Hartleys

APC.asx
Speculative Buy

Potash: Developer/Explorer

AUSTRALIAN POTASH LIMITED (APC)

Lake Wells DFS now in finals stages for delivery

Australian Potash Limited (APC) continues to progress development studies for its 100%-owned Lake Wells Sulphate of Potash (SOP) Project in WA. The Definitive Feasibility Study (DFS) is now due to be delivered in H2 CY19, and we see potential for the study to be released in Q3 CY19.

APC recently commenced activities to assess the optimal commercial-scale pond construction technique for the project. The Company is planning on using un-lined ponds on the playa lake (Lake Wells), taking advantage of a surface clay layer to seal the base of the ponds and with this work assessing (economically and technically) the best wall construction technique to seal the walls of the ponds. A pond wall barrier is required to minimise lateral seepage, with APC now testing four different construction techniques (natural material on-site, a steel sheet pile, a bentonite clay layer mixture and a geo-polymer liner). The construction of the trial ponds are expected to be completed in June, upon which time the test ponds will be filled with brine and seepage monitored. The important design information will feed into the DFS, with the cheapest and most efficient wall construction technique adopted.

APC has an envious position of having a deep palaeochannel (3-4x deeper than peers) which is expected to make the estimation of reserves, and the abstraction of the brine easier. The other field work required prior to the DFS release is the test-pumping program on the production wells. Five production wells have thus far been installed with another 2-3 bores due to be installed as part of the current work program. It should be noted that ~30% of the Stage 1 bore-field is now expected to be production-ready at the completion of the DFS. Once developed, Lake Wells is expected to be serviced by some 35 bores, enabling the production of 150ktpa of SOP (Stage 1), scaling up to 75 bores for production of 300ktpa of SOP (Stage 2). An update on the bore installation drilling is expected in the coming weeks.

Well located, logistics solution and developing offtake channels

The Lake Wells SOP project is located ~280kms from a rail terminal at Leonora, making it the closest SOP project in Australia to bulk rail infrastructure. In addition, the local shire of Laverton continues with works to tar-seal the Great Central Road, providing ~70kms of bitumen for improved transport logistics. The upgrade of the access road into Lake Wells (~90kms) is also being considered, and under an agreement with the shire, will be partly funded by off-setting some annual rates.

APC already has MoUs in place for a combined 200ktpa of SOP in off-takes. Potential Chinese partners (Sino-Agri and Hubei-Agri) have received SOP trade samples (high-grade and purity) from field evaporated feeder salts for detailed testwork. Formal offtake relationships continue to be progressed.

DFS release will be major milestone, funding seen as key risk

APC remains undervalued on peer comparisons, and we would argue offers compelling value, in regards to highly favourable economics, transport infrastructure, low capital intensity and high-quality SOP product offerings.

We maintain our **Speculative Buy** on APC, with a price target of 25cps. APC's current cash position is ~A$3.4M, which funds the completion of DFS studies, and provides some working capital. Project development funding is seen as the key risk, assuming a favourable DFS outcome is delivered.

	10 Jun 2019
Share Price	$0.076
Valuation	$0.33
Price Target (12 month)	$0.25

Brief Business Description:
Potash (SOP) explorer/developer

Hartleys Brief Investment Conclusion
100%-owned Sulphate of Potash (SOP) Project at Lake Wells in WA. Targeting brine SOP production of 150ktpa ramping up to 300ktpa for domestic and export markets. DFS due in H2 CY19. Gold exploration funded by SBM.

Board
Jim Walker (Non-Exec Chair)
Matt Shackleton (MD & CEO)

Top Shareholders

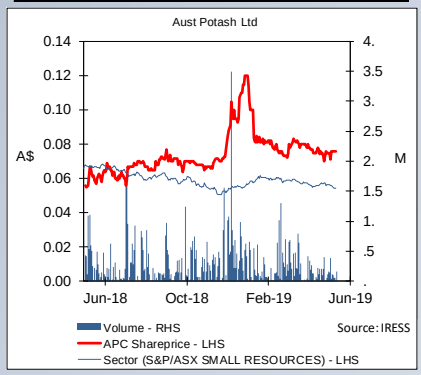
Yandal Investments (Creasy)	8.5%
Perth Select Seafood	4.5%
Board and Management	2.1%

Company Address
31 Ord Street
West Perth WA 6005

Issued Capital	357.6m
- fully diluted	464.4m
Market Cap	A$27.2m
- fully diluted	A$35.3m
Cash (est)	A$3.4m
Debt (est)	A$0.0m
EV	A$23.8m
EV/Resource t	A$1.62/t
EV/Reserve t	na

Prelim. (A$m)	**FY20e**	**FY21e**	**FY22e**
Prod (Mt)	0.00	0.04	0.15
Op Cash Flw	-6.7	7.8	34.3
Norm NPAT	-10.6	5.7	31.9
CF/Share (cps)	-1.1	0.4	2.7
EPS (cps)	-1.5	0.5	3.5
P/E	-7.0	19.6	2.8

	Vol MCM	**SOP mg/L**	**Mt SOP**
Resources (SOP)	20,329	7,896	14.7
Reserves (SOP)	na	na	na



Mike Millikan
Resources Analyst
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E: mike.millikan@hartleys.com.au

Hartleys has completed a capital raising in the past 12 months for Australian Potash Limited ("APC") for which it has earned gross fees. Hartleys has assisted in the completion of a capital raisings in the past 12 months for APC for which is has earned gross fees. The analyst has a beneficial interest in APC shares.

