

31 January 2023

Quarterly Activities Report – December 2022

- **Technical and permitting work continues to maintain shovel ready status of the Lake Wells SOP Project (LSOP) following the release of the September 2022 optimisation study¹**
 - **Ministerial Statement 1162 ('environmental approval'), 6 granted Mining Leases and works approvals in place: operations permitting and environmental monitoring program ongoing**
 - **Optimised LSOP development to produce 205,000 tpa of superior K-Brite™ sulphate of potash (SOP) over 30 years, generating an NPV₈ of A\$1.014B, pre-tax IRR of 22% and annual average pre-tax free cash flow of A\$155M¹**
- **800 kilograms of LSOP field produced feed salts shipped to the US for detailed vessel design testwork program: testwork to confirm vessel sizes and equipment selection**
- **Applications for 1,130 km² of tenure at the Lake Wells East area lodged: contiguous ground package for LSOP increased by 175% to 1,905 km²²**
- **First year of training concludes at Laverton Training Centre with 100% attendance and completion rates for 62 students across 19 courses and 217 nationally accredited vocational units**

Australian Potash Limited (ASX: APC or the **Company**) is pleased to provide its Quarterly Activities Report for the period ending 31 December 2022.

Managing Director and CEO, Matt Shackleton, commented: "Potash production and security over supply have become key global issues. Post-COVID trade in potash has been impacted materially by the conflict in Ukraine, with a 25% year-on-year fall in muriate of potash (**MOP**) imports from Russia and a 56% fall in imports from Belarus³.

"Brazil, China and the United States dominate global demand for potash, with fully one third of global supply coming from Russia and Belarus. MOP US\$ prices peaked in this cycle in May 2022 at c. US\$1,200/t⁴. Seasonal influences in the northern hemisphere, high inventory levels in Brazil and some demand erosion have seen MOP pricing ease to between US\$450 – US\$800/t⁴. Sulphate of potash pricing has traditionally been c. US\$200/t *higher* than MOP pricing: at January 2023 SOP bulk northwest Europe was priced at US\$850 – US\$950/t⁴.

"The LSOP financial model released in September 2022¹ carried a forecast SOP price of US\$567/t which would indicate a long term average MOP price of around US\$350 – US\$400/t.

