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ASX Announcement  
31 October 2017

## QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 SEPTEMBER 2017

### Highlights:

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

- **Pilot solar evaporation pond system commissioned with first fill of brine from site production bores**
- **15% of Lake Wells Stage 1 production bores now developed**
- **Recent geotechnical field programs confirm the continuity of the modelled low-permeability clay layer immediately below proposed evaporation pond area**

#### Yamarna Gold Project – Western Australia

- **CSA Global gold structural interpretation and targeting exercise at Yamarna identifies new targets – exploration program progressing with drill program being finalised**

### Corporate Activity

- **\$3.8 million raised to advance Feasibility Study at Lake Wells and commence exploration at Yamarna**
- **Cash and receivables balance at end of quarter of \$3.7m**
- **Research coverage released by The Sophisticated Investor and Independent Investment Research**

**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 2017.

### Lake Wells Potash Project – Western Australia

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") sulphate of potash ("SOP") processing operation, supported by a 35 bore brine abstraction network.

During the quarter, the Company provided an operational update on the test-production bore program at Lake Wells. Following the successful installation of three test-production bores ("TPBs") in October 2016, the current program has installed two additional TPBs and five monitoring bores across the high-grade zone hosting the largest Australian Indicated JORC compliant resource of 12.7Mt of contained SOP.

A further two TPBs will be developed in this program, representing completion of 20% of the Stage 1 development borefield at Lake Wells.

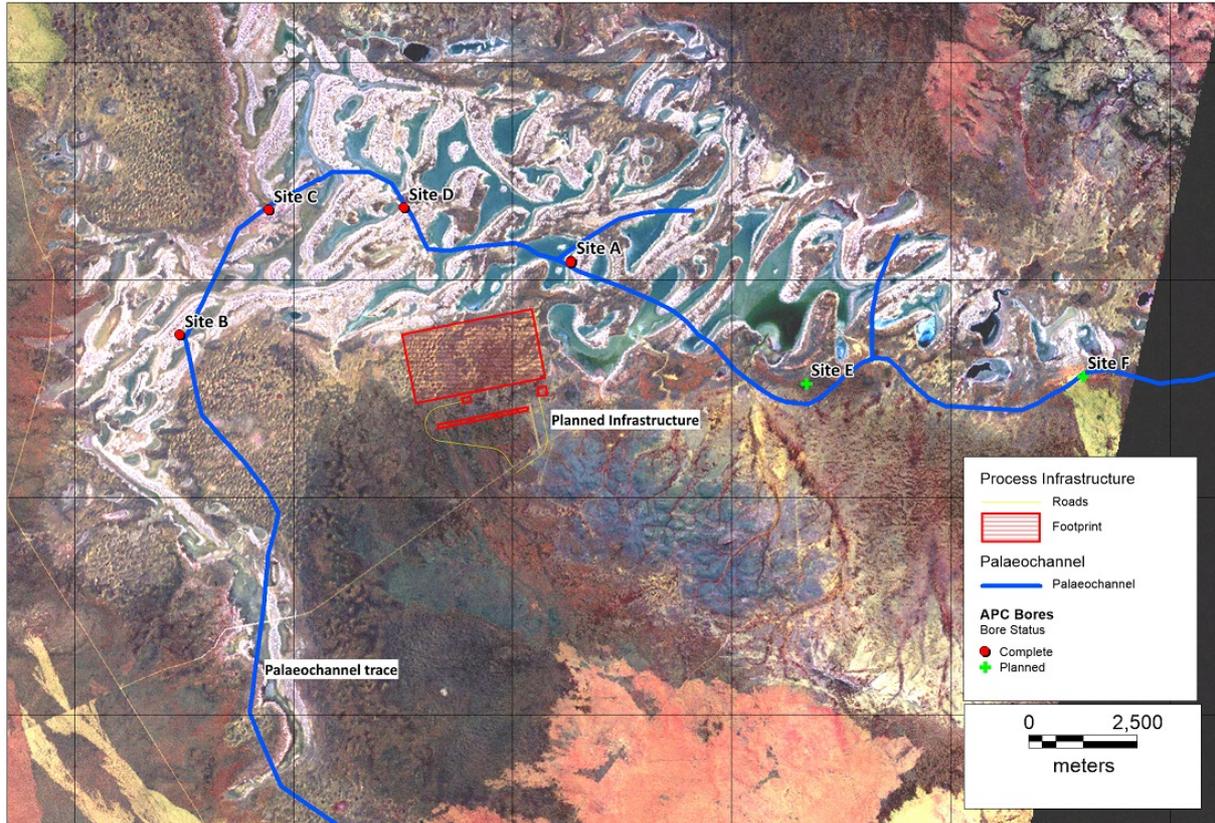


*Figure 1: Pilot evaporation pond network was commissioned at Lake Wells during the quarter*

TPBs installed under the current program are undergoing long-term test pumping which commenced after the end of the quarter. The purpose of this test-pumping program is to measure flow rates and grades, but also to measure the drainage response rate in the mid-level clay layer of the aquifer, as the deeper basal aquifer is pumped from and de-pressurised.

