Hartleys

APC.asx
Speculative Buy

Potash: Explorer

AUSTRALIAN POTASH LIMITED (APC)

Lake Wells: Test Bores & Pilot Ponds Commissioned

Australian Potash Limited (APC) continues to progress project testwork at its 100%-owned Lake Wells Potash Project in WA.

The work currently underway includes the installation of numerous test production bores and the commissioning of pilot evaporation ponds at the salt lake. The data collected from this activity will be used in the Lake Wells Feasibility Study (FS) due for release in Q2 CY18.

The Company has installed five test-production bores and eight monitoring bores across the higher grade sulphate of potash (SOP) zone, an area containing an estimated 12.7Mt of SOP (Indicated (specific yield) resource) within the playa lake system. The installed bores, which represent ~15% of the proposed Stage 1 development borefield, are now undergoing test pumping to provide accurate flow rates for the hydrogeological model.

The performance of the brine system from long-term (up to 12 weeks) continuous 24 hours pumping will also be monitored. Data collected from the longer term test program will assist with the calculation of (maiden) reserves.

Flow rates of +10L/sec being targeted, Evap pilot ponds filled

Flow rates of over 10L/sec would be considered favourable, and the rate of brine draw-down from the overlaying clays measured by the monitoring bores as the aquifer in the basal sands is pumped. Once developed, the brine operation at Lake Wells is expected to be serviced by some 35 bores, enabling the production of 150,000tpa of SOP (Stage 1), but higher than estimated flow rates could lower this number of bores.

The pilot evaporation ponds have now been filled with brines from test-production bores on site. The evaporation testwork will refine the design of the commercial scale pond network. APC has already confirmed a continuous layer of low-permeability clays across the lake, which supports lower potential pre-production capex and importantly reduces sustaining capex further enhancing project economics. APC is confident that ongoing work will prove a lower permeability to be realised supporting smaller ponds, smaller than those modelled in the Scoping Study (reducing capex and providing higher recoveries). Current permeability assumptions result in a potassium recovery through the pond system of ~76-77% and an overall pond and process recovery of 71-72%. With the proposed MOP conversion circuit in the process plant, the overall recoveries of the ponds and plant should improve to ~80%.

Assessing gold potential following neighbours' success

Some of APC's ground is considered highly prospective but under explored for gold mineralisation. Key tenure is also situated ~60km NW of GoldRoads (GOR)/Goldfieds +6Moz Gruyere gold project (under construction) and spans a 65km strucural zone. Of particular note was GOR's reported gold intersections of **10m @ 28.8 g/t Au** (Corkwood), which is only 2km SE of the southernmost APC tenement. First pass drilling is planned for Q4 CY17.

Advancing Lake Well FS and Yamarna exploration; Spec Buy

The proposed SOP project has a simple brine extraction and processing flowsheet, adjustable production rates, highly favourable logistics and the lowest capital hurdle to reach first production. Studies are progressing well.

We maintain our Speculative Buy recommendation with latest price target of 40cps. APC's current cash position is estimated to be just over A$4M.

	9 Nov 2017
Share Price	$0.087
Valuation	$0.44
Price Target (12 month)	$0.40

Brief Business Description:
Potash (SOP) explorer/developer

Hartleys Brief Investment Conclusion
100%-owned potash project at Lake Wells WA. Targeting brine SOP production of 150ktpa ramping up to 300ktpa for domestic and export markets. Feasibility Study due in Q2 CY18.

Board
Matt Shackleton (Executive Chairman)
Rhett Brans (Non-Excec Dir)
Brett Lambert (Non-Exec Dir)

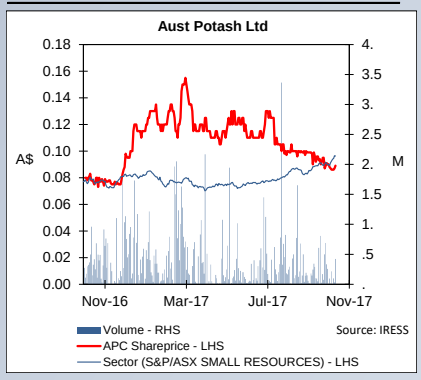
Top Shareholders	
Yandal Investments (Creasy)	11.3%
Perth Select Seafood	5.5%
Board and Management	2.0%

Company Address
31 Ord Street
West Perth WA 6005

Issued Capital	256.5m
- fully diluted	325.1m
Market Cap	A$22.3m
- fully diluted	A$28.3m
Cash (est)	A$4.1m
Debt (est)	A$0.0m
EV	A$18.2m
EV/Resource t	A$1.24/t
EV/Reserve t	na

Prelim. (A$m)	**FY19e**	**FY20e**	**FY21e**
Prod (Mt)	0.00	0.08	0.15
Op Cash Flw	-3.7	27.2	40.8
Norm NPAT	-8.0	33.0	36.1
CF/Share (cps)	-1.0	3.1	4.3
EPS (cps)	-1.3	4.1	5.6
P/E	-8.6	2.8	2.0

	Vol MCM	**SOP mg/L**	**Mt SOP**
Resources (SOP)	20,329	7,896	14.7
Reserves (SOP)	na	na	na



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Hartleys has completed a capital raising in the past 12 months for Australian Potash Limited ("APC") for which it has earned fees. Hartleys has provided corporate advice to APC within the past 12 months and continues to provide corporate advice, for which it will earn fees. The analyst has a beneficial interest in APC shares. See back page for details.

