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ASX Announcement  
31 July 2018

## QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2018

### Highlights:

#### Lake Wells Sulphate of Potash Project – Western Australia

- Level 2 short range endemic, fauna and stygofauna surveys were completed
- Initial review by the Environment Protection Authority of the Company's draft Environmental Scoping Document completed
- Pilot evaporation pond program continuing with anticipated SOP trade sample production during Q3
- Final program of work on hydrogeology workstream agreed with consultants: contractor tendering and engagement through Q3
- Expert engineering consultants Lycopodium appointed to finalise process engineering in conjunction with Canadian based SOP expert engineering firm Novopro
- Geotechnical engineering program to close out Q3/Q4 building on scoping study/optimisation studies in conjunction with Knight Piesold
- Continued engagement with Chinese MOU partners and other export opportunities following appointment of experienced SOP marketing executive Jay Hussey (see below)

#### Yamarna Gold Project – Western Australia

- 3-stage, 23,000m drill program commenced at Yamarna to test highly prospective zone identified in the CSA Global structural and geochemical/lithological review
- Significant bedrock gold anomaly over a 2,500-metre strike length identified at Target 15a which remains open and is similar in scale to early Air-Core (AC) drilling at recently identified high-grade Ibanez prospect 2 kilometres to the south
- Northern line of drill-program at Target 15d returned anomalous bedrock gold results over a 500-metre width
- 5 of the 6 lines drilled for a total of 7,027 metres returned anomalous bedrock gold
- Board continuing to actively investigate and consider strategic options to realise full-value for shareholders



#### Corporate Activity

- **Oversubscribed placement to sophisticated and professional investors to raise \$3 million completed**
- **Jay Hussey appointed as Chief Commercial Officer**

**Australian Potash Limited** (ASX: APC) (“**APC**” or the “**Company**”) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 June 2018.

#### **Australian Potash, Executive Chairman, Matt Shackleton commented:**

“Another productive quarter by our team saw the Company’s two projects move forward in very material ways.

“At the Lake Wells SOP project, we are moving into the final DFS stages across the 4 major work streams.

“Our hydrogeological consultants and project management team have agreed the scope of the final package of work leading to the finalisation of the hydro/flow model and estimation of a reserve. With our geotechnical program significantly advanced, and in synchronisation with our approvals program, the final flora and fauna surveys have either been conducted or are progressing to an agreed scope of work. We anticipate producing first trade samples from site Q3. It is important to distinguish between what can be produced in the laboratory and what is actually produced at site. The pilot evaporation pond program has been underway for nearly a year.

“We are very excited by the addition of Jay Hussey to our team of experts. Jay brings with him an extensive network of commercial contacts in the SOP and fertiliser industries throughout China and south-east Asia more generally.

“At the Yamarna Gold project, the initial 7,000m Air-Core program yielded excellent results across this largely unexplored Archaean greenstone mineralised system. The board are actively considering the range of strategic options available to ensure APC shareholders are given the opportunity to participate in the value inherent in this project.”

#### **APC Project Developments: June Quarter 2018**

##### Lake Wells Potash Project – 100% owned Western Australia (Definitive Feasibility Study)

APC holds a 100% interest in the Lake Wells Potash Project located approximately 500km northeast of Kalgoorlie, in Western Australia’s Eastern Goldfields. On development of Stage 1, Lake Wells will comprise a 150,000 tonne per annum (tpa) SOP processing operation, supported by a 35-bore brine abstraction network.

In December 2017, the Company referred the Lake Wells SOP project development proposal to the Environmental Protection Authority (EPA). On 6 February 2018, the EPA advised that it will assess the project development based upon the submission of an Environmental Review Document (No Public Comment), which is the second lowest level of assessment.

Continued consultation between the EPA and APC has further refined additional information required to finalise the assessment of the project development and proceed to approval. The Company’s environmental consultants, who have extensive experience both in the WA resources industry and in

the Yamarna region, are now developing and awarding scopes of work for the balance of the field survey work. Preparation of the Environmental Review Document (ERD) is well advanced.

During the June quarter, and as part of the identification and assessment of the key environmental factors, Level 2 short range endemic, fauna and stygofauna surveys were completed. The full reports and assessments on the findings of these surveys are being compiled now and will be submitted with the ERD.

The preliminary brine hydrogeological flow model is being finalised by consulting hydrogeologists, AQ2. The final programs of work to de-risk this vital component of a brine abstraction model have been agreed between the Company's project team and AQ2. Ultimately, the hydro model APC are looking to develop is based 100% on a bore-field abstraction system. Notably, the Company's trade off studies between the tried and tested bore-field development model and the alternative trenching model demonstrated that in addition to the high-CAPEX requirement to develop a +200-kilometre trenching system (which equates to a 35 bore development), the maintenance costs associated with keeping the trenches open (brine evaporates in trenches as it does in ponds) proved prohibitive at the Lake Wells SOP project.

