 +61 8 9322 1003
 australianpotash.com.au
ABN 58 149 390 394

9 June 2017

OFF-TAKE MOU SIGNED WITH MAJOR CHINESE FERTILISER GROUP

Australian Sulphate of Potash (SOP) developer Australian Potash Limited (ASX: APC) is pleased to advise of the signing of a non-binding Memorandum of Understanding (MOU) for the supply of SOP to one of China's largest fertiliser companies, CNAMPGC Holding Limited Corporation's subsidiary Sino-Agri Holding Company Limited (Sino-Agri). The MOU envisages high level commercial terms for sales volumes of up to 30% of estimated production from Stage 2, being up to 100,000tpa of SOP from Lake Wells.¹

The MOU lays a strong foundation as APC seeks to develop strong relationships with key players in the world's largest fertiliser market. APC's marketing strategy is focused on identifying potential customers in key markets, building relationships to ensure potential customers are engaged and the Lake Wells product specifications and volumes are tailored to market requirements. The MOU is non-binding and as such there is no guarantee of a binding agreement on the proposed terms or at all.

The ability to secure sales volumes into larger regional markets is an important component of APC's marketing strategy, while also aiming to secure market share of prevailing SOP volumes in the Australian market. Over time, an opportunity to expand the Australian market may exist through driving increased awareness of the scientific and commercial value of the SOP product.

APC will focus on strengthening its relationship with Sino-Agri in parallel with the project advancement at Lake Wells. As the Lake Wells study is progressed and the technical parameters are de-risked APC will maintain a constructive dialogue with Sino-Agri, facilitate product trials, optimise product specifications and ultimately seek to progress to a binding commercial agreement.

Sino-Agri is one of China's largest fertiliser corporations with 60 years of operating history. Sino-Agri is both a domestic producer, trader and distributor of a range of domestic and imported fertiliser products.

APC Executive Chairman Matt Shackleton said: "We have been developing our relationships within the Chinese potash and fertiliser industries for some time and it is very gratifying to commence the formal pathway to securing customers in the world's largest fertiliser market.

"I look forward to continuing to develop our relationship as our project develops, and to working towards formal off-take agreements."

Upcoming Activity for Q2/Q3 2017

- Commissioning of pilot evaporation ponds
- Commencement of Stage 2 test-pumping program
- Installation of Stage 2 test-production bores
- Continue resource upgrade and expansion programmes
- Feasibility study planned to commence



For further information, please contact:

Matt Shackleton

Executive Chairman

 m.shackleton@australianpotash.com.au

 +61 (0)438 319 841

Media

Michael Vaughan

Fivemark Partners

 +61 (0)422 602 720

About Australian Potash Limited

Australian Potash Limited (ASX: APC) is an ASX-listed Sulphate of Potash (SOP) developer. The Company holds a 100% interest in the Lake Wells Potash Project located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

The Lake Wells Potash Project is a palaeochannel brine hosted sulphate of potash project. Palaeochannel bore fields supply large volumes of brine to many existing mining operations throughout Western Australia, and this technique is a well understood and proven method for extracting brine. APC will use this technically low-risk and commonly used brine extraction model to further develop a bore-field into the palaeochannel hosting the Lake Wells SOP resource.



Figure 1: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields



A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017¹. The Scoping Study exceeded expectations and confirmed that the Project's economic and technical aspects are all exceptionally strong, and highlights APC's potential to become a significant long-life, low capital and high margin sulphate of potash (SOP) producer.

Key outcomes from the Scoping Study are as follows:

- Stage 1 production rate of **150,000tpa** of premium-priced sulphate of potash (years 1 – 5)
- Stage 2 production rate of **300,000tpa** of premium-priced sulphate of potash (years 6 – 20)
- Upgraded JORC 2012 Mineral Resource Estimate comprising 14.7m tonnes of SOP, including 12.7mt in the Indicated category¹
- Operating expenditure of A\$368/US\$283 tonne SOP in the first 5 years and A\$343 tonne SOP over the life of mine
- At a SOP price of A\$795 per tonne SOP, the Project generates LOM annual operating pre-tax cashflow² of A\$118m/US\$81m
- Pre-production capital expenditure (Stage 1) of A\$175m/US\$135m and Stage 2 of A\$163m/US\$125m
- Life of Mine (LOM) is 20 years (inc. Stage 1 & Stage 2) –upside to LOM through continued exploration