SUMMARY MODEL

Australian Potash Limited — **Share Price**
APC — **$0.087**

9 November 2017
Speculative Buy

Key Market Information	
Share Price	**$0.087**
Market Capitalisation - ordinary	$22.3m
Net Debt (cash)	-$4m
Market Capitalisation - fully diluted	$28.3m
EV	$11.7m
Issued Capital	256.5m
Options	68.7m
Issued Capital (fully diluted inc. all options)	325.1m
Issued Capital (fully diluted inc. all options and new capital)	905.1m
Valuation	$0.44
12month price target	**$0.40**

Directors	Company Information
Matt Shackleton (Executive Chairman)	31 Ord Street
Rhett Brans (Non-Excec Dir)	West Perth WA 6005
Brett Lambert (Non-Exec Dir)	+61 8 9322 1003
Leigh-Ayn Absolom (Company Secretary)	
Carsten Kraut (Hydrogeologist)	
Alan Rubio (Proj Man)	www.australianpotash.com.au
Shaun Triner (Process Man)	

Top Shareholders	m shares	% ord
Yandal Investments (Creasy)	29.0	11.3%
Perth Select Seafood	14.0	5.5%
Board and Management	5.1	2.0%

P&L	Unit	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
Net Revenue	**A$m**	**0.4**	**0.0**	**0.0**	**60.9**	**120.4**
Total Costs	**A$m**	**-7.2**	**-7.2**	**-6.3**	**-30.8**	**-60.4**
EBITDA	A$m	-6.8	-7.2	-6.3	30.1	60.1
- margin		-	-	-	49%	50%
Depreciation/Amort	A$m	-0.1	0.0	-2.5	-7.0	-9.6
EBIT	**A$m**	**-6.8**	**-7.2**	**-8.8**	**23.1**	**50.5**
Net Interest	A$m	0.0	0.6	2.6	2.3	1.0
Pre-Tax Profit	**A$m**	**-6.8**	**-6.5**	**-6.2**	**25.4**	**51.5**
Tax Expense	A$m	0.0	0.0	0.0	0.0	-15.5
Normalised NPAT	**A$m**	**-8.9**	**-8.5**	**-8.0**	**33.0**	**36.1**
Abnormal Items	A$m	2.0	2.0	1.8	-7.6	0.0
Reported Profit	A$m	-6.8	-6.5	-6.2	25.4	36.1
Minority	A$m	0.0	0.0	0.0	0.0	0.0
Profit Attrib	**A$m**	**-6.8**	**-6.5**	**-6.2**	**25.4**	**36.1**

Balance Sheet	Unit	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
Cash	**A$m**	**2.0**	**21.0**	**73.4**	**8.8**	**28.8**
Other Current Assets	A$m	0.2	0.0	0.0	5.9	11.7
Total Current Assets	**A$m**	**2.2**	**21.0**	**73.5**	**14.7**	**40.5**
Property, Plant & Equip.	A$m	0.1	0.1	85.1	169.7	168.1
Exploration	A$m	0.0	5.0	8.0	8.2	8.4
Investments/other	A$m	0.0	0.0	0.0	0.0	0.0
Tot Non-Curr. Assets	**A$m**	**0.1**	**5.1**	**93.1**	**177.9**	**176.5**
Total Assets	**A$m**	**2.3**	**26.1**	**166.6**	**192.6**	**217.0**
Short Term Borrowings	A$m	-	-	-	-	-
Other	A$m	2.6	0.3	0.2	1.0	2.0
Total Curr. Liabilities	**A$m**	2.6	0.3	0.2	1.0	2.0
Long Term Borrowings	A$m	-	-	88.4	75.8	63.2
Other	A$m	-	-	-	-	-
Total Non-Curr. Liabil.	**A$m**	**-**	**-**	**88.4**	**75.8**	**63.2**
Total Liabilities	**A$m**	**2.6**	**0.3**	**88.7**	**76.8**	**65.1**
Net Assets	**A$m**	**-0.3**	**25.8**	**77.9**	**115.8**	**151.9**
Net Debt	A$m	-2.0	-21.0	15.0	67.0	34.4
nd / nd + e		86.9%	-431.5%	16.1%	36.6%	18.5%