SUMMARY MODEL

Australian Potash Limited **Share Price**
APC **$0.076**

10 June 2019
Speculative Buy

Key Market Information	
Share Price	**$0.076**
Market Capitalisation - ordinary	$27.2m
Net Debt (cash)	-$3m
Market Capitalisation - fully diluted	$35.3m
EV	$14.7m
Issued Capital	357.6m
Options	106.8m
Issued Capital (fully diluted inc. all options)	464.4m
Issued Capital (fully diluted inc. all options and new capital)	1244.4m
Valuation	$0.33
12month price target	**$0.25**

Directors	Company Information
Jim Walker (Non-Exec Chair)	31 Ord Street
Matt Shackleton (MD & CEO)	West Perth WA 6005
Rhett Brans (Non-Excec Dir)	+61 8 9322 1003
Brett Lambert (Non-Exec Dir)	www.australianpotash.com.au
Sophie Raven (Company Secretary)	
Scott Nicholas (Chief Financial Officer - CFO)	Stewart McCallion (Proj Man)
Jay Hussey (Chief Commerical Officer -CCO)	Chris Shaw (Expl Man)

Top Shareholders	m shares	% ord
Yandal Investments (Creasy)	30.5	8.5%
Perth Select Seafood	16.0	4.5%
Board and Management	7.5	2.1%

Reserves & Resources	Vol MCM	Yield	Brine Vol	K (mg/L)	SOP (mg/L)	SOP Mt
TOTAL RESERVES	**-**	**-**	**-**	**-**	**-**	**-**
Measured	-	-	-	-	-	-
Indicated	17,050	9%	1,521	3,707	8,267	12.7
Inferred	3,279	10%	340	2,674	5,963	2.1
TOTAL RESOURCES	**20,329**	9%	**1,861**	**3,541**	**7,896**	**14.7**

P&L	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Net Revenue	**A$m**	**1.9**	**0.0**	**0.0**	**30.6**	**122.4**
Total Costs	**A$m**	**-6.9**	**-5.3**	**-6.5**	**-16.6**	**-61.1**
EBITDA	A$m	-5.0	-5.3	-6.5	14.0	61.3
- margin		na	na	-	46%	50%
Depreciation/Amort	A$m	0.0	-0.1	-1.4	-6.0	-9.9
EBIT	**A$m**	**-5.0**	**-5.4**	**-8.0**	**7.9**	**51.4**
Net Interest	A$m	0.0	0.1	-0.2	-3.5	-5.8
Pre-Tax Profit	**A$m**	**-5.0**	**-5.2**	**-8.1**	**4.4**	**45.6**
Tax Expense	A$m	0.0	0.0	0.0	0.0	-13.7
Normalised NPAT	**A$m**	**-6.5**	**-6.8**	**-10.6**	**5.7**	**31.9**
Abnormal Items	A$m	1.5	1.6	2.4	-1.3	0.0
Reported Profit	A$m	-5.0	-5.2	-8.1	4.4	31.9
Minority	A$m	0.0	0.0	0.0	0.0	0.0
Profit Attrib	**A$m**	**-5.0**	**-5.2**	**-8.1**	**4.4**	**31.9**

Balance Sheet	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Cash	**A$m**	**2.2**	**2.3**	**145.8**	**12.3**	**19.4**
Other Current Assets	A$m	0.1	0.0	0.0	3.0	11.9
Total Current Assets	**A$m**	**2.3**	**2.3**	**145.8**	**15.3**	**31.3**
Property, Plant & Equip.	A$m	0.1	0.0	43.6	174.5	172.7
Exploration	A$m	0.0	4.1	9.1	11.1	13.1
Investments/other	A$m	0.0	0.0	0.0	0.0	0.0
Tot Non-Curr. Assets	**A$m**	**0.1**	**4.1**	**52.7**	**185.6**	**185.7**
Total Assets	**A$m**	**2.5**	**6.4**	**198.5**	**201.0**	**217.0**
Short Term Borrowings	A$m	-	-	-	-	-
Other	A$m	0.6	0.2	0.3	0.6	2.0
Total Curr. Liabilities	**A$m**	0.6	0.2	0.3	0.6	2.0
Long Term Borrowings	A$m	-	-	121.0	103.7	86.4
Other	A$m	-	-	-	-	-
Total Non-Curr. Liabil.	**A$m**	**-**	**-**	**121.0**	**103.7**	**86.4**
Total Liabilities	**A$m**	**0.6**	**0.2**	**121.3**	**104.3**	**88.5**
Net Assets	**A$m**	**1.8**	**6.2**	**77.3**	**96.6**	**128.5**
Net Debt	A$m	-2.2	-2.3	-24.8	91.4	67.1
nd / nd + e		607.3%	-59.1%	-47.4%	48.6%	34.3%

