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ASX Announcement
31 January 2018

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 DECEMBER 2017

Highlights:

Lake Wells Sulphate of Potash Project – Western Australia

- **Key technical development with long-term test-pumping confirming assumptions of drainage of brine from the clay sedimentary layer into the highly permeable basal sand layer, or the lower production aquifer**
- **Pilot solar evaporation pond system commissioned with first fill of brine from site production bores: first SOP samples on track for production Q2 2018**
- **Geotechnical field programs confirm the continuity of the modelled low-permeability clay layer immediately below proposed evaporation pond area**
- **Project development referred to Environment Protection Authority: assessment status pending with approvals process well advanced**

Yamarna Gold Project – Western Australia

- **CSA Global complete multi-element interrogation and analysis at Yamarna, building on the initial structural review completed in July 2017**
- **Geochemical data confirms priority targets for follow-up testing including walk-up drill targets**
- **Drill program finalised post-period end** (see Figure 4)

Corporate Activity

- **A$1.8 million Research and Development tax incentive received**

Australian Potash Limited (ASX: APC) ("**APC"** or the "**Company"**) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 December 2017.

Executive Chairman, Matt Shackleton commented, "A key focus for our team during the quarter was to further define and de-risk our development plans at the Company's flagship Lake Wells SOP project in WA as evidenced by the completion of key technical on-site programs.

"In December, we referred the proposed project development to the Environment Protection Authority (EPA), reflecting the culmination of our extensive baseline environmental studies program. Following the closure of the public comment period in January 2018, we are expecting the EPA to advise which assessment pathway the project will be considered under during Q1 2018.

"The very robust results returned from the ongoing long-term test-pumping program in November have reaffirmed the enormous potential of the Lake Wells SOP project and given our team a clear pathway to further optimise project economics in the near-term.

"The geotechnical program conducted across the Lake Wells surface confirmed the continuity of the previously modelled low-permeability clay layer immediately below the proposed evaporation pond area. This is encouraging in terms of optimising capital expenditure for pond development through unlined, on-playa evaporation ponds.

"We also remain very excited by the strategic optionality provided by our Yamarna Gold Project in WA. Following the in-depth analysis conducted by CSA Global, post quarter end we finalised plans for our initial drill program, which is discussed below. Strategically, the board are considering a number of options to advance the project's value and to then realise that value for shareholders.

"The Board looks forward to providing further updates across what is shaping to be a very busy start to 2018."

Project Developments

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) SOP processing operation, supported by a 35-bore brine abstraction network.

At the start of the quarter, 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 1: The Pilot Solar Evaporation Pond at Lake Wells is likely to produce first 'feeder' salts in late February 2018, with first SOP samples scheduled to be produced in April 2018

On October 27, the Company advised that the recently completed geotechnical survey program at Lake Wells confirmed a continuous layer of low-permeability clay across 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.

In November, APC received significant new information from its long-term test-pumping program at Lake Wells, with the program confirming key resource estimation and extraction parameters.

Key outcomes and project implications included:

- First results of the long-term test pumping program used to confirm the downward drainage of brine assumption in the JORC Mineral Resource Estimate (MRE), with strongly positive implications for long-term yield and extractable SOP volumes;
- The confirmation of bores as the optimal method of extraction as envisaged in the Scoping Study following an external review by leading hydrogeological consultancy firm AQ2.

A long-term pumping test was commissioned to demonstrate that the Lake Wells project palaeochannel performs in a similar manner to the palaeochannel borefields near Kalgoorlie, in that abstraction from the basal sand aquifer induces downward drainage of the intermediate clay. A successful test outcome is a significant response in the intermediate clay, which indicates brine is recoverable from all sections of the stratigraphic sequence.

Abstraction commenced from the basal sand aquifer (TPB003) on 20 October at a constant rate of 15 L/s. Contrary to the conservative analytical calculations of overlying aquifer response times, measurable responses in the clay monitoring bore (LWDRM006) occurred in the first day of testing.

After 25 days of testing, 31 metres of drawdown was recorded in the intermediate clay monitoring bore, and 0.35 metres of drawdown in the upper sand aquifer monitoring bore. Groundwater analysis was conducted using a logarithmic time scale, with a 25 day-test therefore representing a confident forecast of life-of-mine sustainability.

The magnitude of response indicates the intermediate clay overlying the basal sand aquifer is relatively hydraulically conductive and brine hosted within the strata overlying the basal sand is accessible and recoverable by abstraction from the basal aquifer alone.

