

31 October 2018

AUSTRALIAN POTASH QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 SEPTEMBER 2018

Highlights:

Corporate

- Appointment of highly experienced and respected industry veteran Jim Walker to Chair the Board of APC

Lake Wells Sulphate of Potash (SOP) Project – 100% Owned, Western Australia

- Grant of Mining Leases covering proposed development envelopes of approximately 30,000Ha
- Co-operation agreement executed between APC and neighbouring SOP project developer Salt Lake Potash Limited (ASX: SO4)
- First successful transfer of brine from the pre-concentration pond to harvest pond 1 at the Pilot Evaporation Pond network at site
- Agreement entered into with Shire of Laverton to off-set Mining Lease rates against maintenance and upgrade of the Lake Wells access road
- Shire of Laverton commits to road-surfacing project for an additional 100kms of the Great Central Road, adding an additional 70kms of sealed road to the Lake Wells SOP Project's logistics solution

Lake Wells Gold Project – 100% Owned, Western Australia

- APC and St Barbara Limited (ASX: SBM) entered into a A\$7M Earn In & Joint Venture Agreement covering tenure at the Lake Wells Gold Project
- \$1.25M cash payment received from SBM post-quarter end

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

Managing Director and CEO, Matt Shackleton, commented: “We were very pleased to have Jim Walker agree to Chair the Company. Jim is a person of extensive experience across the sector, with a rich and successful history with some of the State’s most iconic companies. I am looking forward to working closely with Jim as the definitive feasibility study comes to a head and we move into the next phase of the project life cycle.

“We achieved some important operational milestones during the quarter with the grant of mining leases required to develop and operate the Lake Wells SOP Project as well as the first successful transfer of brine. Over the next several weeks, among other activities the Company will produce trade samples of SOP, finalise reserve estimation work, and determine final evaporation pond design criteria. We are looking forward to early 2019 as we push towards finishing the Definitive Feasibility Study.

“We have always been very aware of the inherent value of the Lake Wells Gold Project. The Earn-In and Joint Venture Agreement we struck with St Barbara Limited supports the belief we hold in the exploration potential of the Yamarna region in general and our ground holding across it in particular. We are convinced that with a partner of the calibre of St Barbara our shareholders will be given the best chance of success.”

“We are looking forward to building our relationship with the St Barbara team. I am confident that we now have the right people, right companies and right project area in place to generate some significant success at what is one of the State’s very prospective and important mineral regions.”

Lake Wells SOP Project

Grant of Mining Leases

The Company reported during the quarter that Mining Leases have been granted at the Lake Wells SOP Project (Figure 1). The Mining Leases cover an area in excess of 30,000Ha (hectares) of the Lake Wells playa and underlying palaeochannel system.