Cashflow	Unit	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
Operating Cashflow	A$m	-4.0	-9.3	-6.3	24.9	55.2
Income Tax Paid	A$m	0.0	0.0	0.0	0.0	-15.5
Interest & Other	A$m	0.0	0.6	2.6	2.3	1.0
Operating Activities	**A$m**	-4.0	-8.7	-3.7	27.2	40.8
Property, Plant & Equip.	A$m	-0.1	0.0	-87.5	-91.5	-8.0
Exploration and Devel.	A$m	0.0	-5.0	-3.0	-0.2	-0.2
Other	A$m	0.0	0.0	0.0	0.0	0.0
Investment Activities	**A$m**	**-0.1**	**-5.0**	**-90.5**	**-91.7**	**-8.2**
Borrowings	A$m	0.0	0.0	88.4	-12.6	-12.6
Equity or "tbc capital"	A$m	5.9	32.7	58.3	12.5	0.0
Dividends Paid	A$m	0.0	0.0	0.0	0.0	0.0
Financing Activities	**A$m**	**5.6**	**32.7**	**146.7**	**-0.1**	**-12.6**
Net Cashflow	**A$m**	**1.5**	**19.0**	**52.5**	**-64.6**	**20.0**

Shares	Unit	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
Ordinary Shares - End	m	221	433	786	836	836
Ordinary Shares - Weighted	m	203	327	610	811	836
Diluted Shares - Weighted	m	169	258	541	743	768

Ratio Analysis	Unit	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
Cashflow Per Share	A$ cps	-2.0	-2.6	-0.6	3.4	4.9
Cashflow Multiple	x	-4.4	-3.3	-14.2	2.6	1.8
Earnings Per Share	A$ cps	-3.4	-2.0	-1.0	3.1	4.3
Price to Earnings Ratio	x	-2.6	-4.3	-8.6	2.8	2.0
Dividends Per Share	AUD	-	-	-	-	-
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt / Net Debt + Equity	%	87%	-431%	16%	37%	18%
Interest Cover	X	420.5	11.4	3.4	na	na
Return on Equity	%	3004%	na	na	28%	24%

Reserves & Resources	Vol MCM	Yield	Brine Vol	K (mg/L)	SOP (mg/L)	SOP Mt
TOTAL RESERVES	**-**	**-**	**-**	**-**	**-**	**-**
Measured	-	-	-	-	-	-
Indicated	17,050	9%	1,521	3,707	8,267	12.7
Inferred	3,279	10%	340	2,674	5,963	2.1
TOTAL RESOURCES	**20,329**	9%	**1,861**	**3,541**	**7,896**	**14.7**

Production Summary	Unit	Jun 19	Jun 20	Jun 21	Jun 22
Mill Throughput	Mt	-	0.08	0.15	0.15
Potash equiv	Mt	-	0.08	0.15	0.15
Potash equiv (Attrib)	Mt	-	0.08	0.15	0.15
Potash (SOP)	Mt	-	0.08	0.15	0.15
NaCl (Industrial)	Mt	-	0.00	0.00	0.00
NaCl (De-icing)	Mt	-	0.00	0.00	0.00
Conversion of resources not in reserves	%				
Mine Life	yr	20.0	19.8	18.8	17.8

Costs	Unit	Jun 19	Jun 20	Jun 21	Jun 22
Cost per processed tonne	$A/t	-	390.0	390.0	390.0
EBITDA / tonne processed ore	$A/t	-	400.8	400.4	392.5
Total cash costs	$A/t equiv.	-	410.8	402.5	405.0
Total cash costs	$US/t equiv.	-	313.4	310.8	314.9
- ex shipping	$US/t equiv.	-	298.2	295.4	299.3
C1: Operating Cash Cost = (a)	$A/t equiv.	-	390	390	390
- ex shipping	$A/t equiv.	-	370	370	370
(a) + Royalty = (b)	$A/t equiv.	-	390	390	390
C2: (a) + depreciation & amortisation = (c)	$A/t equiv.	-	483	454	456
(a) + actual cash for development = (d)	$A/t equiv.	-	1,613	445	445
C3: (c) + Royalty	$A/t equiv.	-	483	454	456
(d) + Royalty	$A/t equiv.	-	1,613	445	445
C1: Operating Cash Cost = (a)	$US/t equiv.	-	298	301	303
- ex shipping (mine gate)	$US/t equiv.	-	282	286	288

Price Assumptions	Unit	Jun 19	Jun 20	Jun 21	Jun 22
AUDUSD	A$/US$	0.76	0.76	0.77	0.78
Potash (SOP)	US$/t	620	620	620	620
NaCl (industrial)	US$/t	90	90	90	90
NaCl (de-icing)	US$/t	60	60	60	60
Hedging		**Jun 19**	**Jun 20**	**Jun 21**	**Jun 22**
Hedges maturing?		No	No	No	No

Sensitivity Analysis

	Valuation
Base Case	**0.44**
Spot Prices	0.34 (-22.7%)
Spot USD/AUD 0.77, SOP US$550/t.	
AUDUSD +/-10%	0.34 / 0.55 (-21.1% / 25.8%)
SOP +/-10%	0.54 / 0.34 (23.2% / -23.2%)
Production +/-10%	0.54 / 0.34 (22.6% / -22.6%)
Operating Costs +/-10%	0.39 / 0.48 (-10.1% / 10.1%)

Unpaid Capital

Year Expires	No. (m)	$m	Avg price	% ord
30-Jun-18	0.0	0.0	0.0	0%
30-Jun-19	13.5	1.9	0.1	5%
30-Jun-20	48.3	9.7	0.2	19%
30-Jun-21	6.9	0.9	0.1	3%
30-Jun-22	0.0	0.0	0.0	0%
TOTAL	**68.7**	**12.5**	**0.18**	**27%**

Share Price Valuation (NAV)	Risked Est. A$m	Est. A$/share
100% Lake Wells (pre-tax NAV at disc. rate of 12%)	455.3	0.50
Other Exploration	40.0	0.04
Forwards	0.0	0.00
Corporate Overheads	-14.1	-0.02
Net Cash (Debt)	4.1	0.00
Tax (NPV future liability)	-90.2	-0.10
Options & Other Equity	0.0	0.00
Total	**395.1**	**0.44**

Analyst: Mike Millikan
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Last Updated: 09/11/2017

"tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained.