Post quarter-end, the Company provided an update on the pilot evaporation pond program that is underway at Lake Wells. The design, construction and commissioning of the pilot solar evaporation pond network is an extension of the Class A evaporation pan trial underway since October 2016.

The evaporation pan trial continues to collect data that contributes to the evaporation model under which the commercial ponds will operate and when combined with the outcomes of the pilot solar evaporation pond network, will lead to refining the design of the commercial scale pond network.



**Figure 2: Test-production bores have been developed into the large brine SOP resource at Lake Wells**



**Figure 3: Preparations for test pumping during Q4 at installed production wells**

On 27 October 2017, the Company advised that the recently completed geotechnical survey program at Lake Wells confirmed a continuous layer of low-permeability clay cross the lake (or playa) which supports the proposed development of un-lined, on-lake evaporation ponds.

The development of economic un-lined pre-concentration and crystalliser ponds (evaporation ponds) on a lake surface requires a low-permeability layer of clay near surface to control leakage from the pond network back into the aquifer. Lower leakage rates lead to higher potassium recoveries, with a

positive flow through to a smaller pond footprint and improved overall project recoveries and economics.

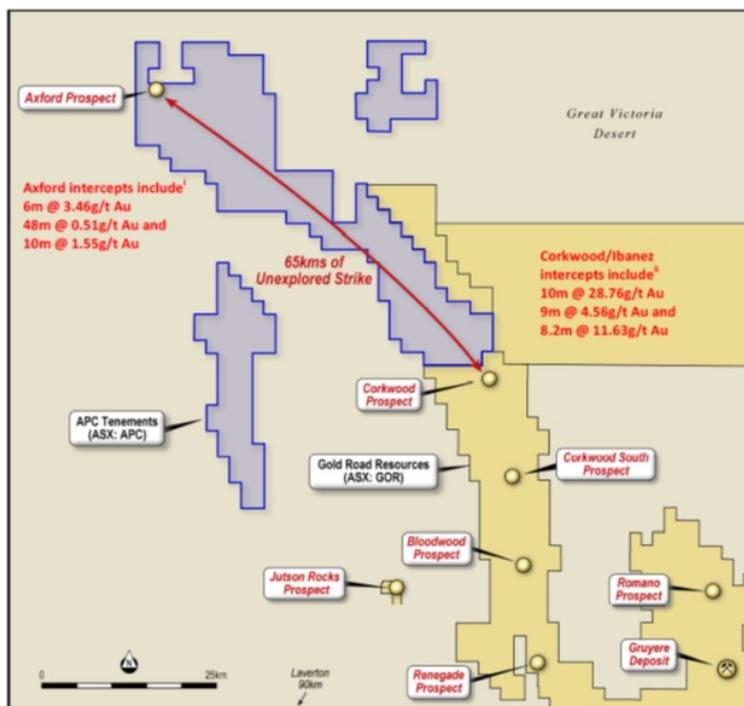
The Scoping Study into the project in March 2017 included a trade-off study between un-lined and lined ponds with the unlined ponds delivering the superior economic outcome. Permeability rates of the clay layer were determined to be suitable for on-playa evaporation pond construction, with further programs designed to test the extent and continuity of the clay layer.

This significant step forward in the pond development program, by identifying an extensive, low-permeability layer of clay at the surface of the playa across the entire proposed evaporation pond area, considerably de-risks the evaporation process for Lake Wells.

### Yamarna Gold Project – 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 the quarter, the Company commissioned CSA Global (“CSA”) to conduct a structural interpretation and targeting exercise at the Yamarna Gold project. This was on the back of adjoining tenement neighbour Gold Road Resources (ASX: GOR) releasing high grade gold results 2km southeast of APC’s tenement holding.



After receiving the review from CSA, an exploration program, which included a comprehensive review of existing drill chips and pulps to develop a lithological map of the project area, was completed in September.

Following that, CSA directed a data collection and analysis program to define geochemical variations leading to alteration maps on a project scale to refine priority target areas.

Alteration mapping of the high-priority targets identified in the CSA review was conducted towards the end of the quarter, with gold drilling programs planned to commence in Q4 2017.

**Figure 3: APC’s Yamarna Gold project is located in the Eastern Goldfields region of Western Australia**

## Corporate Activity

### Cash

At the end of the quarter, the Company had a cash and receivables balance of \$3.7m, comprising \$1.9m cash at bank and \$1.8m in R&D grant receivable<sup>1</sup>.



