

30 April 2020

# **AUSTRALIAN POTASH LIMITED**

## **QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2020**

### **Highlights**

#### **Lake Wells Sulphate of Potash Project (LSOP) – WA, 100% owned**

- **Offtake agreements totalling 70,000 tonnes executed** with Redox Pty Ltd and, post quarter end, Migao Group
- **Approvals well progressed** Environmental Review Document (ERD) for the LSOP development submitted to the Environmental Protection Authority (EPA)
- **Front End Engineering Design (FEED) programs underway**, power & logistics costs and bore-field design the focus of optimisation work through the quarter
- **NAIF due diligence commences** Northern Australia Infrastructure Facility advises that the LSOP has been approved to proceed to due diligence

#### **Next Two Quarters Planned Activities and Newsflow**

- Finalise binding offtake agreements program focussing on the Asian (ex China), European and North American markets
- Progress/finalise EPA and other development approvals & permitting, including Minor and Preliminary Works Approval (EPA)
- Complete FEED cost optimisation programs
- Advance negotiations around project finance equity & debt facilities

#### **Lake Wells Gold Project (LWGP) – WA, Joint Venture with St Barbara (SBM)**

- Significant gold anomalies outlined by regional aircore (AC) drilling programs reported post quarter end:
  - Anomalous arsenic (As), bismuth (Bi) and antimony (Sb) pathfinder geochemistry and weak to moderate sericite alteration associated with gold mineralisation

- High-grade gold, associated with narrow, laminated quartz veins hosted within shear zones (analogous to Kundana) represents the style of mineralisation targeted within the southern Lake Wells tenements
- Desktop studies and drill targeting are ongoing through COVID19 regional travel restrictions

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 March 2019.

**Managing Director and CEO, Matt Shackleton, commented:** *“Despite unprecedented global turmoil as a result of the COVID-19 pandemic, to date, we have not been significantly impacted.*

*“Our work program for much of the first half of 2020 was already focused on non-fieldwork activities including offtake negotiations, FEED progression, approvals and financing. These activities have continued relatively unimpeded through this reporting period.*

*“This was evidenced clearly though the quarter with the execution of the first binding offtake agreement with Redox Group for 20,000tpa of SOP from Lake Wells over a ten year term.*

*“Subsequent to the end of the quarter, we signed our second offtake agreement with Migao Group for 50,000tpa of SOP into China and the Northern Australia Infrastructure Facility commenced due diligence on the LSOP.*

*“We look forward to another busy quarter finalising the offtake program, obtaining permitting & approvals and significantly advancing project financing.”*

## **Lake Wells Sulphate of Potash Project (LSOP) – 100% Owned, Western Australia**

### ***(DFS released August 2019)***

As noted above, the Company’s current work program was always expected to be largely desktop-based at this time. While we demobilised the field staff in March, the fieldwork is not on the critical timeline and is expected to be resumed in H2 2020 when travel restrictions are anticipated to be relaxed.

### **Significant offtake agreement milestones**

During the quarter, the Company announced a significant milestone with its first offtake agreement with Redox Pty Ltd for the supply of 20,000tpa of K-Brite™ sulphate of potash from Lake Wells. This offtake agreement is for distribution in Australia and New Zealand.

Subsequent to the end of the quarter, the Company announced a second binding offtake agreement with Migao Group, for 50,000tpa of K-Brite™ sulphate of potash from Lake Wells for distribution into China.

The Company is continuing discussions with other offtake partners for production from Lake Wells, with distribution targeting Asia (ex China), Europe and the US.

The Company will continue to keep the market informed as these discussions progress to a contract stage.

## Environmental Review Document (ERD)

During the quarter, the ERD for the LSOP was submitted to the Environmental Protection Authority (EPA), responding to comments from Decision Making Authorities on the initial ERD submitted in November 2019. The ERD is the comprehensive environmental approval document submitted for assessment by the EPA.

Over the next two quarters, the EPA will progress the ERD through Stage 3 – Assessment of Proposals including consultations with the Company on conditions for approval, enabling the EPA to finalise their report and Ministerial recommendation for the LSOP development.

With the progress of the ERD through to Stage 3 of the EPA assessment process, the LSOP becomes only the third solar-salt SOP brine project in Australia to reach this level of assessment.

## Organic certification underway

The Company is progressing organic certification for the K-Brite™ sulphate of potash product from Lake Wells. Certification is important for the Company as it increases the sales potential, particularly into higher value organic crops grown in Europe and North America.

Historically, SOP certified for use in organic agriculture has commanded a material price premium.

## Front End Engineering Design (FEED)

Following the appointment of key consultants for Front End Engineering Design (**FEED**) in late 2019, these groups have been actively refining to a more detailed level those items that will have an important impact on the financial success of the project.

The FEED team includes Lycopodium (lead engineer), Novopro Projects (lead process engineer), AQ2 (lead hydrogeological consultants) and Knight Piésold (lead geotechnical engineering consultant).

Recent analysis of power cost savings has identified that a trucked LNG power generation solution can be augmented with high-penetration renewable power as a cost efficient and low carbon emission solution for the project.

These FEED studies along with other cost saving analysis will continue during H2 2020.

## Lake Wells Gold Project

### Earn-in & Joint Venture Agreement with St Barbara Limited

As announced on 8 October 2018, APC and St Barbara Limited (**SBM**) entered into an Earn-in & Joint Venture Agreement (**Agreement**) covering APC's tenure at the Lake Wells Gold Project.