Sources: IRESS, Company Information, Hartleys Research

LAKE WELLS POTASH PROJECT

SOP PRODUCTION WITH LOW CAPEX HURDLE

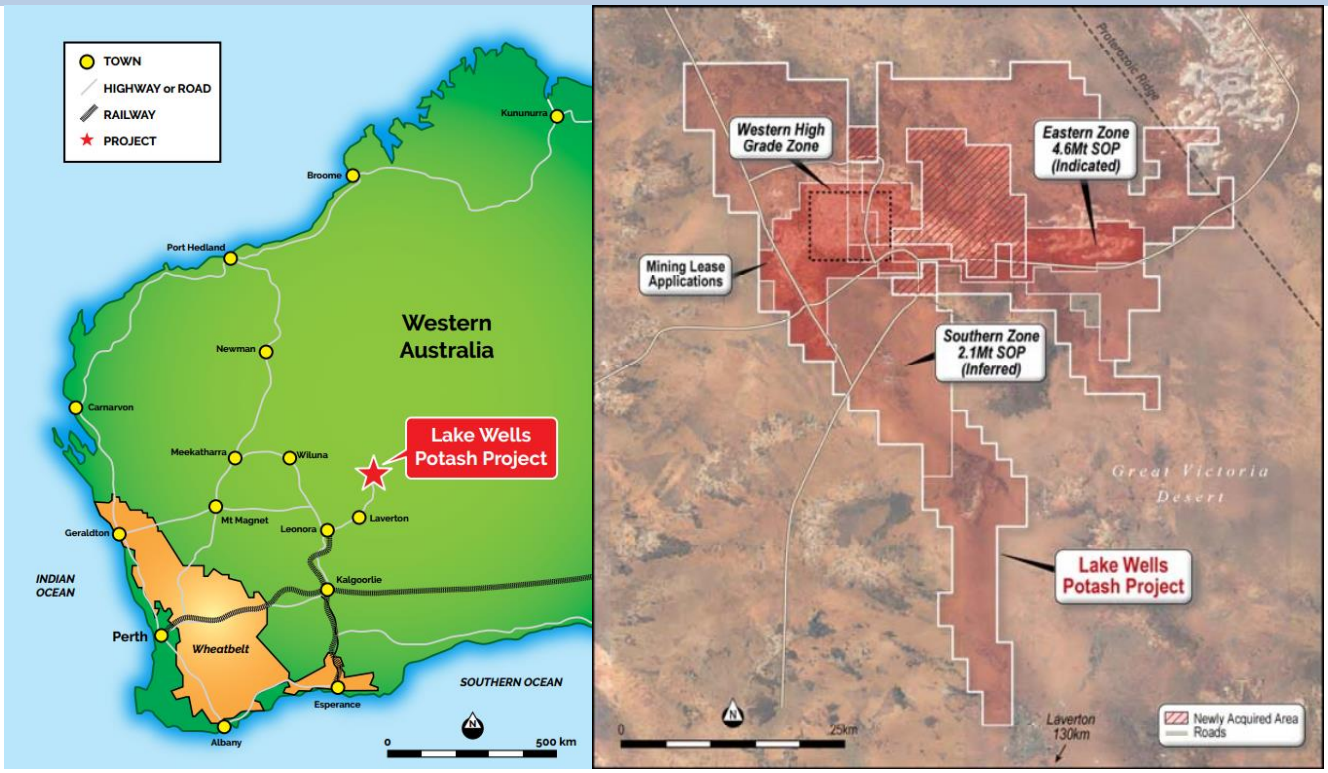
Project located ~500km NE of Kalgoorlie, WA

The Lake Wells Potash Project is located ~180km north-east of Laverton, ~500km north-east of Kalgoorlie in WA. The project area consists of exploration tenure, which covers ~2,000km^2 and APC has 100% ownership and all potash rights. Access to the project is via the Great Central (~90km sealed/unsealed road) and Lake Wells (~90km unsealed) roads. The project is located ~300km from a bulk rail terminal at Leonora. The climate for the project area is highly conducive to evaporation and receives good annual rainfall (for aquifer recharging).

Potash as a high value bulk commodity which requires access to infrastructure

Australia currently imports 100% of its potassium fertiliser requirements, and the low chloride and high sulphate content of SOP makes it an ideal and preferred form of potassium (fertiliser) for Australian farmers. SOP attracts a superior price to muriate of potash (MOP), and is underpinned by limited brine supply (only 3 evaporative operations globally) and increasing demand (forecast growth of 4%). Australia currently has no potash production, but appears well endowed with resources across a number of its salt lake systems, with commercial extractability now being determined.

