

27 June 2017

AUSTRALIAN POTASH INCREASES TENEMENT HOLDINGS AT LAKE WELLS SOP PROJECT

Australian Potash Limited (ASX: APC) is pleased to advise of the acquisition of three tenements at its Lake Wells Potash Project from AngloGold Ashanti Australia Ltd (AGAA).

Regionally, brines containing Sulphate of Potash (SOP) are found within a palaeochannel traversing the project area. Exploration by previous owners indicates the deepest sections of the palaeochannel which host the Lake Wells brine resource is continuous through to the eastern part of the project area. The acquisition of the Tenements completes APC's landholding to cover the full extent of the defined palaeochannel and links the Western high-grade area with the Eastern resource.

The Tenements provide two potentially material benefits to APC and its development strategy at Lake Wells:

- Access to more SOP resource, which has the potential to increase the Lake Wells life of mine, and;
- Additional level of flexibility as to where the evaporation ponds can be located.

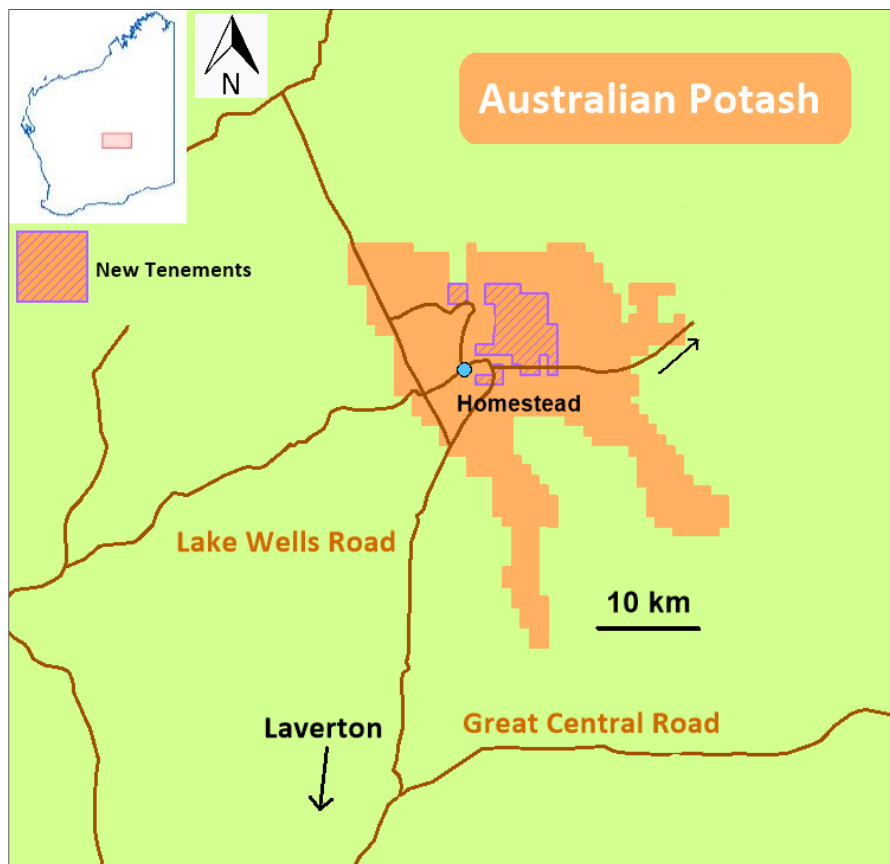


Figure 1: The acquisition of additional tenure at the Lake Wells SOP Project gives the company more development options through the feasibility program

APC Executive Chairman Matt Shackleton said:

"Brine SOP operations comprise three parts; extracting the brine, evaporating the brine and processing the evaporated salts. This new tenure potentially provides access to additional quantities of SOP, augmenting the project's forecast life of mine, and it also provides more evaporation pond development options.