Cashflow	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Operating Cashflow	A$m	-6.2	-5.5	-6.5	11.3	53.8
Income Tax Paid	A$m	0.0	0.0	0.0	0.0	-13.7
Interest & Other	A$m	0.0	0.1	-0.2	-3.5	-5.8
Operating Activities	**A$m**	-6.1	-5.4	-6.7	7.8	34.3
Property, Plant & Equip.	A$m	-0.1	0.0	-45.0	-137.0	-8.0
Exploration and Devel.	A$m	0.0	-4.1	-5.0	-2.0	-2.0
Other	A$m	0.0	0.0	0.0	0.0	0.0
Investment Activities	**A$m**	**-0.1**	**-4.1**	**-50.0**	**-139.0**	**-10.0**
Borrowings	A$m	0.0	0.0	121.0	-17.3	-17.3
Equity or "tbc capital"	A$m	6.9	9.6	79.2	15.0	0.0
Dividends Paid	A$m	0.0	0.0	0.0	0.0	0.0
Financing Activities	**A$m**	**6.4**	**9.6**	**200.2**	**-2.3**	**-17.3**
Net Cashflow	**A$m**	**0.2**	**0.1**	**143.5**	**-133.5**	**7.0**

Shares	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Ordinary Shares - End	m	304	424	1,084	1,184	1,184
Ordinary Shares - Weighted	m	263	364	754	1,134	1,184
Diluted Shares - Weighted	m	194	296	686	1,066	1,116

Ratio Analysis	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Cashflow Per Share	A$ cps	-2.3	-1.5	-0.9	0.7	2.9
Cashflow Multiple	x	-3.3	-5.1	-8.6	11.0	2.6
Earnings Per Share	A$ cps	-1.9	-1.4	-1.1	0.4	2.7
Price to Earnings Ratio	x	-4.0	-5.3	-7.0	19.6	2.8
Dividends Per Share	AUD	-	-	-	-	-
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt / Net Debt + Equity	%	607%	-59%	-47%	49%	34%
Interest Cover	X	2697.8	43.4	na	2.2	8.9
Return on Equity	%	na	na	na	6%	25%

Production Summary	Unit	Jun 20	Jun 21	Jun 22	Jun 23
Mill Throughput	Mt	-	0.04	0.15	0.15
Potash equiv	Mt	-	0.04	0.15	0.15
Potash equiv (Attrib)	Mt	-	0.04	0.15	0.15
Potash (SOP)	Mt	-	0.04	0.15	0.15
NaCl (Industrial)	Mt	-	0.00	0.00	0.00
NaCl (De-icing)	Mt	-	0.00	0.00	0.00
Conversion of resources not in reserves	%				
Mine Life	yr	20.0	20.0	19.0	18.0

Costs	Unit	Jun 20	Jun 21	Jun 22	Jun 23
Cost per processed tonne	$A/t	-	390.0	390.0	390.0
EBITDA / tonne processed ore	$A/t	-	372.1	408.3	406.6
Total cash costs	$A/t equiv.	-	443.7	407.5	409.2
Total cash costs	$US/t equiv.	-	330.6	309.7	311.0
- ex shipping	$US/t equiv.	-	315.7	294.5	295.8
C1: Operating Cash Cost = (a)	$A/t equiv.	-	390	390	390
- ex shipping	$A/t equiv.	-	370	370	370
(a) + Royalty = (b)	$A/t equiv.	-	390	390	390
C2: (a) + depreciation & amortisation = (c)	$A/t equiv.	-	551	456	459
(a) + actual cash for development = (d)	$A/t equiv.	-	4,097	457	457
C3: (c) + Royalty	$A/t equiv.	-	551	456	459
(d) + Royalty	$A/t equiv.	-	4,097	457	457
C1: Operating Cash Cost = (a)	$US/t equiv.	-	291	296	296
- ex shipping (mine gate)	$US/t equiv.	-	276	281	281

Price Assumptions	Unit	Jun 20	Jun 21	Jun 22	Jun 23
AUDUSD	A$/US$	0.73	0.75	0.76	0.76
Potash (SOP)	US$/t	620	620	620	620
NaCl (industrial)	US$/t	90	90	90	90
NaCl (de-icing)	US$/t	60	60	60	60
Hedging		**Jun 20**	**Jun 21**	**Jun 22**	**Jun 23**
Hedges maturing?		No	No	No	No