Fig. 1: Lake Wells Potash Project, WA (LHS): Project Tenure (RHS)



Source: Australian Potash Limited

Brine SOP projects generally occupy the lower end of production cost curve and have lower capital hurdles then rock potash projects

APC released a maiden SOP resource for its Lake Well Project in late June 2016, and upgraded the resource estimate for the Scoping Study (March 2017). The total resource estimate using specific yield provides **14.7Mt of SOP grading 7,896mg/L SOP**. Indicated resources make up 12.7Mt (86%) of total resources, with three main hydrogeological zones (Western High Grade, Eastern and Southern Zones). The Southern Zone is currently data constrained and as such classified as Inferred.

APC proposes to develop the Lake Wells Potash Project in two stages.

The Scoping development study was led by NovoPro (an expert potash consultant from Canada)

Stage 1 development consists of 35 bores extracting brine to evaporation ponds, simple processing to crystallise the SOP for transport to markets. The Company plans to extract the SOP-rich brine from a network of bores positioned along the central parts of the palaeochannel.

The processing plant has been designed in such a manner to include a muriate of potash (MOP) to SOP conversion circuit, which increases overall SOP production. The MOP to SOP conversion is using the excess naturally occurring sulphate in the brines, and involves no sulphuric acid use (not the Mannheim Process).

The Scoping Study highlights potential for a long-life, staged production of 150ktpa to 300ktpa of SOP for initial capital costs of A$175M

The initial production rate of 150ktpa of SOP (includes ~42ktpa of imported MOP to SOP conversion for 50ktpa SOP). Stage 1 opex is estimated to be A$368/t SOP, which at the SOP prices (US$612/t/A$795/t) used in the Scoping Study provides capital payback in less than 3 years.

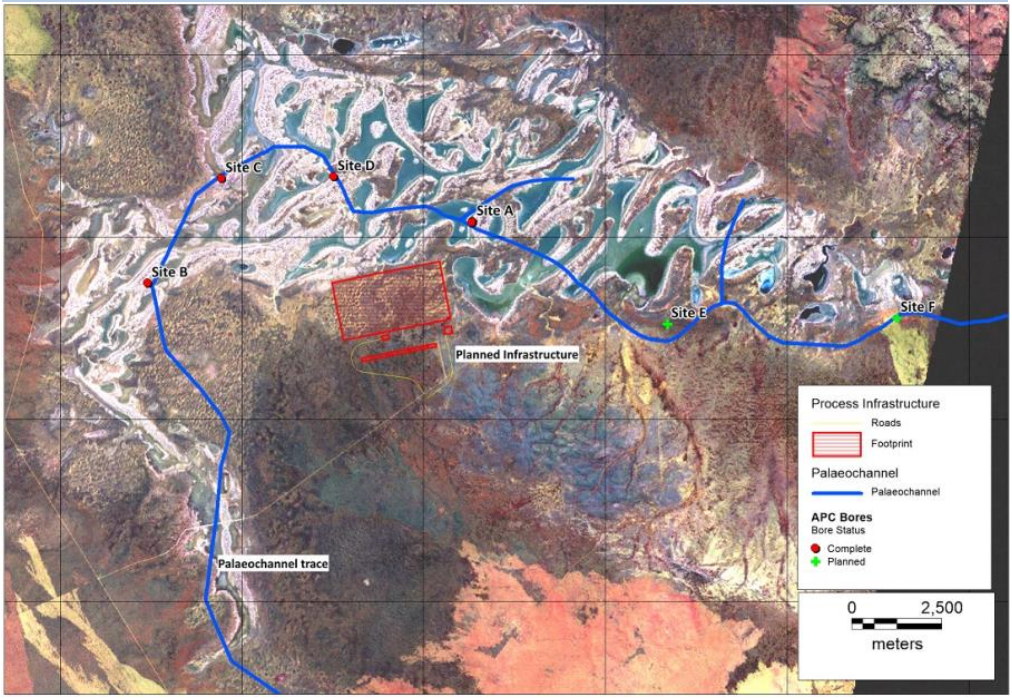
Stage 2 expansion in year 5 duplicates Stage 1 to double production to 300kpta SOP (includes 100ktpa of imported MOP conversion). After expansion, opex improves to A$339/t SOP, with LOM sustaining capex expected to be less than A$3Mpa.

Stage 2 capex of A$163M (includes a contingency of A$23M), is expected to be funded largely through internal cash flows. Over the initial 20 year mine life and assuming Stage 2 development for 300ktpa SOP, the borefield will produce a total of 3.3Mt of SOP.

Pilot evap pond filled

Source: APC

Fig. 2: Lake Wells: Test production bores location



Source: Australian Potash Limited

Lake Wells FS due for release in Q2 CY18.

The work currently underway includes the installation of a number of test production bores and the commissioning of a system of pilot evaporation ponds at the salt lake. The data collected from this activity will be used in the Lake Wells Feasibility Study (FS) due for release in Q2 CY18.