Next Quarter

- Production of feeder salts for maiden SOP production and advancing the off-take MOU discussions with Chinese partners
- Continuation of long-term pump testing program
- Planning for and installation of additional 2 test-production bores
- Commencement of on-site pond construction trials
- Progressing numerical flow model and maiden Reserve estimate
- Following EPA assessment guidance, rapidly advancing project approvals and licensing

<u>Yamarna Gold Project – Western Australia</u>

The Yamarna Gold project is situated 130km north-east of Laverton in Western Australia's Eastern Goldfields. APC's tenements cover approximately 1,400km^2, contiguous to Gold Road Resources Ltd's North Yamarna gold project, and 60km north-west of the 6-million ounce Gruyere mine development.

During 2017, the Company commissioned CSA Global to conduct a structural interpretation and targeting exercise at the Yamarna Gold project. This initial review identified that the Yamarna Gold

project area was conducive to Archaean Lode/orogenic gold type mineralisation, with a structural analogy to the southern Abitibi/Timmins in Canada (see Figure 2).

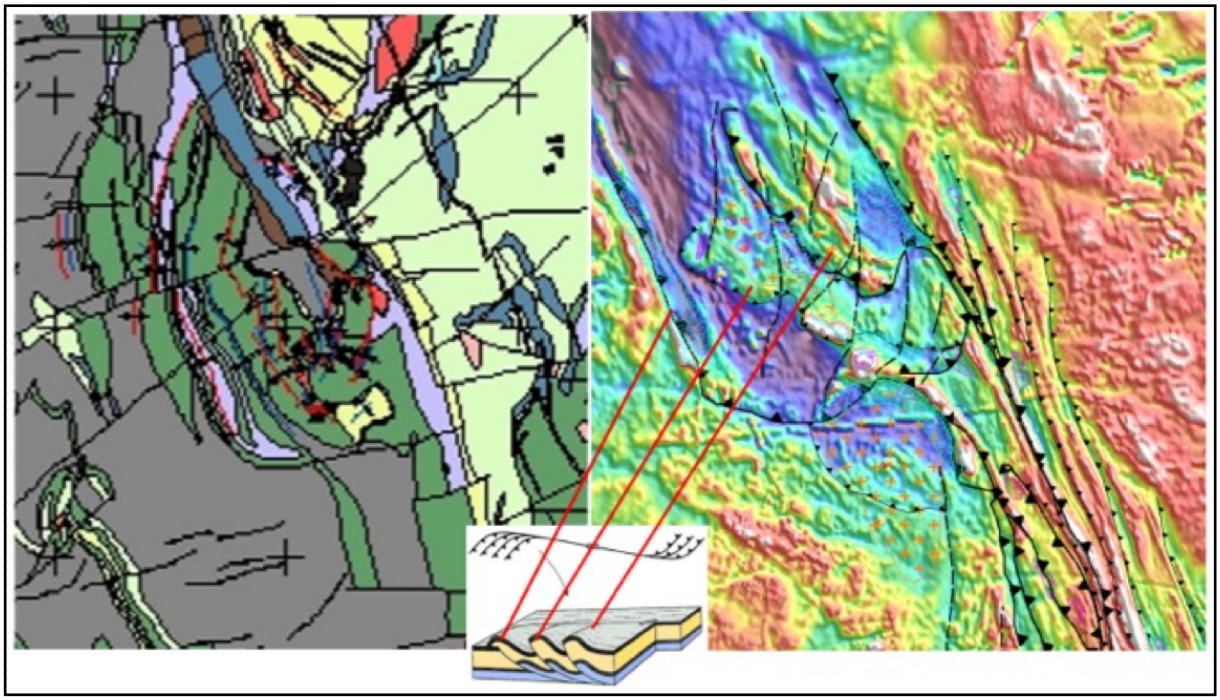

Figure 2: Subset of the Abitibe geology map, rotated 90º, (left had side) showing the Timmins gold mining camp as a comparative structural setting to APC's Yamarna Gold Project (simplified reproduction of full CSA Global interpretation, right hand side)

The initial review concluded that an additional lithological and geochemical interpretation would provide further insight into the identified targets. This additional review confirmed the priority drill targets identified in the structural review, as shown in Figure 3.