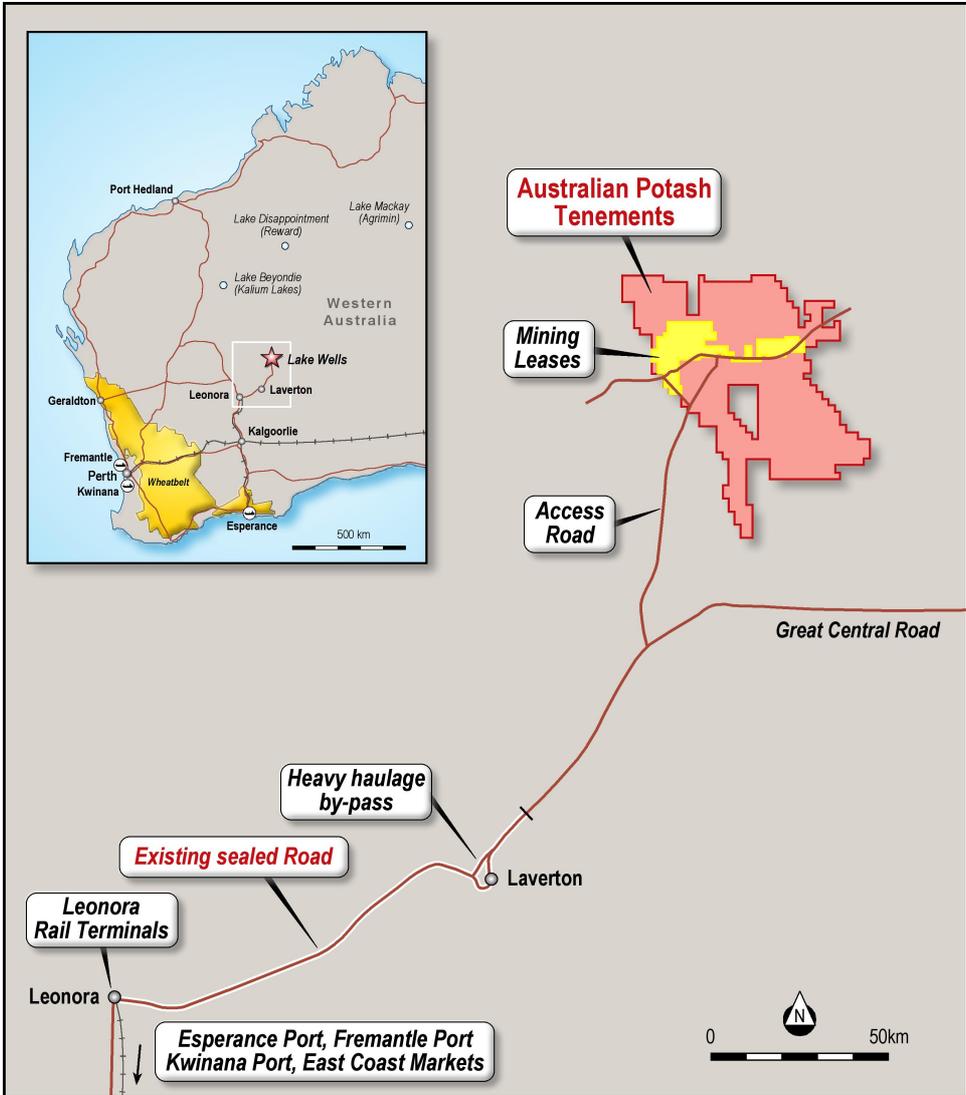


Figure 1: Mining Leases have been granted at Australian Potash’s Lake Wells Sulphate of Potash project

The Lake Wells SOP Project currently carries a 2012 JORC Compliant Mineral Resource Estimate of 14.7 million tonnes of recoverable SOP, with a sector high 12.7Mt in the Indicated category¹, which reflects

the long (+55 kilometres), deep (+174m) and wide (+4 kilometres) palaeochannel that APC has delineated at the Project.

The area of the granted Mining Leases covers the proposed brine bore-field, evaporation ponds, processing plant, and associated infrastructure including accommodation village, airstrip and power station.

First Success Transfer of Brine

During the quarter the Company undertook the first successful transfer of brine from the pre-concentration pond (*Figure 2*) into the first harvest pond (*Figure 3*) at the Lake Wells SOP Project pilot evaporation pond network.



Figure 2: Pre-concentration pond at the Lake Wells SOP project prior to initial brine transfer

The pilot pond network at Lake Wells comprises 1 large pre-concentration pond and 3 smaller, harvest ponds. The raw, hypersaline brine was pumped into the pre-concentration pond using one of the 5 already installed production bores at the project.

As the brine evaporates further through the harvest ponds, various sodium and magnesium salts are crystallised out of it until it becomes highly concentrated with potassium bearing salts. It is anticipated that the final transfer of brine into the final harvest pond will occur post quarter-end, resulting in the crystallisation of 'feeder' or harvest salts in the harvest ponds. It is from these blended harvest salts that SOP is processed and refined.



Figure 3: Pre-concentrated brine after transfer into harvest pond 1

The pilot evaporation pond program is anticipated to produce approximately 22 tonnes of harvest salts, from which an estimated 2 tonnes of SOP can eventually be refined. In the initial production run, approximately 250 kilograms of trade samples of SOP will be produced. The Company's processing consultants, Novopro, will manage the production of SOP over the final stages of the process, with that Company's lead expert being present in Perth for the duration.

Shire of Laverton and Access Road

During the quarter, it was announced that the Shire of Laverton had received committed funding to bitumen-seal an additional 100kms of the Great Central Road to the east of Laverton, commencing in January 2019.

This road-surfacing project will replace 70kms of un-sealed road with high-grade sealed road in APC's logistics solution, and APC's logistics consultants are refining OPEX models based upon this latest material development.

In addition to this funding announcement, during the quarter APC and the Shire of Laverton entered into an agreement to off-set rates due on the recently granted Mining Leases at Lake Wells to the upgrade and maintenance of the Lake Wells access road. APC and the Shire of Laverton have agreed to scope the feasibility of sealing the Lake Wells access road which would make the Lake Wells SOP Project's logistics solution a 300km all-weather bitumen sealed road to the Leonora rail-head.

Co-operation Agreement with Salt Lake Potash Limited

APC and Salt Lake Potash Limited jointly announced during the quarter that they had entered into a Memorandum of Understanding and Co-operation Agreement to undertake a joint study of the

potential benefits of development cost sharing for each company's project developments at Lake Wells.

The companies' substantial project holdings at Lake Wells are contiguous (*Figure 4*) with many common infrastructure elements, including access roads, proximity to the Leonora rail terminals, and potential power and fresh water solutions. Both companies anticipate substantial potential capital expenditure and operational expenditure benefits from some level of infrastructure sharing, with further potential benefits arising from shared or common evaporation and salt processing facilities.