YAMARNA GOLD PROJECT

NEIGHBOUR'S GOLD RESULTS UPGRADE GROUND

Key gold ground is also situated ~60km NW of the +6Moz Gruyere gold project (under construction) and spans a 65km structural zone

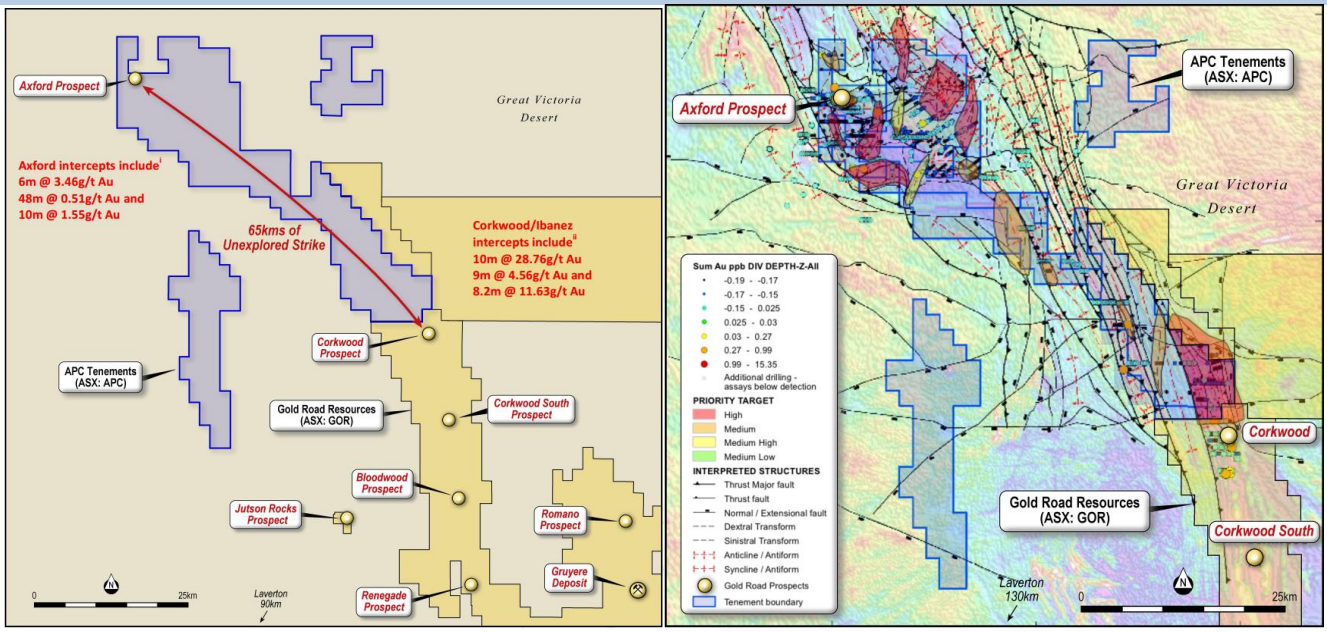
APC's ground holdings are located north-east of Laverton and as well as containing SOP, some of the tenure is considered highly prospective but unexplored for gold mineralisation. The key gold ground is also situated ~60km north-west of GoldRoads (GOR)/Goldfieds +6Moz Gruyere gold project (now under construction) and spans a 65km structural zone.

The Company recently commissioned CSA Global to conduct a structural interpretation and targeting exercise over the project area. This was largely instigated after neighbour GOR released some significant gold results in close proximity to APC's ground. Of particular interest was GOR's reported gold intersections of **10m @ 28.8 g/t Au** and **8.2m @ 11.6g/t Au** from Corkwood/Ibanez, which is only 2km south-east of APC's tenement holding.

First pass (aircore) drilling expected to commence this quarter (Q4 CY17)

APC has now reviewed previously completed drill chips and spoils in preparation of multi-element analysis. Soil sampling is planned to be completed prior to first pass (aircore) drilling in Q4 CY17.

Fig. 3: APC's Yamarna Gold Project: Tenure Location (LHS); Interpreted Structures (RHS)



Source: Australian Potash Limited

PEERS – APC REMAINS UNDERVALUED

APC is still undervalued when compared with ASX-listed brine SOP peers, and we remain of the opinion better placed for early market entry

APC is still undervalued on peer analysis and should be re-rated as the project continues to be de-risked by development studies.

APC's immediate ASX brine peers (RWD, SO4, AMN, KLL) are still trading at significant market capitalisation premiums, some 1.3-6.4x higher than APC, which in our opinion appears unjustified. APC targeted SOP production ramps up to 300ktpa SOP in year 5, on the current scoping level schedule, which provides lighter initial capex when compared with its brine peers. The Stage 2 capex of A$163M is expected to be mostly funded by cashflow generation from Stage 1.

On the key EV/Production t SOP metric APC is cheap, and we believe well positioned to advance development studies and permitting for targeted production in early 2020.