Under the Agreement, SBM paid APC a \$1.25M cash consideration and has since met the minimum exploration expenditure commitment of \$1.75M pursuant to the initial 12 month Earn-in period.

During the reporting period, SBM notified the Company that it will proceed to the Second Earn-in Period, requiring the expenditure of an additional \$3,500,000 to earn a 70% interest in the Lake Wells Gold Project. SBM also agreed to reimburse APC \$318,000 for previously incurred gold exploration expenditure.

Subsequent to the end of the quarter, the Company announced the results of the recent gold exploration program at Lake Wells (*ASX Announcement 'APC: Gold Joint Venture Update', 27 April 2020*).

## Corporate

### Northern Australia Infrastructure Facility – Due diligence commences

Subsequent to the end of the quarter, APC was advised by the Northern Australia Infrastructure Facility (**NAIF**) that it had approved the commencement of due diligence on the LSOP as part of an infrastructure financing application made by the Company.

APC has applied to NAIF for financing related to key infrastructure at Lake Wells with details to remain confidential, and there has not been any commitment of funding or agreement of terms by NAIF at this stage.

Under the preliminary timetable agreed with NAIF, the Company expects due diligence to be undertaken throughout Q2 with a decision on whether the application is successful in H2 2020.

### Mining Tenements

Area	Tenement	Interest at 1 October 2019	Action	Interest at 31 December 2019
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>i</sup>	100%	JV Terminated	100%
	E38/2742 <sup>i</sup>	100%	JV Terminated	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	100%	-	100%
	ELA38/3423	100%	Application	100%
	M38/1274 <sup>ii</sup>	100%	Transfer registered 31/01/20	100%
	M38/1275	100%	-	100%
M38/1276 <sup>ii</sup>	100%	Transfer registered 31/01/20	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
	E38/3132	100%	-	100%
	ELA38/3402	100%	Granted 13/02/20	100%
	ELA38/3403	100%	Granted 13/02/20	100%
	ELA38/3404	100%	Granted 13/02/20	100%
Darlot East	E37/1388	0%	Application	100%
	E37/1389	0%	Application	100%
	E37/1390	0%	Application	100%

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

For further information:

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## About Australian Potash Limited



K-Brite is a registered trademark brand of Australian Potash Limited (ASX: APC), representing the premium Sulphate of Potash (SOP) to be produced from the Company's flagship Lake Wells Project.

APC holds a 100% interest in the Lake Wells Sulphate of Potash Project (LSOP) located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Following the release of the Definitive Feasibility Study (DFS) in August 2019<sup>iii</sup>, APC is focused on the Front-end Engineering Design (FEED) Study, finalising offtake discussions and securing financing to develop the LSOP.

The DFS was underpinned by extensive and rigorous testwork, data, and modelling. The DFS confirmed that the LSOP will be a long life, low capital and high margin SOP producer.

### Key outcomes from the DFS include:

- 30-year mine life producing 150,000tpa of premium grade SOP utilising approximately 21% of the total Measured Resource estimate
- Long mine life underpinned by 3.6Mt reserve and **18.1Mt** Measured Resource estimate
- Pre-tax NPV8 of **A\$665m** and an IRR of 25%
- Development capex of A\$208M with sector leading capital intensity of A\$1,387/t
- First quartile industry opex of US\$262/t providing high cash operating margins

## 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> Tenements are subject to a Sale and Split Commodity Agreement with Lake Wells Exploration Pty Ltd (**Lake Wells**) and Mark Creasy, where the Company has the right to explore for and exploit potash minerals in preference to all other minerals' exploration and prospecting activities. Should a Mining Lease be applied for by the Company on any part of these licenses, on grant it will be transferred to 100% Company ownership and the Company will grant to Lake Wells exploration rights and Mark Creasy prospecting rights. Any rights thus granted cannot be exercised in preference to the Company's activities in exploring for or exploiting potash minerals.

<sup>ii</sup> Tenement transfers have been lodged to transfer 100% ownership of the lease to the Company, whereupon the Company will grant to Lake Wells exploration rights and Mark Creasy prospecting rights. Any rights thus granted cannot be exercised in preference to the Company's activities in exploring for or exploiting potash minerals.

<sup>iii</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.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Australian Potash Limited

ABN

58 149 390 394

Quarter ended ("current quarter")

31 March 2020

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	(121)	163
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(23)	(265)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(284)	(894)
	(e) administration and corporate costs	(218)	(962)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	2,735
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(646)</b>	<b>780</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(10)	(34)
	(d) exploration & evaluation (if capitalised)	(497)	(3,740)
	(e) investments	-	-
	(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	318	318
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(189)</b>	<b>(3,456)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	21	1,540
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(93)	(115)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(72)</b>	<b>1,425</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,611	1,953
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(646)	780
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(189)	(3,456)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(72)	1,425

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	16	18
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>720</b>	<b>720</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	695	1,586
5.2	Call deposits	25	25
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>720</b>	<b>1,611</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

113

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 includes aggregate amounts paid to directors including salary, directors' fees and superannuation.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(646)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(497)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,143)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	720
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	720
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	0.6

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes, the Company expects it will continue to have the current level of net operating cash flows for the 30 June 2020 quarter.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The Company announced two consecutive trading halts on Wednesday 29 April 2020 in order to plan and execute a capital raising.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, please refer to Item 8.8 (2) above.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 April 2020

Date: .....

By the Board

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.