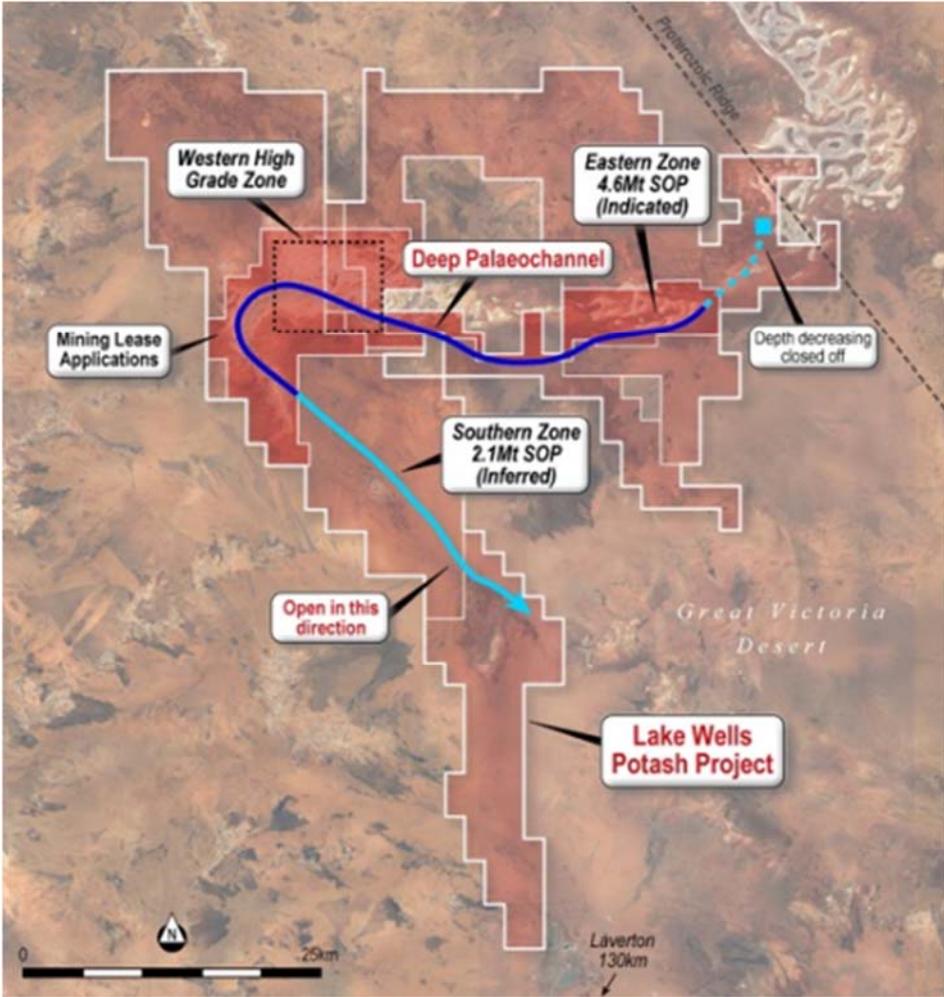
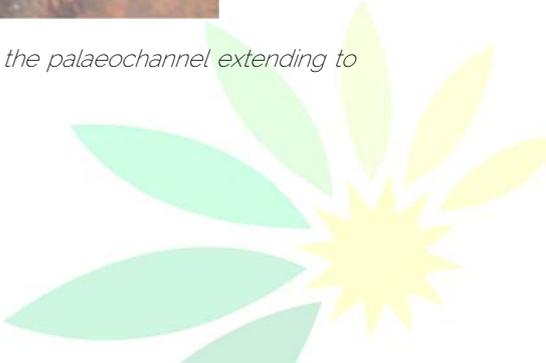


Figure 2: The Lake Wells Potash Project SOP brine resource is hosted within the palaeochannel extending to date over 55kms in length, and to a maximum depth of 174m



About Sino-Agri

Sino-Agri Holding Company Limited was established by the China National Agricultural Means of Production Group Corporation, Ping An Insurance (Group) Company of China and other domestic agricultural enterprises. Sino-Agri focuses on the fertiliser business, integrating the import, export, production and distribution of fertilisers, research and development and agrochemical services.