Each company's project is based on heavy haulage road transport from Lake Wells to the rail head at either Malcolm (280kms) or Leonora (300kms), utilising the same haulage route. There is compelling logic in pursuing the economies of scale inherent in a (larger) shared solution as well as sharing the capital costs for road upgrades, haulage equipment and other transport and handling facilities. There is similar synergy potential in shared power, air transport, accommodation and process water costs.

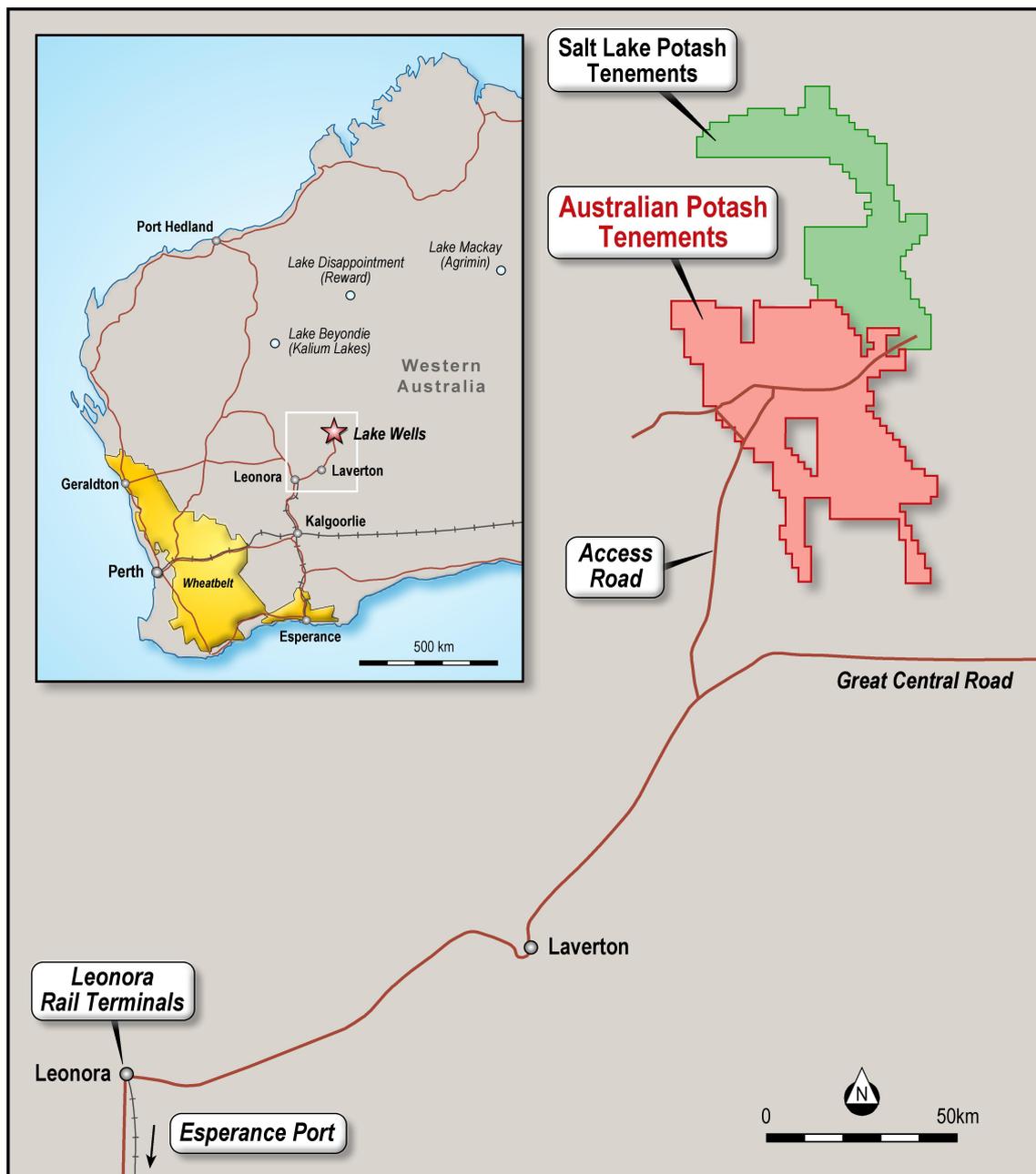


Figure 4: APC and SO4's Lake Wells project tenure is contiguous, and located proximate to the Great Central Road and Leonora rail terminals

Lake Wells Gold Project

Earn In & Joint Venture Agreement with St Barbara Limited

APC and SBM entered into an Earn in & Joint Venture Agreement during the quarter, covering tenure at the Lake Wells Gold Project over the tenements identified below (*Figure 5*).