The team of experts examining to a definitive feasibility level of accuracy APC's SOP project development has been augmented by the addition as Chief Commercial Officer of Mr Jay Hussey. Jay's primary responsibility is the continued development of the export opportunities the Company has initiated, and the fostering of new relationships for APC using his extensive network of contacts in the SOP and fertiliser industries. Ultimately the production of trade samples from the Lake Wells SOP pilot evaporation program in Q3 will provide the next impetus for moving the existing MOU agreements to a more formal off-take position. Jay will manage this workstream going forward.

#### Yamarna Gold Project – 100% owned Western Australia

The Yamarna Gold project is situated 130km north-east of Laverton in Western Australia's Eastern Goldfields. APC's tenements cover an estimated 65km of strike, 60km north-west of the 6-million ounce Gruyere mine development.

During 2017, the Company commissioned CSA Global to conduct a structural & lithological-geochemical review, interpretation and targeting exercise at the Yamarna Gold project. The Lake Wells area considered in the reviews comprises over 1,400km<sup>2</sup> of granted and pending tenure, encompassing the majority of the northern third of the Yamarna Greenstone Belt.

During the June 2018 quarter, the Company commenced a 3-stage, 23,000m Air-Core (**AC**) drill program to test a highly prospective zone identified in the CSA Global review process. The program commenced on five targets at Target area 1 (see Figure 1), and 12 targets have been defined with more pending as the detailed targeting process continues.

The first phase (6,000m) of the planned 23,000m AC drilling campaign into targets at the Yamarna Gold Project finished in early May, with some 1,400 samples submitted for assay.

In June, the Company released assay results from the first set of samples submitted, which returned bedrock gold anomalism and confirmed a substantial and widespread gold mineralised system extending north from the Company's southern tenement boundary. A significant anomaly within target T15a stretches over 2,500 metres of strike and is open to the north-west and is up to 200 metres

wide. The T15a anomaly is approaching the scale of the early stage AC anomaly at the Ibanez Prospect of southern neighbour Gold Road Resources Ltd<sup>1</sup>.

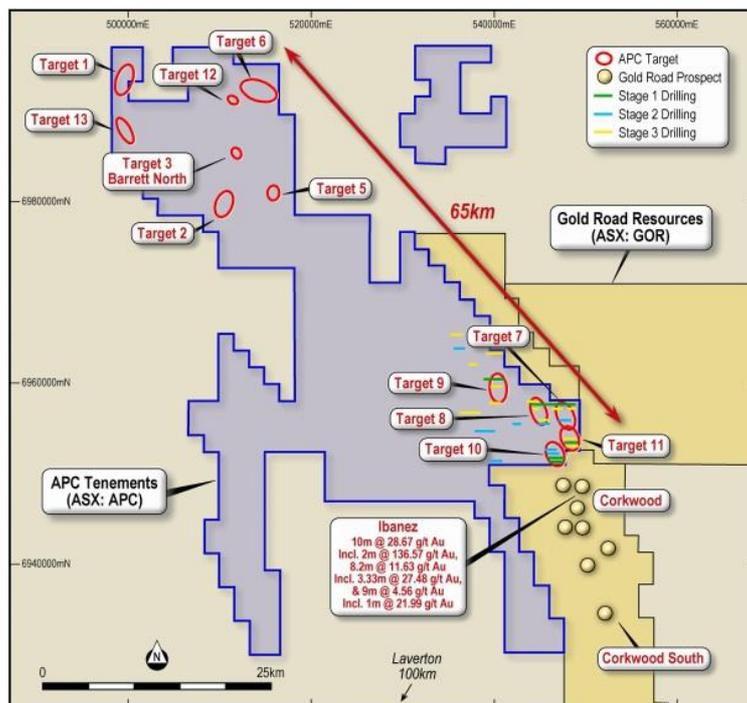
Additionally, the northern most line of the 6 lines of new AC drilling returned anomalous results stretching over a 500-metre width. This anomaly is open along strike, where historical drilling was only selectively sampled.

Results received extend the mineralised system that has been identified in southern neighbouring tenements, into APC's Yamarna Gold Project. Gold anomaly levels are consistent with those reported from early AC drilling at the Ibanez and Stratocaster targets<sup>2</sup> where subsequent AC, Reverse Circulation (RC), and Diamond Drilling (DD) has revealed high grade gold mineralisation<sup>3</sup>.

*Air-Core Drill Program*

Through April and early May, a total of 139 vertical AC drill holes between depths of 27 metres and 72 metres were completed over selected targets within the Yamarna Shear Zone for a total of 7,027 metres. Drill holes were generally spaced at 80 metre intervals with provision to infill to 40 metres where field observation warranted it. The rock types logged, and assay results received are all consistent with results reported by other companies working along this frontier greenstone belt.

Litho-geochemical and spectral analysis are being conducted on samples from this program by industry leading consultants CSA Global to assist in evaluating targets for more extensive drill testing. The combination of analysis techniques provides a robust basis for understanding the anomalism encountered and provides a sound platform for additional drilling.