Sensitivity Analysis

	Valuation
Base Case	**0.33**
Spot Prices	0.31 (-8.2%)
Spot USD/AUD 0.70, SOP US$486/t.	
AUDUSD +/-10%	0.26 / 0.43 (-22.7% / 29.0%)
SOP +/-10%	0.42 / 0.25 (26.1% / -25.1%)
Production +/-10%	0.42 / 0.25 (25.5% / -24.5%)
Operating Costs +/-10%	0.30 / 0.37 (-11.1% / 11.1%)

Unpaid Capital

Year Expires	No. (m)	$m	Avg price	% ord
30-Jun-19	0.0	0.0	0.0	0%
30-Jun-20	48.3	9.7	0.2	14%
30-Jun-21	9.4	1.4	0.2	3%
30-Jun-22	49.1	6.0	0.1	14%
TOTAL	**106.8**	**17.2**	**0.16**	**30%**

Share Price Valuation (NAV)	Risked Est. A$m	Est. A$/share
100% Lake Wells (pre-tax NAV at disc. rate of 12%)	474.6	0.38
Other Exploration	30.0	0.02
Forwards	0.0	0.00
Corporate Overheads	-13.9	-0.01
Net Cash (Debt)	3.4	0.00
Tax (NPV future liability)	-80.3	-0.06
Options & Other Equity	0.0	0.00
Total	**413.7**	**0.33**

Analyst: Mike Millikan
+61 8 9268 2805

Last Updated: 10/06/2019

"tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained.

Sources: IRESS, Company Information, Hartleys Research

LAKE WELLS POTASH PROJECT

SOP PRODUCTION, ONLY MODEST CAPEX HURDLE

Project located ~500km NE of Kalgoorlie, WA

The Lake Wells Potash Project is located ~180km north-east of Laverton, ~500km north-east of Kalgoorlie in WA. The project area consists of tenure, which covers ~2,000km^2 and now includes granted Mining Leases spanning some 30,000Ha over the Lake Wells playa and palaeochannel system.

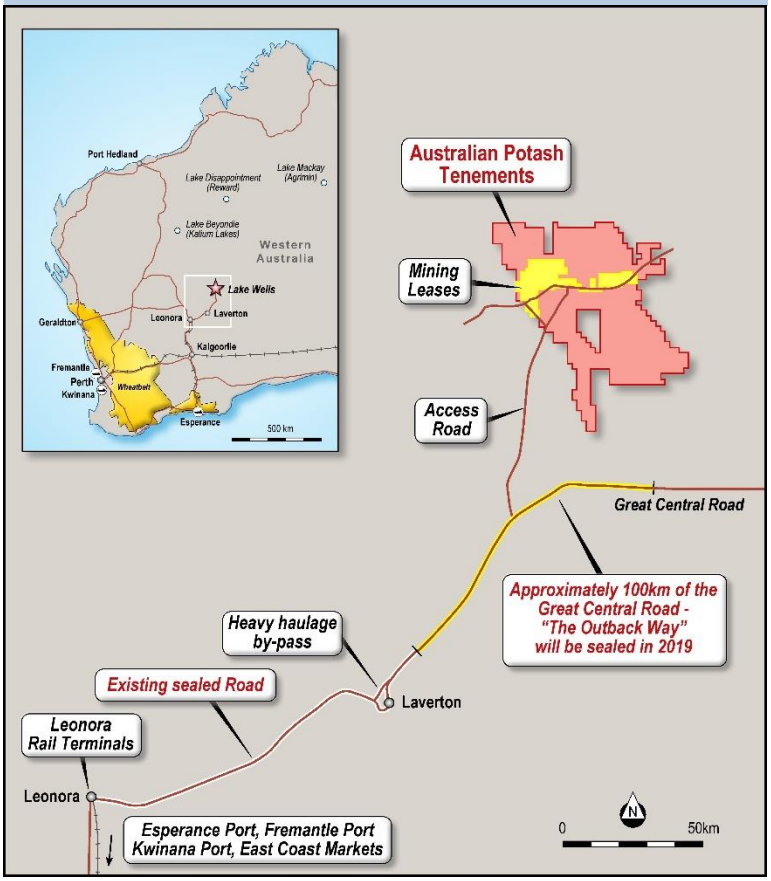
APC has 100% ownership and all potash rights. Access to the project is via the Great Central (~90km sealed/unsealed road) and Lake Wells (~90km unsealed) roads. The project is located ~280km from a bulk rail terminal at Leonora. The climate for the project area is highly conducive to evaporation and thus a solar salt operation.

Potash as a high value bulk commodity which requires access to infrastructure

Australia currently imports 100% of its potassium fertiliser requirements, and the low chloride and high sulphate content of SOP makes it an ideal and preferred form of potassium (fertiliser) for Australian farmers. SOP attracts a superior price to muriate of potash (MOP), and is underpinned by limited brine supply (only 4 evaporative operations globally) and increasing demand (forecast growth of 4%). Australia currently has no potash production, but appears well endowed with resources across a number of its salt lake systems.