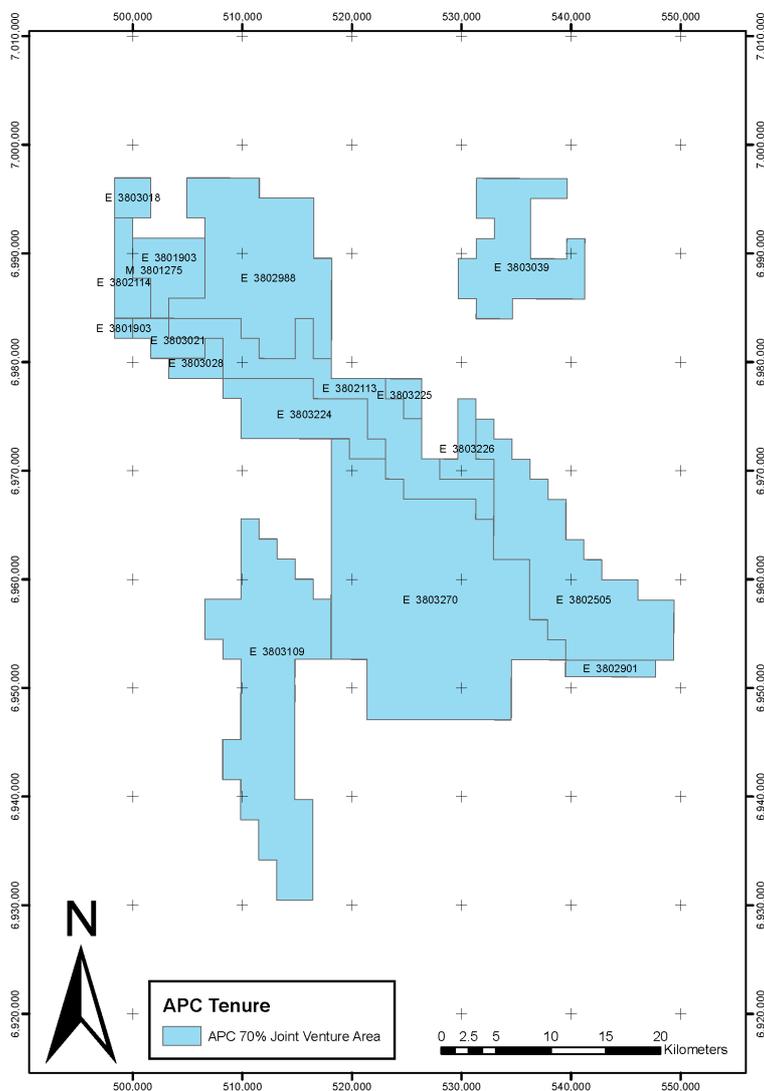


Figure 5: APC/SBM Earn-In and Joint Venture Agreement tenure

Under the terms agreed:

- SBM will pay APC \$1.25M cash consideration for entering into the Agreement and a minimum exploration expenditure of \$1.75M in the first year. **This cash consideration was received by APC post-quarter end.**
- After the first year SBM can elect to earn a 70% interest in the tenements by spending a further \$3.5M over a 24 month joint venture period on exploration and reimburse APC up to \$0.5M in prior exploration costs (aggregate expenditure \$7M).
- APC to be free-carried at 30% until the completion of a Bankable Feasibility Study, following which industry standard contribution and dilution clauses apply.

- APC will retain 100% of all potash mineral rights.

Corporate Activity

Chairman Appointment

During the quarter, the Company was pleased to appoint experienced mining industry executive and director Jim Walker to the role of Non-Executive Chairman of the Company. Matt Shackleton, formerly Executive Chairman, was appointed Managing Director and Chief Executive Officer.

Given the stage in the development of the Company's Lake Wells SOP Project, the Board was unanimous in the view that it was appropriate for the roles of Chair and Managing Director to be separated, and that an independent, Non-Executive Chairman would provide great value to the Company and its shareholders.

Issue of Placement Options and Director Placement Shares

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**), exercisable at \$0.12 each with an expiry date of three years from issue.

The allotment of Options was subject to shareholder approval at a general meeting of the Company, which was held on 12 July 2018 and at which 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, raising an additional \$50,000 during the quarter.

Mining Tenements

Area	Tenement	Interest at 1 July 2018	Action	Interest at 30 September 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 ¹	100%	-	100%
	E38/2742 ²	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
E38/3028	100%	-	100%	

¹ 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.

² 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.

	E38/3109	100%	-	100%
	E38/3224	100%	-	100%
	E38/3225	100%	-	100%
	E38/3226	100%	-	100%
	E38/3270	100%	-	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.

A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017³. 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 category⁴
- 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 cashflow⁵ 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

³ 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.

⁴ 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.

⁵ Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

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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ⁱ 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.