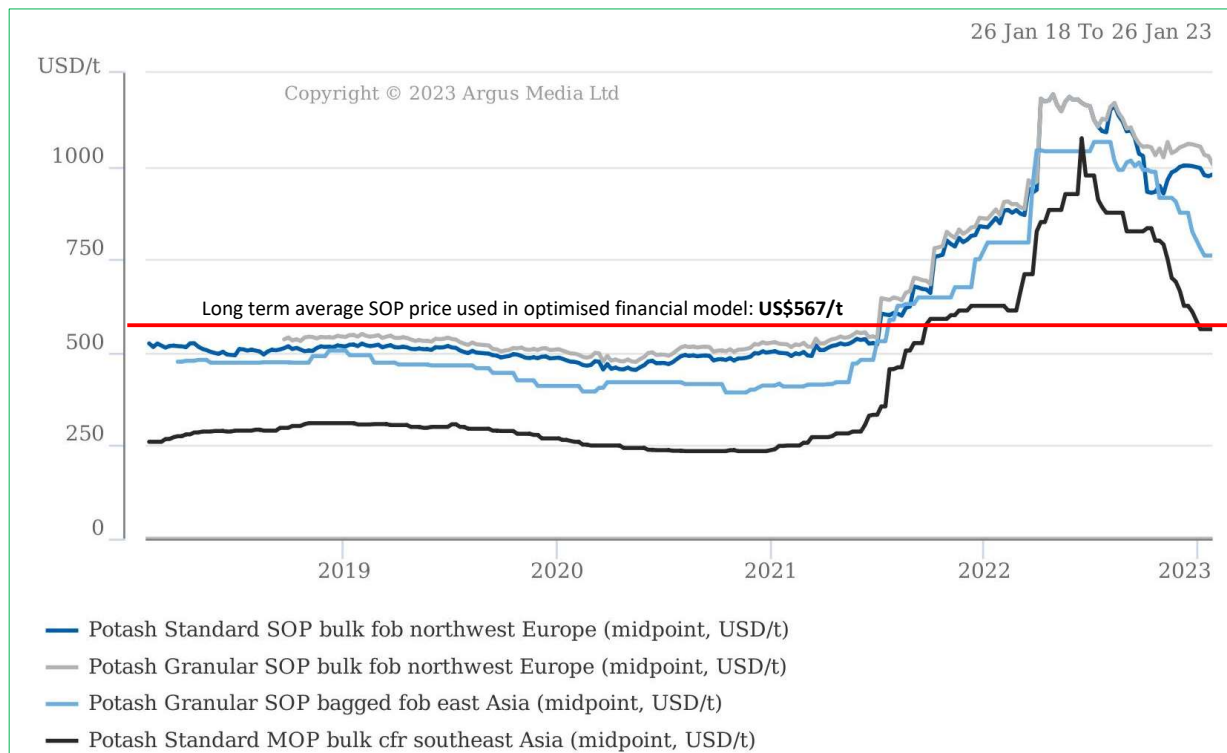


Figure 1: Argus Base Case \$2023 (real) NW Europe SOP

“The US\$200/t premium paid for SOP over MOP reflects both the value placed on a chlorine free supply of potassium, and the historical cost of converting MOP to SOP using the Mannheim process.

“A tonne of potassium (K_2O) in MOP is valued currently at US\$1,060/t⁴: the same tonne of potassium delivered via SOP is valued at US\$1,915/t⁴ – implying a premium for chloride free K_2O of c. US\$855/t.

“The Mannheim process is the direct competitor to the solar evaporation production model that the LSOP will be developed on. The average cost of production for a tonne of SOP using Mannheim is historically c. US\$200/t higher than a tonne of SOP produced using solar evaporation.

“It is a particularly auspicious time to be raising funding to develop a solar SOP project. The board of APC continue to canvass development funding opportunities and continue to be strategically aligned to bringing the LSOP, potentially one of the world’s larger SOP projects, into development during 2023.”

SOP Market Update

Long Term Price Forecast

MOP pricing is heavily influenced by the three major MOP supplying countries: Canada, Russia and Belarus. These suppliers of more than two thirds of global MOP have shown the ability to stabilise and destabilise the supply/demand equation.

Given recent and current activity around Russia and Belarus, approximately 30% of supply is restricted and this has created uncertainty resulting in rapid elevation of prices around the world. Over the past year of this disruptive environment, some of the major MOP importing countries such as Brazil, China, and India scrambled to secure large inventories of MOP, exacerbating the supply/demand imbalance.

With increased pricing and high inventory volumes, the MOP price curve reversed during the past quarter⁴. Inventories are being reduced and new purchase volumes slowing, so while MOP pricing has retreated it is believed by many experts to have established a new floor price.

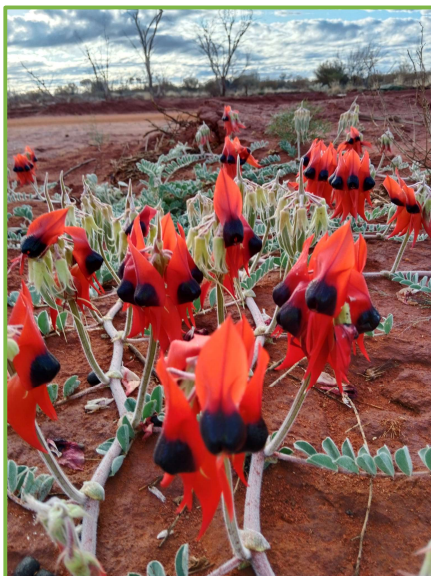
The long-term MOP price forecast is relatively independent of events in Russia and Belarus as it is heavily dependent on the impact of adding new greenfield capacity. In nearby Laos, Chinese state-owned firm, Sino-Agri has recently commissioned its second 1 Mtpa MOP production facility⁴. The prospect of BHP's Jansen project in the Canadian potash province of Saskatchewan entering production is likewise encouraging speculation that the long-term MOP price is tipped to return to pre-COVID levels.

In 2020, global installed MOP production capacity stood at c. 70 Mt⁵. New MOP capacity forecast to come online to 2025 is approximately 4.4 Mt⁵: representing a 6% expansion in installed capacity. However, contrasting this potential increase in the production base is the decline in production from old potash mines, brine ingress and trade sanctions against MOP supplier countries.

Operational Update

Lake Wells Sulphate of Potash Project (LSOP or Project)

The Lake Wells SOP Project is located approximately 500 km north of Kalgoorlie in the north-eastern Goldfields of Western Australia. It is a 100% borefield SOP project and is being developed without any recourse to a trenching system to abstract (or mine), the potassium rich brines.



