

19 June 2017

SECOND OFF-TAKE BROADENS REGIONAL ENGAGEMENT

Australian Potash Limited (ASX: APC) is pleased to advise of the signing of a second non-binding Memorandum of Understanding (MOU) for the supply of SOP (Sulphate of Potash) with Hubei Agricultural Means of Production Group Co Ltd (Hubei-Agri) for sales of up to 100ktpa of SOP.

This second MOU builds on the maiden off-take MOU with Sino-Agri Holdings Company Limited¹ (Sino-Agri), and strengthens APC's position as it seeks to position itself in large regional markets, to supplement primary sales into the domestic Australian market.

The execution of the MOU's is consistent with the strategy of establishing early customer engagement in parallel with the advancement of Lake Wells.

As the Lake Wells feasibility study is progressed and the technical parameters are optimised APC will maintain an active dialogue with our selected regional off-take partners and identified potential domestic customers. This early engagement will facilitate product trials, optimise product specifications and ultimately seek to progress to a binding commercial agreement.

Under the terms of the two executed MOU's APC intends to proportionally weight sales between stage 1 (150ktpa) and the full 300ktpa production rate². This will allow for potential to capture a significant share of prevailing domestic Australian demand. In the medium term, APC firmly believes the Australian market has significant growth potential as the awareness of the commercial value of a domestic supply of SOP product is increased and a reliable domestic supply source is established. The MOU's are non-binding and as such there is no guarantee of a binding agreement on the proposed terms or at all.

Hubei-Agri is one of the largest provincial fertiliser distributors and importers in China

APC Executive Chairman Matt Shackleton said: "Through the network that APC is beginning to develop within the mainland China potash industry, we have again been successful in executing an MOU with Hubei-Agri around supply of Lake Wells SOP. We look forward to working with Hubei-Agri into the near future.

"We have also begun expanding our network in China to consider areas such as equipment design and procurement. We will shortly commence our feasibility program and are aiming to optimise capital expenditure estimates through a close engagement with potential suppliers. We look forward to developing our relationships across the industry as our project develops."

Upcoming Activity for Q2/Q3 2017

- Commissioning of pilot evaporation ponds
- Commencement of Stage 2 test-pumping program
- Installation of Stage 2 test-production bores
- Continue resource upgrade and expansion programmes
- Feasibility study to commence



For personal use only

For further information, please contact:

Matt Shackleton

Executive Chairman

 m.shackleton@australianpotash.com.au

 +61 (0)438 319 841

Media

Michael Vaughan

Fivemark Partners

 +61 (0)422 602 720

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.



Figure 1: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields



For personal use only

A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017². 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 category²
- 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 cashflow³ 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

About Hubei-Agri

Hubei Agricultural Means of Production Group Co Limited was established in 1952. Hubei-Agri focuses on the fertiliser business, integrating the import, export, production and distribution of fertilisers, research and development and agrochemical services within the province of Hubei. Hubei-Agri is a state-owned enterprise in Hubei province in China.

For more information, refer to <http://www.hbnz.net/>.

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.

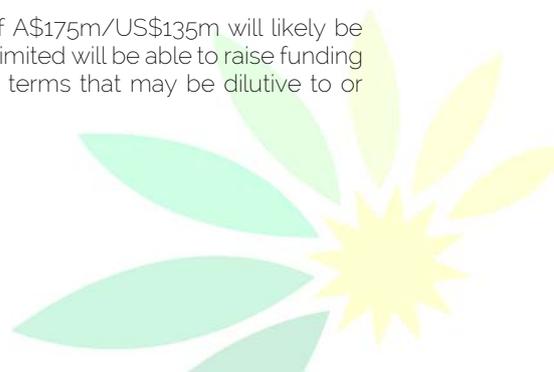
Scoping study – cautionary statement

The Study referred to in this announcement is a preliminary technical and economic investigation of the potential viability of the Lake Wells Potash Project. It is based on low accuracy technical and economic assessments, (+/- 35% accuracy) and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage; or to provide certainty that the conclusions of the Study will be realised.

Approximately 86% of the existing Mineral Resource is in the Indicated category, with the remainder in the Inferred category. There is a low level of geological confidence associated with Inferred mineral resources and there is no certainty that further exploration work will result in the determination of Indicated or Measured Mineral Resources. Furthermore, there is no certainty that further exploration work will result in the conversion of Indicated and Measured Mineral Resources to Ore Reserves, or that the production target itself will be realised.

The Scoping Study is based on the material assumptions outlined in the ASX announcement of 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned Lake Wells Potash Project In WA'. These include assumptions about the availability of funding. While Australian Potash Limited considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be accurate or that outcomes indicated by the Study will be achieved.

To achieve the outcomes indicated in this Study, initial funding in the order of A\$175m/US\$135m will likely be required. Investors should note that there is no certainty that Australian Potash Limited will be able to raise funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Australian Potash Limited's existing shares.



It is also possible that Australian Potash Limited could pursue other value realisation strategies such as sale, partial sale, or joint venture of the Project. If it does this could materially reduce Australian Potash Limited's proportionate ownership of the Project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of this Scoping Study.

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.

¹Refer to ASX announcement 9 June 2017 'Off-take MOU signed with Major Chinese Fertiliser Group'.

²Refer 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 all the material assumptions and technical parameters underpinning the production target and the forecast financial information derived from a production target in the 23 March 2017 announcement continue to apply and have not materially changed.

³Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.



For personal use only