Brine SOP projects generally occupy the lower end of production cost curve and have lower capital hurdles then rock potash projects

Fig. 1: Lake Wells Potash Project, WA



Source: Australian Potash Limited

APC released a maiden SOP resource for its Lake Wells Project in late June 2016, and upgraded the resource estimate for the Scoping Study (March 2017). The total resource estimate using specific yield provides **14.7Mt of SOP grading 7,896mg/L SOP**. Indicated resources make up 12.7Mt (86%) of total resources, with three main hydrogeological zones (Western High Grade, Eastern and Southern Zones). The Southern Zone is currently data constrained and as such classified as Inferred.

APC proposes to develop the Lake Wells Potash Project in two stages.

The Scoping development study was led by NovoPro (an expert potash consultant from Canada)

Stage 1 development consists of 35 bores extracting brine to evaporation ponds, simple processing to crystallise the SOP for transport to markets. The Company plans to extract the SOP-rich brine from a network of bores positioned along the central parts of the palaeochannel.

The processing plant has been designed in such a manner to include a muriate of potash (MOP) to SOP conversion circuit, which increases overall SOP production. The MOP to SOP conversion is using the excess naturally occurring sulphate in the brines, and involves no sulphuric acid use (not the Mannheim Process).

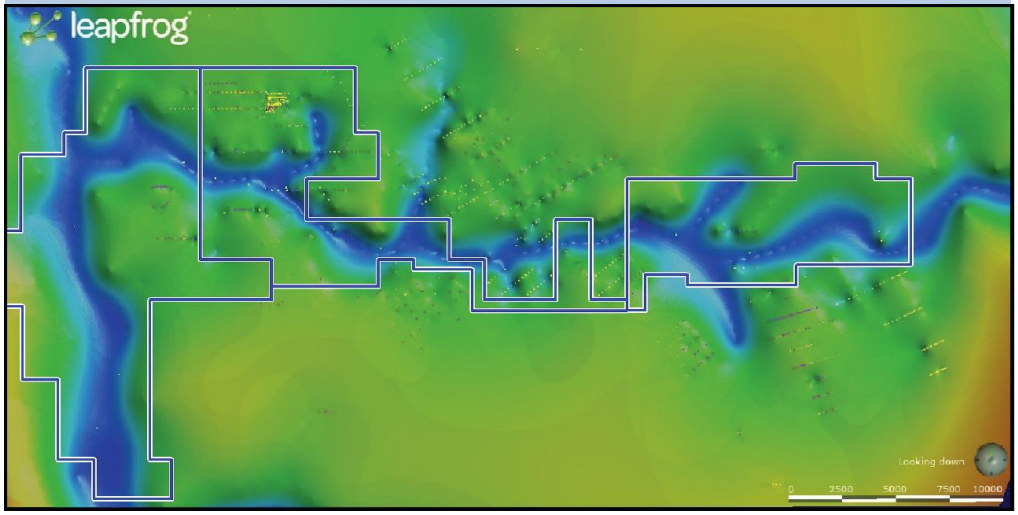
The Scoping Study highlighted potential for a long-life, staged production of 150ktpa to 300ktpa of SOP for initial capital costs of A$175M

The initial production rate of 150ktpa of SOP (includes ~42ktpa of imported MOP to SOP conversion for 50ktpa SOP). Stage 1 opex is estimated to be A$368/t SOP, which at the SOP prices (US$612/t/A$795/t) used in the Scoping Study provides capital payback in less than 3 years. Pre-production capex is estimated to be A$175M.

Stage 2 expansion in year 5 duplicates Stage 1 to double production to 300kpta SOP (includes 100ktpa of imported MOP conversion). After expansion, opex improves to A$339/t SOP, with LOM sustaining capex expected to be less than A$3Mpa.

Stage 2 capex of A$163M (includes a contingency of A$23M), is expected to be funded largely through internal cash flows. Over the initial 20 year mine life and assuming Stage 2 development for 300ktpa SOP, the borefield will produce a total of 3.3Mt of SOP.