Fig. 4: ASX-listed SOP Peers

		AUSTRALIAN POTASH			agrimin	REWARD MINERALS LTD	SALT LAKE POTASH LTD			KALIUM LAKES		
	Units	**APC**			**AMN**	**RWD**	**SO4**			**KLL**		
Project		**Lake Wells**			**Lake Mackay**	**Lake Disappointment**	**Lake Wells**			**Lake Beyondie**		
Commodity		SOP			SOP	SOP	SOP			SOP		
Interest	%	100%			100%	100%	100%			100%		
Study Level		SS			SS	SS	SS			PFS		
Consultant		NovoPro			Lycopodium	AMEC FW	AMEC FW			K-UTEC		
Market Cap	A$M	$22.3			$128.8	$27.8	$89.3			$71.3		
EV	A$M	$18.2			$117.4	$24.5	$75.5			$66.2		
Next study	*x*	FS - Q2 CY18			*6.4* PFS - early Q4 CY17	*1.3* PFS - H2 CY17	*4.1* PFS - CY17			*3.6* BFS mid-CY18		
		Stage 1	**Stage 2**				**Stage 1**	**Stage 2**		**75ktpa**	**150ktpa**	**300ktpa**
Mining Inventory	Mt	14.7	14.7		23.2	24.4	26.0	26.0		3.0	3.1	3.1
Mine Life	yrs	5	15		20	13	5	15		40	20	20
Extraction	Type	*Bores*			*Trenching*	*Trenching/Bores*	*Trenching/Bores*			*Trenching/Bores*		
Evap Rate (est)	mmpa	3,200			3,400	4,100	3,200			3,800		
Extraction Rate	GLpa	17	37		67	63	32	64		8	15	15
Bores	No	35	70		0	0				15	40	40
SOP Production	**ktpa**	**150,000**	**300,000**		**370,000**	**400,000**	**200,000**	**400,000**		**75,000**	**150,000**	**300,000**
Reserve (drainable)	**Mt**										2.66	
Reserve - K Grade	mg/L										6,373	
Reserve - SOP Grade	mg/L										14,212	
Resource (drainable)- M&Ind	Mt	12.7			4.3	12.4	na				4.4	
Resource (drainable) - Inf	Mt	2.1			19.1	140.6	na				13.7	
Resource (drainable) - Total	**Mt**	**14.7**			**23.2**	**153.0**	**na**				**18.1**	
K Grade	mg/L	3,541			3,700	5,090	**3,921**				5,865	
SOP Grade	mg/L	7,896			8,250	11,350	8,760				13,079	
Na:K Ratio	W:O	17.6			?	15.2	21.5				8.8	
Road/Rail Distance to Port	km	+900			+2000	+1000	+1000				862	
Port		Esperance			Darwin	Geraldton ?	Esperance				Geraldton	
Total Capex	**A$M**	**175**	**163**	**338**	**346**	**320**	**224**	**44**	**268**	**124**	**220**	**356**
Sustaining Capex - LOM	A$/t	18	9		22	35	na	na		20	15	12
Extraction & Processing -	A$/t	282	259		126	199	135	93		216	176	163
G&A -	A$/t	17	11		25	5	31	17		39	31	22
Transport and Port -	A$/t	69	69		191	124	75	75		67	67	70
Total Opex	**A$/t**	**368**	**339**		**342**	**328**	**241**	**185**		**322**	**275**	**255**
Total Opex	US$/t	276	254		256	246	181	139		242	206	191
AISC -LOM	**A$/t**	**391**	**348**		**369**	**363**	**na**	**na**		**342**	**290**	**267**
AISC -LOM	US$/t	293	261		277	272	na	na		257	218	200
Capital Intensity	US$/t	875	845		701	600	839	502		1236	1098	891
Capital Intensity	A$/t	1,166	1,126		935	800	1,119	669		1,648	1,464	1,188
Revenue to Cost Ratio	LOM		2.3		2.3	2.4		4.1			2.9	3.1
EV/Production t SOP			61		317	61		189			441	221

Source: Hartleys Estimates; Company Reports

VALUATION AND PRICE TARGET

METHODOLOGY

Largely unchanged APC NAV

Our sum of parts valuation for APC is based largely on information supplied in the Scoping Study. We assume staged production (**Stage 1**: 150ktpa 1-5 years and **Stage 2**: 300ktpa 6-20 years), with a similar capex and opex profile as per the study.

We assume existing infrastructure of roads and rail can be accessed and SOP prices of US$620/t. We assume startup capex of ~A$180m and funding through a 50% debt and 50% equity mix. Our price target for APC is weighted for the different scenarios (as shown below).