Photos 1 & 2: LSOP Landscape

Technical and Permitting Work Continues

Following the release of its optimisation study for the LSOP in September 2022¹ which incorporates an increased brine production profile to 205,000tpa, APC's focus during the reporting period was reviewing impacted technical and permitting aspects with the view to maintaining the Project's shovel ready status.

The environmental approvals in place are sufficient for the LSOP to commence operations and will not hinder further expansion to 205,000 tpa.

Funding & Offtakes

APC has maintained ongoing dialogue with the syndicated debt facility lenders (Northern Australia Infrastructure Fund (**NAIF**), Export Finance Australia (**EFA**)) and provided commercial banks with a project update following the optimisation study.

During the original Front-End Engineering Design program⁶, five binding offtake agreements with four Tier 1 global fertiliser industry counterparties covering 150,000 tpa were executed around the marketing and distribution of the LSOP's premium suite of SOP products. APC is optimising the offtake strategy to place the increased production volumes and allow APC to access the highest premium price points in the SOP markets into which it will be distributed.

K-Brite™, the trademarked brand of LSOP product, will be produced in a bulk and bagged packaging format, and to premium water-soluble, standard (or crystallised/powdered) and granulated specifications. All products to be produced have been accredited for use in organic agriculture in the European Union, USA and the Australian markets⁷. EcoCert is the certifying agency in Europe, OMRI is the certifying agency in the USA, and Certified Organic Australia covers Australia.

Under the updated production volumes, 65,000 tonnes are anticipated to be shipped by bulk from the Port of Geraldton and the remaining production of 140,000 tonnes will be shipped from Fremantle in containers. Regardless of bulk versus container, the complete suite of SOP formats will be shipped using both means.

LSOP Expansion

During October 2022, the Company announced that application had been made for several tenements covering the balance of the Lake Wells' salt lake and palaeochannel system, with the potential to increase the project area of 175% to 1,905km².

APC reports an Exploration Target over the application area, named Lake Wells East (**LWE**), of between 9.5 Mt and 24 Mt of SOP². The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and there is no certainty that further exploration work will result in the estimation of a Mineral Resource.

The Company has work plans that will focus on estimating a Mineral Resource using a borefield abstraction model. The experience and techniques developed at the LSOP are directly applicable to LWE, and this will reduce the time and expense in developing the Mineral Resource with dedicated exploration.

Laverton Training Centre (LTC)

The Laverton Training Centre is an initiative of APC which provides access to nationally accredited vocational training for long-term unemployed Aboriginal people living in this remote part of Western Australia.

The LTC training ethos is modelled on the highly successful Martu-ku Yiwarra Training Centre in Wiluna, a unique four-year pilot remote Aboriginal vocational training program which was funded by local employers, overseen by Martu Elders, and had training delivered by Central Regional TAFE Kalgoorlie as the registered training organisation.

The first year of training at the LTC concluded in December 2022. Over the course of the year, 62 students enrolled across 19 courses and successfully completed 217 nationally accredited vocational training units including chainsaws, first aid, bobcat/skid steer, small machinery/dingo, load/unload machinery, White Card, excavator, four wheel drive and local business machinery, as well as units associated with the Aboriginal Ranger Program. In addition to Laverton residents, students travelled from Leonora, Mt Margaret and Wiluna and attendance and training rates are running at 100%.

LTC students are building up a portfolio of relevant skills in order to become competitive in the northern Goldfields employment market and launch into employment pathways.

Training will recommence in mid-February 2023.



Photos 3 & 4: Four wheel drive practical training and machinery written assessments at the LTC

Lake Wells Gold Project (LWGP)

In 2018, APC and St Barbara Limited (**SBM**) entered into a joint venture for the exploration, development and mining of non-potash minerals at the Lake Wells Gold Project. In July 2022 SBM provided notice of withdrawal from the LWGP Joint Venture and APC is resuming 100% ownership of the tenements.

APC is now reviewing the data compiled from SBM's exploration activities, which will form the basis of future programs.

Laverton Downs Project (LDP)

The Laverton Downs Project is 100% owned by APC and located approximately 20 km north of Laverton. Regional geology highlights the potential for gold and nickel sulphide mineralisation. Project evaluation undertaken by APC incorporating regional datasets, detailed magnetic data and high precision geochemical assay results derived from historical bottom of hole drill samples confirmed that a Kambalda-style nickel deposit host rock type is present within the LDP.