Fig. 2: Lake Wells Granted MLs over Palaeochannel Model



Source: Australian Potash Limited

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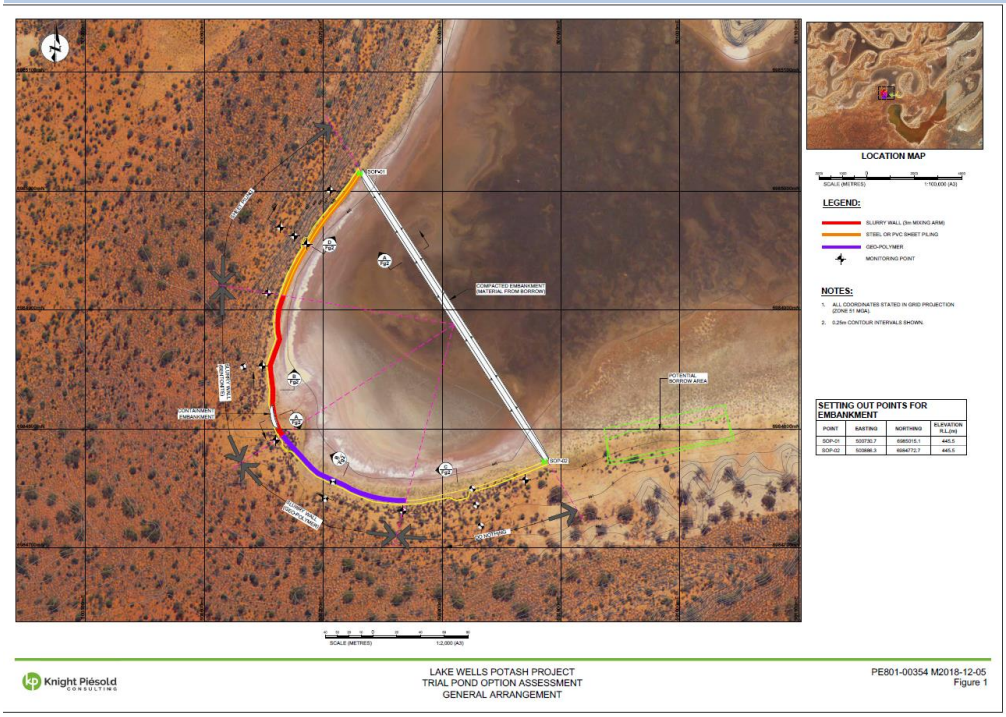
A pond wall barrier to minimise lateral seepage is required, with APC now testing four different construction techniques (natural material on-site, a steel sheet pile, a bentonite clay layer mixture and a geo-polymer liner). The construction of the trial ponds are expected to be completed in June, upon which time the test ponds will be filled with brine and seepage monitored. The important design information will feed into the DFS, with the cheapest and most efficient wall construction technique adopted.

Fig. 3: Lake Wells Granted MLs over Palaeochannel Model



Source: Australian Potash Limited

4 different construction techniques – natural material on-site, a steel sheet pile, a bentonite clay layer mixture and a geo-polymer liner – are currently being tested

APC has an envious position of having a deep palaeochannel (some 3-4 times deeper than peers) which is expected to make the estimation of reserves, and the abstraction of the brine easier. The other field work required prior to the DFS release is the test-pumping program on the production wells.

Lake Wells DFS due for release in H2 CY19

Five production wells have thus far been installed with another 2-3 bores due to be installed as part of the current work program. It should be noted that ~30% of the Stage 1 bore-field is now expected to be production-ready at the completion of the DFS.

Once developed, the Lake Wells is expected to be serviced by some 35 bores, enabling the production of 150ktpa of SOP (Stage 1), scaling up to 75 bores for production of 300ktpa of SOP (Stage 2). An update on the bore installation drilling is expected in the coming weeks.

APC expects to release the DFS on the project development in H2 CY19, which will include a maiden reserve.

LAKE WELLS GOLD PROJECT

SBM EARN-IN PROVIDES FUNDING FOR GOLD

Key gold ground is also situated ~60km NW of the +6Moz Gruyere gold project (under construction) and spans a 65km structural zone

In October 2018, APC and SBM entered into an earn-in JV over ground considered prospective for gold mineralisation at the Lake Wells project area, within the Yamarna Belt. The key gold ground is situated ~60km north-west of Gold Roads (GOR)/Goldfieds +6Moz Gruyere gold project (now under construction) and spans a 65km structural zone.

Under the terms of the JV, SBM paid APC A$1.25M in cash and plans to spend a minimum of A$1.75M on gold exploration within 12 months. After which, SBM can elect to earn a 70% interest through further expenditure of A$3.5M on exploration over the next 24 months and pay a further A$0.5M to APC (for prior spend). APC retains full 100% potash rights over the ground, and once the earn-in has been reached by SBM, retains a free-carried 30% interest through to completion of a BFS.