"The scoping study generated a strong financial model based largely on developing the western high-grade zone. This acquisition was opportunistic, but with this additional ground we believe we can optimise the model to include nearby brine supply and pond development areas. Our hydrogeological consultants are working towards an exploration target on the ground, with our field team already planning seismic surveys and drilling programs. We look forward to updating our shareholders in due course on the outcomes of this work."

Terms

The Sale and Purchase agreement stipulates that the terms of the acquisition are to remain confidential, other than those terms required by the listing rules of ASX to be disclosed.

Accordingly, the following information is disclosed.

- the acquisition is for 100% of the right, title and interest in tenements E38/2988, E38/3018 and E38/3028;
- the acquisition includes all geological and technical information and data owned by and in the possession of AGAA at completion;
- completion is not subject to any material conditions; and
- consideration is \$300,000, with \$150,000 paid on settlement and the balance to be paid on 31 August 2017.

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 planned to commence

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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. APC will use the technically low-risk and commonly used bore-field brine extraction model across the palaeochannel hosting the Lake Wells SOP resource.

The Company has signed two MOUs with large Chinese fertiliser companies¹ for a potential total off-take amount of up to 200,000 tonnes per annum of SOP.

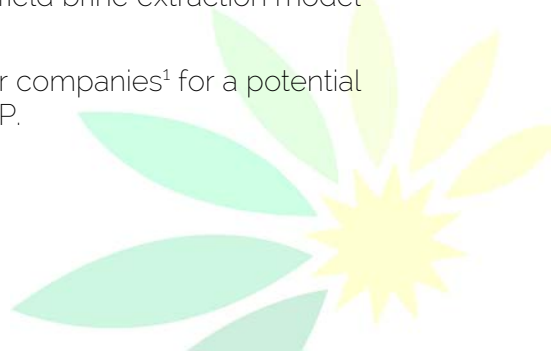




Figure 2: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields

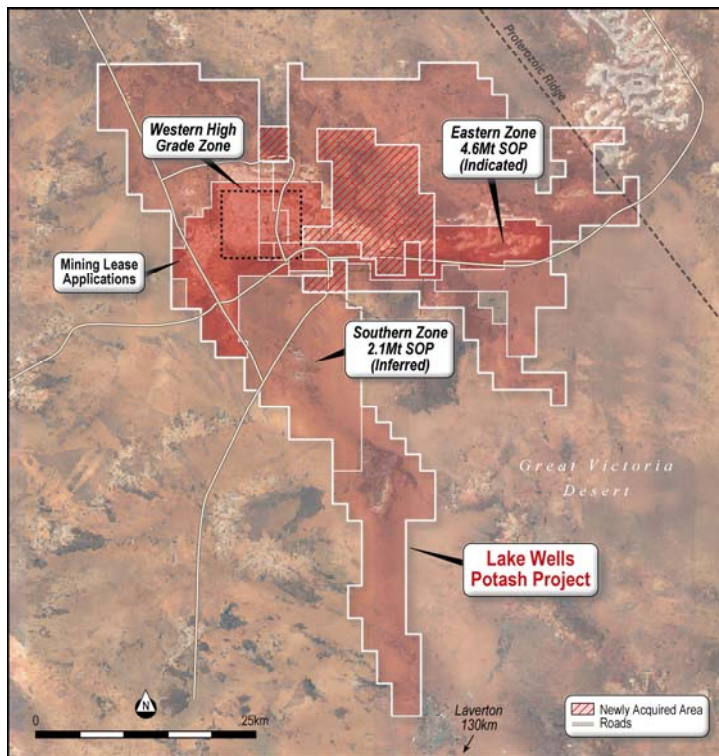


Figure 3: The Lake Wells Potash Project tenure and regional road network

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

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.

¹ Refer to ASX announcements 9 June 2017 'Off-Take MOU Signed With Major Chinese Fertiliser Group' and 19 June 2017 'Second Off-Take Broadens Regional Engagement'. Those announcements 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 are not aware of any new information that materially affects the information contained in the 9 June and 19 June 2017 announcements.

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.