**Figure 1: The 23,000m Air-Core drill program is testing and will continue to test structural and geochemical/lithological targets along strike and between 1km and 10km north of GOR's Ibanez/Corkwood prospect**

<sup>1</sup> Gold Road Resources Limited (ASX: GOR) ASX announcement 2 November 2015 'High Grade Gold Intersected at Corkwood'.

<sup>2</sup> Gold Road Resources Limited (ASX: GOR) ASX announcement 2 November 2015 'High Grade Gold Intersected at Corkwood'.

<sup>3</sup> Gold Road Resources Limited (ASX: GOR) ASX announcement 1 August 2017 'High Grade Mineralisation Confirmed at Ibanez: 8.20 metres at 11.63 g/t Au'.



## Corporate Activity

### Placement

In May, the Company completed a placement to sophisticated and professional investors to raise up to \$3 million through an oversubscribed placement of approximately 43,200,000 fully paid ordinary shares (**New Shares**) at an issue price of 7.0 cents each (**Placement**). As part of the Placement, the Company agreed to issue one free attaching option with every two Placement shares (**Options**). The Options will be exercisable at \$0.12 with an expiry date of three years from issue and will be listed on ASX if there are more than 50 holders and all ASX requirements are met. The allotment of Options was subject to shareholder approval at a general meeting of the Company, which was held post quarter-end on 12 July 2018.

At the general meeting of shareholders, approval was obtained for the issue of the Options as well as for the Company's directors to subscribe for 715,000 New Shares and corresponding Options, to raise an additional \$50,000.

### Chief Commercial Officer Appointment

In May, the Company was pleased to announce the appointment of Jay Hussey as Chief Commercial Officer. Mr Hussey is a highly experienced fertiliser industry executive, with an extensive background in Sulphate of Potash (SOP) marketing, Potash (MOP) supply contracting, and off-take & joint venture negotiations throughout Asia, Europe, North America and South America. Mr Hussey served for 10 years as Vice-President of China-based Migao Corporation in both Toronto and Beijing. During his time with Migao, Mr Hussey was responsible for in excess of US\$160m in equity and debt financings, which allowed that company to grow into China's largest non-State owned SOP producer.

Most recently Mr Hussey was President of the Valleyfield Fertilizer Corporation, a company he founded, and which is now a subsidiary of Potash Ridge Corporation (TSX: PRK), based in Toronto. With Valleyfield, Mr Hussey negotiated for the supply of potassium chloride for that company's Mannheim conversion process, developed off-take positions for the supply of SOP, and secured several rounds of equity financing through the North American capital markets.

### For further information please contact:

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Area	Tenement	Interest at 1 April 2018	Action	Interest at 30 June 2018
Lake Wells	E38/1903	100%	-	100%
	E38/2901	100%	-	100%
	E38/2505	100%	-	100%
	E38/3021	100%	-	100%
	E38/3039	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	-	100%
	E38/2744 <sup>4</sup>	100%	-	100%
	E38/2742 <sup>5</sup>	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
	E38/3028	100%	-	100%
	E38/3109	100%	-	100%
	E38/3224	100%	-	100%
	E38/3225	100%	-	100%
E38/3226	100%	-	100%	
E38/3270	0%	Granted <sup>6</sup>	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%

### 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.

<sup>4</sup> Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

<sup>5</sup> Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

<sup>6</sup> This tenement was granted on 11 April 2018.

A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017<sup>7</sup>. 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 category<sup>8</sup>
- 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 cashflow<sup>9</sup> 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

#### **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.

#### **Competent persons statement**

The information in the announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Duncan Gareth Storey. Mr Storey is a Director and Consulting Hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Storey nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Storey has 30 years of international experience. He is a Chartered Geologist with, and Fellow of, the Geological Society of London (a Recognised Professional Organisation under the JORC Code 2012). Mr Storey has experience in the assessment and development of paleochannel aquifers, including the development of hypersaline brines in Western Australia. His experience and expertise are such that he qualifies as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves". Mr Storey consents to the inclusion in this report of the matters based on this information in the form and context as it appears.

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<sup>7</sup> Refer 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 the material assumptions and technical parameters underpinning the estimates in the 23 March 2017 announcement continue to apply and have not materially changed.

<sup>8</sup> Refer 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 the material assumptions and technical parameters underpinning the estimates in the 23 March 2017 announcement continue to apply and have not materially changed.

<sup>9</sup> Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.



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.

The information presented here that relates to the gold portion only of this 'Exploration Program on Yamarna Gold Project' release is based on information compiled by Mr Marcus Willson of CSA Global Pty Ltd. Mr Willson takes overall responsibility for information relating to the gold related strategic review. Data was provided for the review by Australian Potash Limited. Mr Willson is a Member and Registered Professional Geoscientist (Exploration) with the Australian Institute of Geoscientists and has sufficient experience which is relevant to this style of mineralisation under consideration and to the activity that has been undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. The Competent Person consents to the inclusion in this release of the matters based on the information in the form and context in which it appears.

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