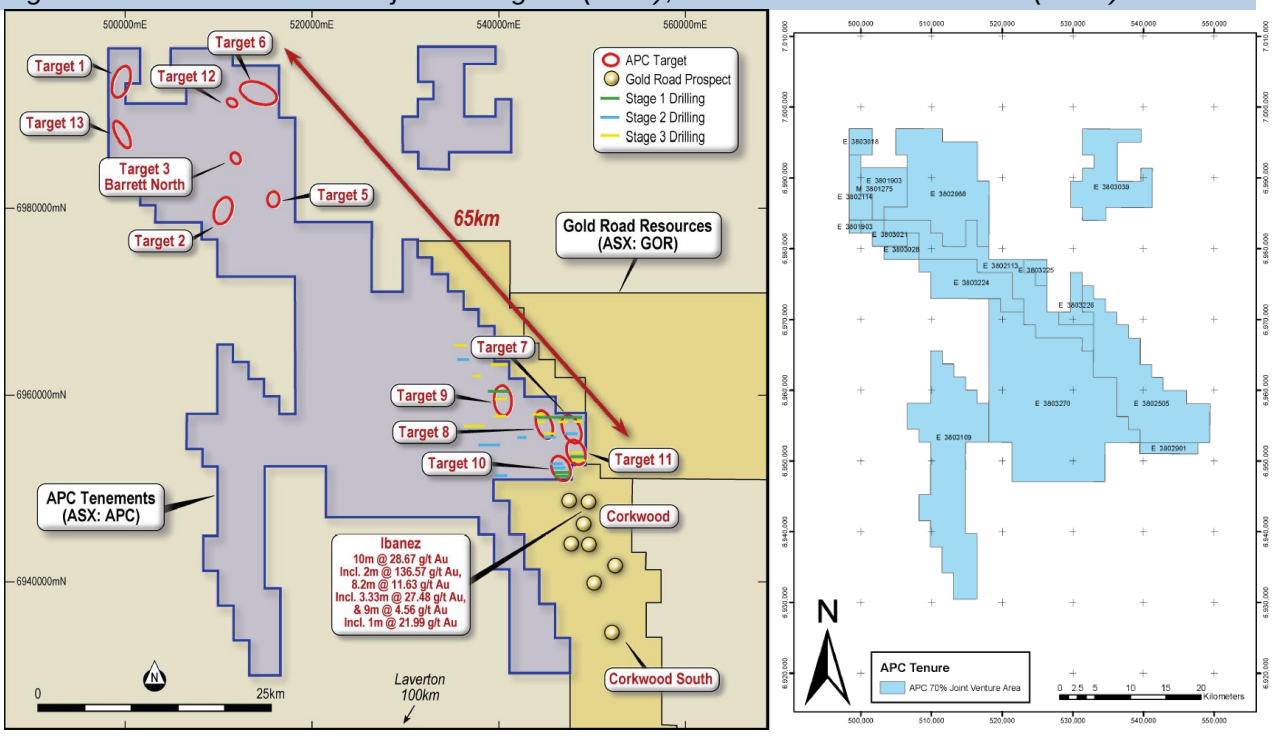
The earn-in JV appears to be a sensible approach for APC, attracting a good quality partner to advance the gold prospects, while they remain focused on the delivery of the Lake Wells SOP DFS

The earn-in JV appears to be a sensible approach for APC, attracting a good quality partner to advance the gold prospects, while they remain focused on the delivery of the Lake Wells SOP DFS.

During CY17, APC commissioned CSA Global and Dr Scott Halley to conduct a structural interpretation and targeting exercise over the project area. This was largely instigated after neighbour GOR released some significant gold results in close proximity to APC's ground. Of particular interest was GOR's reported gold intersections of **10m @ 28.8 g/t Au** and **8.2m @ 11.6g/t Au** from Corkwood/Ibanez, which is only 2km south-east of APC's tenement holding.

During the current quarter (JunQ), a 500 hole aircore (AC) drill program for ~23,500m commenced testing some proirity 13 targets, first results are expected in the coming weeks. All work is being funded by SBM.

Fig. 4: Lake Wells Gold Project: Targets (LHS); SBM Earn-in JV Tenure (RHS)



Source: Australian Potash Limited

VALUATION AND PRICE TARGET

POTENTIAL FOR FIRST SOP MID-CY21

Latest APC NAV and Price Target

Our sum of parts valuation for APC is based largely on information supplied in the Scoping Study (SS). We assume staged production (**Stage 1**: 150ktpa 1-5 years and **Stage 2**: 300ktpa 6-20 years), with a similar capex and opex profile as per the SS.

We assume existing infrastructure of roads and rail can be accessed and SOP prices of US$620/t. We assume start-up capex of ~A$180m, with some additional working capital and funding through a 60% debt and 40% equity mix. We have now adjusted timing for first production to mid-CY21. We will update our assumptions upon release of the DFS. Our modelling also dilutes for additional equity required in the near-term.

Our price target for APC is weighted for the different scenarios (as shown below).

Updated 12-month price target of 25cps (from 26cps)