Updated 12-month price target of 40cps,

Fig. 5: APC Price Target Methodology

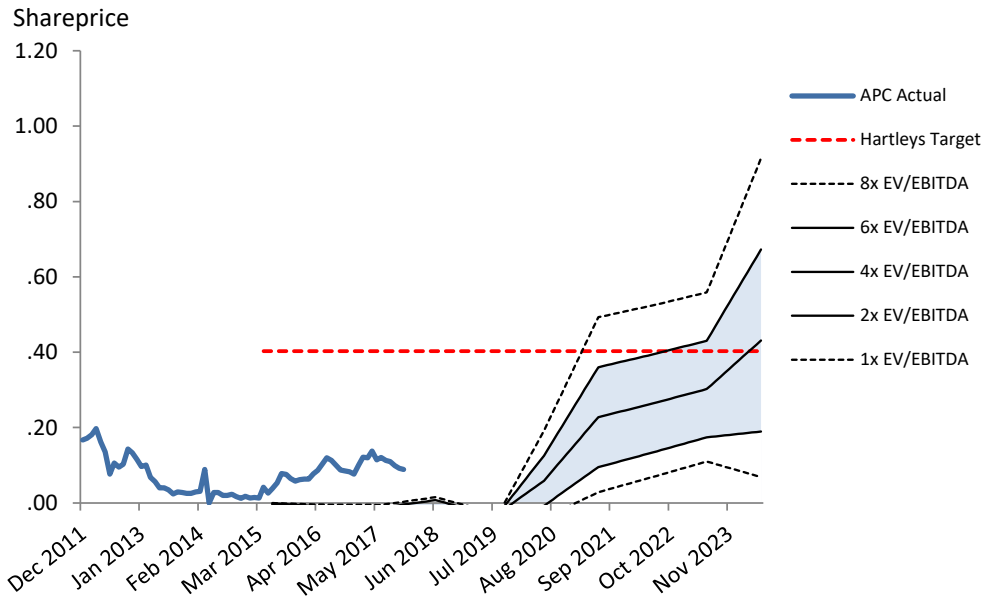
Price Target Methodology	Weighting	Spot	12 mth out
NPV base case (disc. rate 12%), debt/equity funded 50/50	50%	$0.44	$0.47
NPV base case (disc. rate 10%), debt/equity funded 50/50	20%	$0.52	$0.56
Cash backing	15%	$0.02	$0.02
NPV spot prices debt/equity funded 50/50	15%	$0.34	$0.36
Risk weighted composite		**$0.38**	
12 Months Price Target		**$0.40**	
Shareprice - Last		$0.087	
12 mth total return (% to 12mth target + dividend)		**363%**	

Source: Hartleys Estimates

EV/EBITDA BANDS

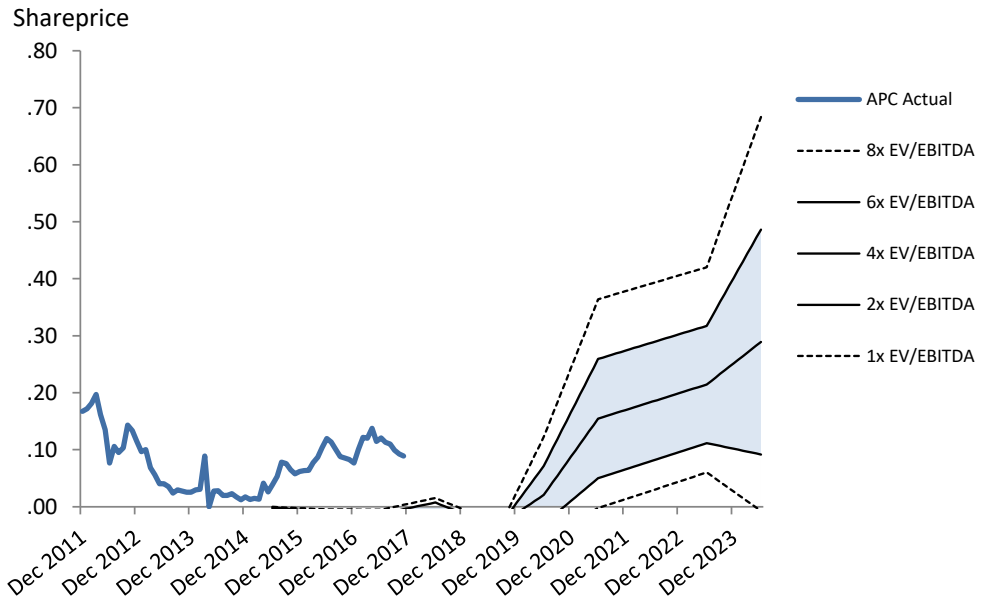
Assuming staged SOP production

Fig. 6: Using Hartleys Base Case Commodity Forecasts



Source: Hartleys Estimates

Fig. 7: Using Spot Commodity Prices



Source: Hartleys Estimates

RISKS

Key risks for APC are funding, and commodity prices. Hence we view APC as high risk.

Fig. 8: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Model parameters for our APC valuation and price target	Med	Meaningful	We have made a number of assumptions in our APC valuation, based largely on the Scoping Study, which will be preceded by more accurate development studies. APC has no production history. Any changes to our assumptions have both upside and downside risks.
Favourable commodity prices	Low	Meaningful	APC remains sensitive to changes in commodity (potash) prices, exchange rates and market sentiment. Though with no current operations, direct impact from commodity prices is limited. We assume potash prices will remain stable into the near-term, which is open to speculation.
Funded for ongoing exploration	Med	Moderate	APC's cash position is just over A$4M. As an explorer with no current production assets, ongoing funding will be required. We assume development studies will be progressed.
Conclusion			*We have made significant assumptions but believe these are achievable.*

Source: Hartleys Research

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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