Following the end of the quarter the Company received \$375,949 in subscriptions for the Loyalty Option Issue and a further \$136,057 in GST refund.

#### Placement, SPP and Options Issue

On 14 August 2017, the Company completed a bookbuild for a placement to institutional, sophisticated and professional investors to raise up to \$3 million through an oversubscribed placement of 30,000,000 fully paid ordinary shares at an issue price of \$0.10 per share (Placement).

The funds will be used to continue the advancement of the Feasibility Study at Lake Wells and to commence exploration at the Yamarna Gold project.

In addition, APC issued 5,420,000 new shares under a Share Purchase Plan (“SPP”) on 19 September 2017, following receipt of valid applications totalling \$542,000. The SPP provided eligible shareholders the opportunity to subscribe for up to \$15,000 worth of shares at an offer price of \$0.10 per share without having to pay brokerage or other transaction costs.

APC announced on 28 September 2017 a non-renounceable entitlement issue of one (1) Option for every three (3) Shares held by Shareholders at an issue price \$0.01 per Option to raise up to \$854,910 before expenses (“Loyalty Option Issue”).

The Loyalty Option Issue closed post quarter end on 18 October 2017, with valid applications for entitlements received totalling \$358,268 for the application of 35,826,763 options with an exercise price of 20c expiring 25 October 2019. The Company also received oversubscriptions totalling \$17,681 for 1,768,143 Options from unrelated parties.

#### Research Reports

On 21 July 2017, Independent Investment Research released a research report on the Company which included a base case and mid-point valuation range.

The Sophisticated Investor (“TSI”) released a research report on 24 August 2017, which included a series of short videos relating to the Lake Wells project.

The videos include:

- Site visit to Lake Wells
- Company valuation analysis
- A summary of potash and the potash market
- Peer analysis
- Summer commentary around native title, converting MOP to SOP and the Company’s MOUs for off-take from the project

All reports are available at [www.australianpotash.com.au](http://www.australianpotash.com.au).

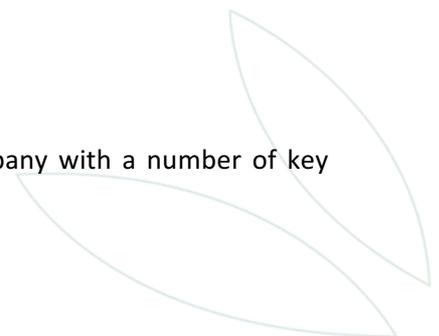
#### Annual General Meeting

The Annual General Meeting for Australian Potash Limited will be held on 30 November 2017 at 10:30am (AWST), at the Company offices 31 Ord Street West Perth WA.

#### **Management Commentary**

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

“The September quarter was another highly active period for the Company with a number of key developments achieved both in the field and at a corporate level.



“The ongoing Feasibility Study at Lake Wells continues to strengthen both the technical and economic viability of the project and we are now embarking on a very important stage in the project’s development with key catalysts including long-term test pumping results, and geotechnical confirmation of our evaporation pond design set to commence in the fourth quarter.

“We also remain very excited by the underlying value of our Yamarna Gold Project, with a strategic drilling program earmarked for commencement this quarter. This project provides great optionality for our investors.

“I would also like to thank our loyal shareholders for their continued support during the quarter, and the Board looks forward to delivering further key milestones over the coming months as we continue to position our Lake Wells project as the premium potash project to market in Australia.”

### Tenement schedule

Area	Tenement	Interest at 1 Jul 2017	Action	Interest at 30 Sept 2017
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>1</sup>	100%	-	100%
	E38/2742 <sup>2</sup>	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
	E38/3028	100%	-	100%
	E38/3109	100%	-	100%
	ELA38/3224	0%	Application	0%
	ELA38/3225	0%	Application	0%
	ELA38/3226	0%	Application	0%
	ELA38/3270	0%	Application	0%
ELA38/3271	0%	Application	0%	

<sup>1</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>2</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.



Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
Hack Well	E38/2945	100%	-	100%

**For further information please contact:**

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#### **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 2017<sup>ii</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>ii</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>iii</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 this announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Jeffery Lennox Jolly. Mr Jolly is a principal hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Jolly nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Jolly has over 30 years of international experience. He is a member of the Australian Institute of Geoscientists (AIG) and the International Association of Hydrogeologists (IAH). Mr Jolly 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 Jolly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.

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<sup>i</sup> AUSINDUSTRY R&D Rebate claim to be assessed as part of the Company's lodged 2017 income tax return, with funds expected to be received through Q4 2017.

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