Sino-Agri, one of China's largest agricultural means of production enterprises, has become the backbone in promoting Chinese agricultural production, guaranteeing the supply of agricultural means of production and achieving the target on the national agricultural means of production reserve.

For more information refer to <http://www.sino-agri.net/en/>.

Forward looking statements disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Scoping study – cautionary statement

The Study referred to in this announcement is a preliminary technical and economic investigation of the potential viability of the Lake Wells Potash Project. It is based on low accuracy technical and economic assessments, (+/- 35% accuracy) and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage; or to provide certainty that the conclusions of the Study will be realised.

Approximately 86% of the existing Mineral Resource is in the Indicated category, with the remainder in the Inferred category. There is a low level of geological confidence associated with Inferred mineral resources and there is no certainty that further exploration work will result in the determination of Indicated or Measured Mineral Resources. Furthermore, there is no certainty that further exploration work will result in the conversion of Indicated and Measured Mineral Resources to Ore Reserves, or that the production target itself will be realised.

The Scoping Study is based on the material assumptions outlined in the ASX announcement of 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned Lake Wells Potash Project In WA'. These include assumptions about the availability of funding. While Australian Potash Limited considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be accurate or that outcomes indicated by the Study will be achieved.

To achieve the outcomes indicated in this Study, initial funding in the order of A\$175m/US\$135m will likely be required. Investors should note that there is no certainty that Australian Potash Limited will be able to raise funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Australian Potash Limited's existing shares.

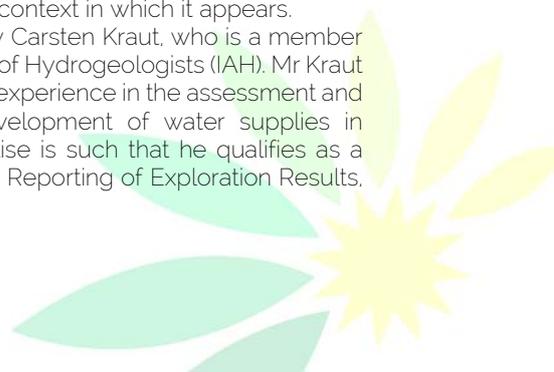
It is also possible that Australian Potash Limited could pursue other value realisation strategies such as sale, partial sale, or joint venture of the Project. If it does this could materially reduce Australian Potash Limited's proportionate ownership of the Project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of this Scoping Study.

Competent persons statement

The information in this announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Jeffery Lennox Jolly. Mr Jolly is a principal hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Jolly nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Jolly has over 30 years of international experience. He is a member of the Australian Institute of Geoscientists (AIG) and the International Association of Hydrogeologists (IAH). Mr Jolly has experience in the assessment and development of palaeochannel groundwater resources, including the development of water supplies in hypersaline palaeochannels in Western Australia. His experience and expertise is such that he qualifies as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jolly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Hydrogeological information in this announcement has been prepared by Carsten Kraut, who is a member of the Australasian Institute of Geoscientists (AIG), and International Association of Hydrogeologists (IAH). Mr Kraut is contracted to the Company through Flux Groundwater Pty Ltd. Mr Kraut has experience in the assessment and development of palaeochannel groundwater resources, including the development of water supplies in hypersaline palaeochannels in Western Australia. His experience and expertise is such that he qualifies as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results,



Mineral Resources and Ore Reserves'. Mr Kraut consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

¹Refer to ASX announcement 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned Lake Wells Potash Project In WA'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 23 March 2017 announcement, and 2. State that all the material assumptions and technical parameters underpinning the production target and the forecast financial information derived from a production target in the 23 March 2017 announcement continue to apply and have not materially changed.

²Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