Darlot Project (DP)

The Darlot Project comprises three exploration licences across Lake Darlot, 50 km ENE of Leinster in the northern Goldfields. A review of historical publicly available data is continuing.

Corporate Update

The Company's annual general meeting was held on Wednesday, 30 November 2022 where all resolutions were passed on a poll, including adoption of several amendments to the Company Constitution. The Company's registered office address also changed during the period.

Equity changes during the period comprised cessation of performance rights due to resignation of personnel. As at the date of this report, the Company's capital comprises:

- 923,269,163 fully paid ordinary shares (ASX: APC)
- 57,443,347 unlisted options exercisable at \$0.06 and expiring 26 August 2023
- 5,431,653 unlisted performance rights
- 1,500,000 unlisted options exercisable at \$0.175 and expiring 29 July 2023.

Financial Commentary

The Quarterly Cashflow Report (Appendix 5B) for the period ending 31 December 2022 provides an overview of the Company's financial activities.

During the quarter, payments to related parties and their associates totalled \$83,000, comprising directors' salaries, fees and superannuation. In addition, a summary of the expenditure incurred during the quarter on the activities described in this report is as follows: exploration and evaluation (capitalised) \$668,000; exploration and evaluation (expensed) \$9,000; property, plant and equipment \$5,000; staff costs \$449,000; and administration and corporate costs \$611,000.

Mining Tenement Holdings

In line with obligations under ASX Listing Rule 5.3.3, APC provides the following information relating to its mining tenement holdings as at 31 December 2022.

Area	Tenement	Interest at 30 September 2022	Action	Interest at 31 December 2022
Lake Wells	E38/1903	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	Tenement expired	-
	E38/2505	100%	-	100%
	E38/2901	100%	-	100%
	E38/2988	100%	-	100%
	E38/3018	100%	-	100%
	E38/3021	100%	-	100%
	E38/3028	100%	-	100%
	E38/3039	100%	-	100%
	E38/3224	100%	-	100%
	E38/3225	100%	-	100%
	E38/3226	100%	-	100%
	E38/3270	100%	-	100%
	E38/3423	100%	-	100%
	ELA38/3784 ⁸	-	Application submitted	100%
	ELA38/3785 ⁸	-	Application submitted	100%
	ELA38/3786 ⁸	-	Application submitted	100%
	LA38/350 ⁹	100%	Application pending	100%
	L38/351 ⁹	100%	-	100%
	L38/356 ⁹	100%	-	100%
	LA38/359 ⁹	100%	Application pending	100%
	LA38/360 ⁹	100%	Application pending	100%
	M38/1274	100%	-	100%
	M38/1275	100%	-	100%
	M38/1276	100%	-	100%
M38/1287	100%	-	100%	
M38/1288	100%	-	100%	
M38/1289	100%	-	100%	
Laverton Downs	E38/2724 ¹⁰	100%	-	100%
	E38/3014 ¹⁰	100%	-	100%
	E38/3132 ¹⁰	100%	-	100%
	E38/3402 ¹⁰	100%	-	100%
	E38/3403 ¹⁰	100%	-	100%
	E38/3404 ¹⁰	100%	-	100%
Darlot	E37/1388	100%	-	100%
	E37/1389	100%	-	100%
	E37/1390	100%	-	100%

No tenements are subject to any farm-in or farm-out agreements.

This release was authorised by the Board of Directors.

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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 forward-looking 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 or any other referenced announcement. No obligation is assumed to update forward-looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

¹ Refer ASX Announcement 21 September 2022 *'Increased Production Delivers Superior Economic Outcomes for World Scale LSOP'*. That announcement contains the relevant statements, data and consents referred to in this announcement. APC, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 21 September 2022 announcement; and 2. State that the material assumptions and technical parameters underpinning the estimates in the 21 September 2022 announcement continue to apply and have not materially changed.

² Refer ASX Announcement 13 October 2022 *'Strategic Tenement Application Package to Expand Lake Wells'*. That announcement contains the relevant statements, data and consents referred to in this announcement. APC, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 13 October 2022 announcement; and 2. State that the material assumptions and technical parameters underpinning the estimates in the 13 October 2022 announcement continue to apply and have not materially changed.

³ Bloomberg Green Markets *'Fertilisers 2022 Recap and State-of-Play: BI Analyst Briefing'* 23 January 2023.

⁴ Argus Media *'Argus Potash'* 26 January 2023.

