

4 February 2020

# AUSTRALIAN POTASH LIMITED

## APPROVALS UPDATE

**Lake Wells Sulphate of Potash Project (LSOP) – WA, 100% owned (DFS Released August 2019)**

### Highlights

- Formal responses received from the EPA for the Lake Wells SOP Development Proposal
- No fatal flaws or material issues were identified by the EPA in its responses
- ERD being finalised, moving the EPA approval process to the final stage

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to advise that formal responses have been received from the Environmental Protection Authority (**EPA**) for the Lake Wells SOP Development Proposal.

In November 2019, the Company submitted the over-arching approvals document known as the Environmental Review Document or **ERD** to the EPA. It is upon the information contained in the ERD that the EPA determines if the LSOP development should be recommended to the Minister for development approval.

The assessment by the EPA is a staged process, with Stages 1 & 2 having been completed by APC.



Figure 1: APC's Environmental Review Document (no public review) is being assessed by the EPA

The EPA determined to assess the LSOP development on an Environmental Review, with no public review.

Following submission of the ERD, the EPA invited the relevant authorities responsible for regulating the various aspects of the development (for example, the Departments of Water & Environmental Regulation, Mining, Industry Regulation & Safety etc.) to comment on the proposal.

APC has now received formal comments on the LSOP development from the EPA. There were no issues raised in those comments that represent any fatal flaws to the proposed development.

APC will now address those comments and re-submit the final ERD for approval, enabling the EPA to move to the final approvals stage.

APC is managing the approvals process to the following timeline:

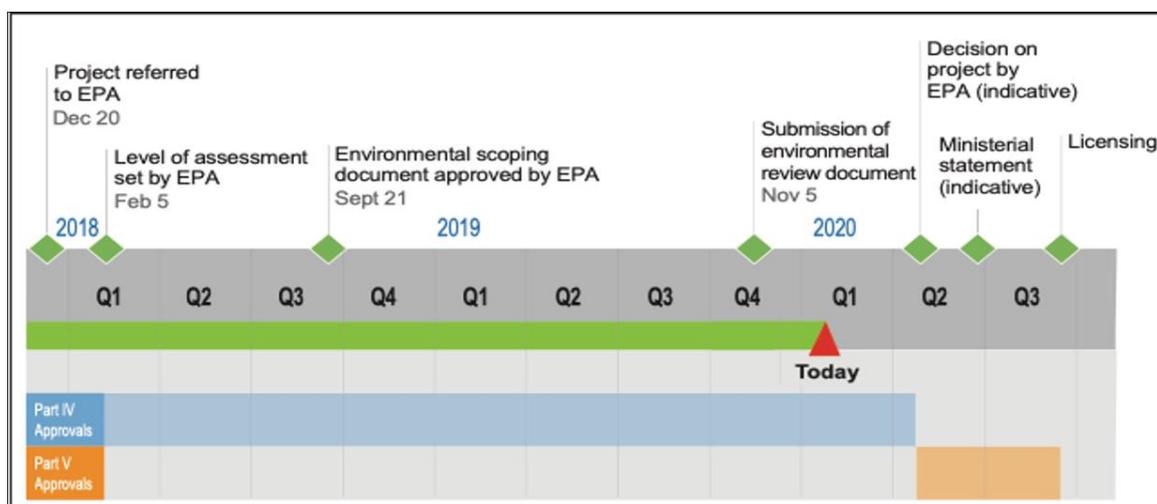


Figure 2: The LSOP development approvals, permits and licensing timeline

The Company continues to liaise with other Decision Making Authorities (DMA's) and expects to be ready to submit all other required license applications and approvals immediately upon the completion of the EPA process.

## Definitive Feasibility Study (DFS)

On 28 August 2019, APC, announced the completion of an AACE Class 3 DFS (+15%/-5%) on developing the LSOP into a 150,000 tpa Sulphate of Potash (SOP) operation<sup>1</sup>. The DFS was prepared by Lycopodium in conjunction with industry leading consultants including Novopro, AQ2, Knight Piésold, and MBS Environmental.

The LSOP will use a bore field to abstract brine, mitigating geotechnical challenges and a decline in grade and production over time evident in trenching systems. The LSOP has an extremely competitive capital intensity, forecast first quartile operating costs and exceptional financial returns.

Highlights of the DFS include:

- Compelling economics:

- Pre-tax NPV<sub>8</sub> of A\$665M
- Annual pre-tax free cash flows of A\$100M and LOM pre-tax free cash flows of A\$3.1B
- Pre-tax IRR of 25% on robust operational and capital efficiencies
- 150,000 tpa SOP production rate
- Long life project with lowest quartile production costs:
  - 30 year mine life with LOM production of 4.5Mt of premium high-grade SOP
  - LOM cash cost of US\$262/t placing the LSOP in the first quartile of the SOP cost curve
- Sector leading CAPEX:
  - Development CAPEX of A\$208M
  - Competitive capital intensity of A\$1,387/t SOP
- Substantial Mineral Resource base:
  - LOM production is met by a 3.6Mt Probable Reserve and draws on a Measured Resource of 18.1Mt drainable SOP<sup>ii</sup>

This announcement is authorised for release by APC's Board of Directors.

**For further information:**

Matt Shackleton  
 Managing Director & CEO  
[m.shackleton@australianpotash.com.au](mailto:m.shackleton@australianpotash.com.au)  
 +61 (0) 438 319 841

**For Investor Enquiries:**

Phil Retter  
 Cannings Purple  
[pretter@canningspurple.com.au](mailto:pretter@canningspurple.com.au)  
 +61 (0) 407 440 882

**Forward Looking Statements**

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.

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<sup>i</sup> Refer to ASX Announcement 28 August 2019 'Definitive Feasibility Study Outstanding Financial Outcomes'. 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 28 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 28 August 2019 announcement continue to apply and have not materially changed.

<sup>ii</sup> Refer to ASX announcement 5 August 2019 'Major Resource Estimate Upgrade'. 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 5 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 5 August 2019 announcement continue to apply and have not materially changed.