Fig. 5: APC Price Target Methodology

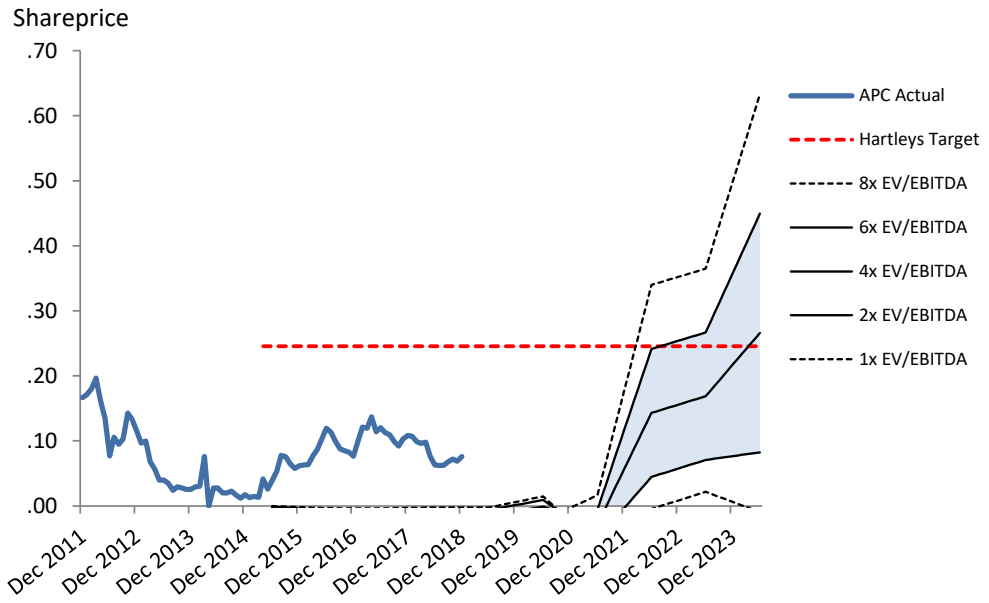
Price Target Methodology	Weighting	Spot	12 mth out
NPV base case (DR 12%), debt/equity funded 60/40	40%	$0.33	$0.36
NPV base case (DR 10%), debt/equity funded 60/40	15%	$0.41	$0.44
Cash backing	35%	$0.01	$0.01
NPV spot prices (DR 12%) debt/equity funded 60/40	10%	$0.31	$0.33
Risk weighted composite		**$0.23**	
12 Months Price Target		**$0.25**	
Shareprice - Last		$0.076	
12 mth total return (% to 12mth target + dividend)		**225%**	

Source: Hartleys Estimates

EV/EBITDA BANDS

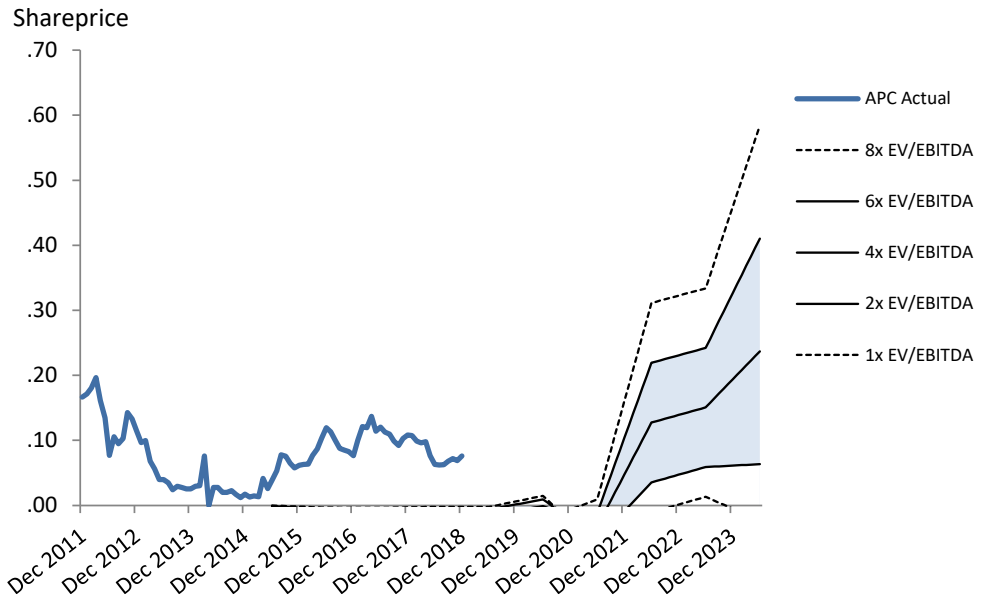
Assuming staged SOP production

Fig. 6: Using Hartleys Base Case Commodity Forecasts



Source: Hartleys Estimates

Fig. 7: Using Spot Commodity Prices



Source: Hartleys Estimates

RISKS

Key risks for APC are funding, and commodity prices. Hence we view APC as high risk.

Fig. 8: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Model parameters for our APC valuation and price target	Med	Meaningful	We have made a number of assumptions in our APC valuation, based largely on the Scoping Study, which will be preceded by more accurate development studies. APC has no production history. Any changes to our assumptions have both upside and downside risks.
Favourable commodity prices	Low	Meaningful	APC remains sensitive to changes in commodity (potash) prices, exchange rates and market sentiment. Though with no current operations, direct impact from commodity prices is limited. We assume potash prices will remain stable into the near-term, which is open to speculation.
Funded for ongoing exploration and studies	Med	Moderate	APC's cash position is just over A$3M. As an explorer with no current production assets, ongoing funding will be required. We assume development studies will be progressed.
Conclusion			*We have made significant assumptions but believe these are achievable.*

Source: Hartleys Research

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a “Buy”. Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a “Buy”.
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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