⁵ Argus Media *'SOP Market – 2022 Update'* prepared for Australian Potash Limited.

⁶ Refer ASX Announcement 20 April 2021.

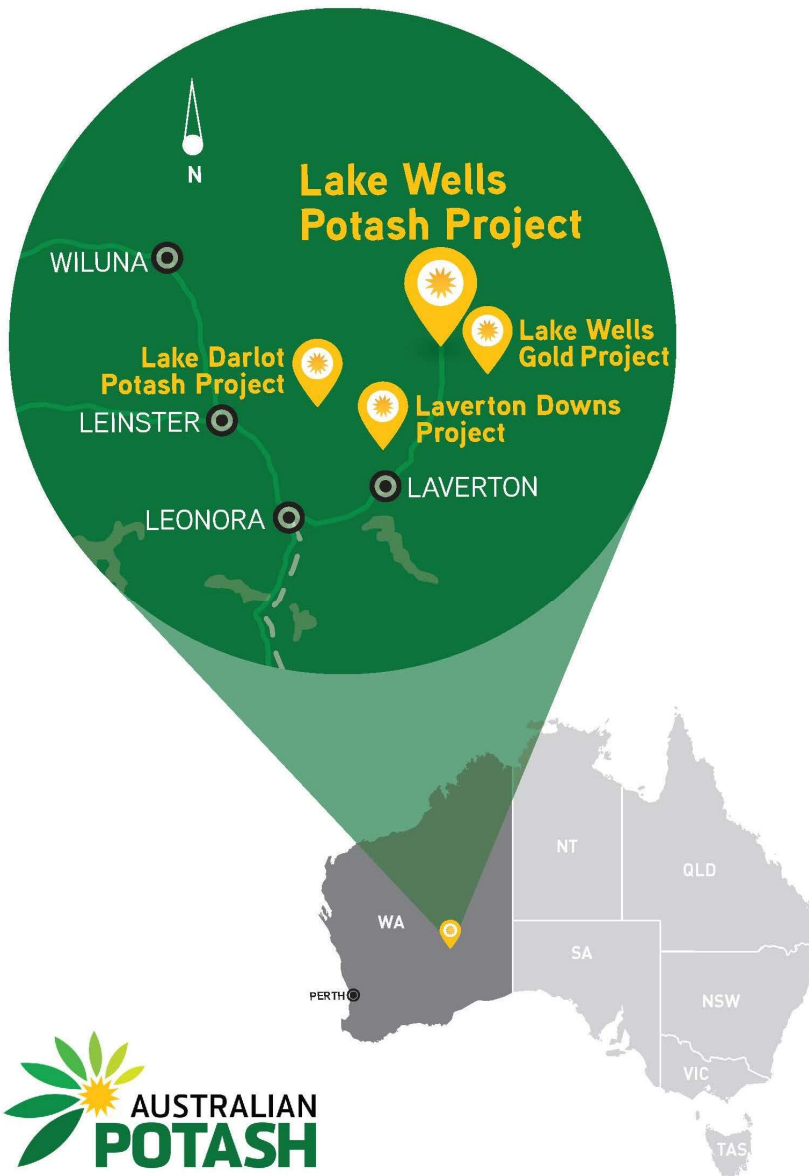
⁷ Refer ASX Announcements 9 February 2021, 12 September 2021 & 11 October 2021.

⁸ Tenements held by Lake Wells East Pty Ltd, a wholly owned subsidiary of APC.

⁹ Tenements held by Lake Wells Potash Pty Ltd, a wholly owned subsidiary of APC.

¹⁰ Tenements held by Laverton Downs Pty Ltd, a wholly owned subsidiary of APC.

About Australian Potash Limited



APC holds a 100% interest in the **Lake Wells Sulphate of Potash Project (LSOP)**, located approximately 500 km northeast of Kalgoorlie, in Western Australia's Eastern Goldfields. The Company is finalising pre-development plans for commencement of construction. First production from the LSOP is scheduled for 31 months from a Final Investment Decision.

K-Brite™ is a registered trademark brand of Australian Potash Limited and the brand under which the suite of high quality, premium SOP products from the LSOP will be marketed.

APC holds a 100% interest in the **Laverton Downs Project**, located 5 km north of Laverton, in Western Australia's Eastern Goldfields.

APC holds a 100% interest in the **Lake Wells Gold Project**, located 500 km northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Please visit www.australianpotash.com.au for more information.