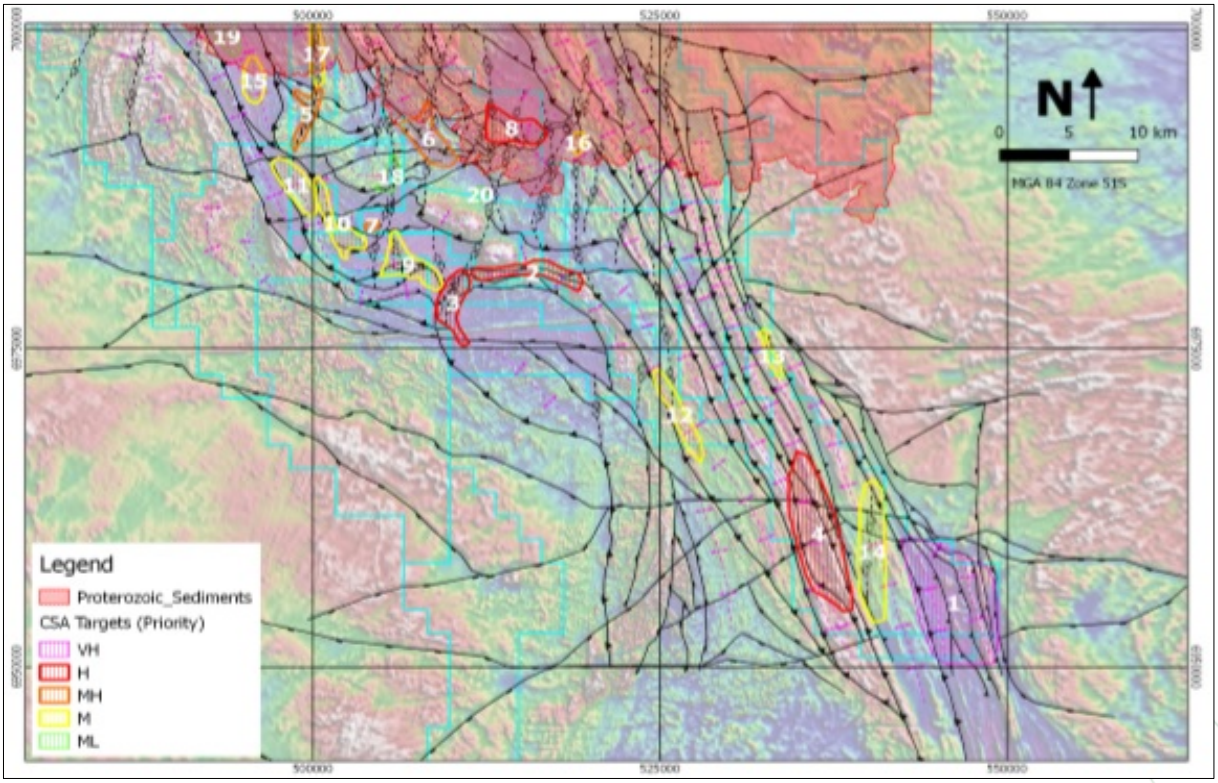

Figure 3: Yamarna Gold project area showing targets numbered based on considered order of priority. Drill planning at target area 1, circa 2.2km north-west of Gold Road Resources' Ibanez/Corkwood prospect has been finalised

Significantly, the analysis identified that mineralisation within the project area has a magmatic association and presents intrusion related mineralisation targets, examples of which globally typically contain greater than 3Moz of gold.

The Lake Wells area considered in the reviews comprises over 1,400km^2 of granted and pending tenure across 16 exploration licenses, encompassing the majority of the northern third of the Yamarna Greenstone Belt.

Next Quarter

The initial air-core (AC) drill program following the in-depth analysis conducted by CSA Global into the structural, geochemical and lithological setting of the Yamarna Gold project has been finalised (see Figure 4). The Company aims to execute the drill program through Q2 CY2018.

Given the effectiveness of using geochemistry to map alteration, the program comprises broadly spaced AC drilling. AC drilling provides reliable samples through sedimentary cover, and with the addition of a hammer bit, it can be expected that good quality bedrock samples will be collected from each hole.

The program has been designed across three target priorities. Figure 4 shows the proposed drill lines along with the priorities attached to each.

Of highest priority are the Priority 1 (P1) lines immediately along strike from the neighbouring Ibanez prospect. These southern P1 lines are sandwiched between Ibanez, other encouraging results found in publicly available drill data, and APC drill data.

Priority 2 (P2) and priority 3 (P3) lines are a mixture of infill to P1 lines and testing targets within the broader target zone.

Ultimately, the board will consider the strategic direction that provides the most benefit to shareholders. This initial drill program will enhance the understanding of the region's gold prospectivity, which will further inform the board in their deliberations.

Corporate Activity

Research and Development Tax Incentive Received

On November 23, the Company advised that it received a A$1.8 million Research and Development Tax Incentive. The incentive recognised the innovative test work activities undertaken by the Company during the financial year ending 30 June 2017, in progressing the Lake Wells project.

The funds were used to continue the test work programmes currently underway aimed at advancing the Lake Wells Sulphate of Potash Project towards development.

The cash position of APC at the end of the quarter was A$1.8 million.

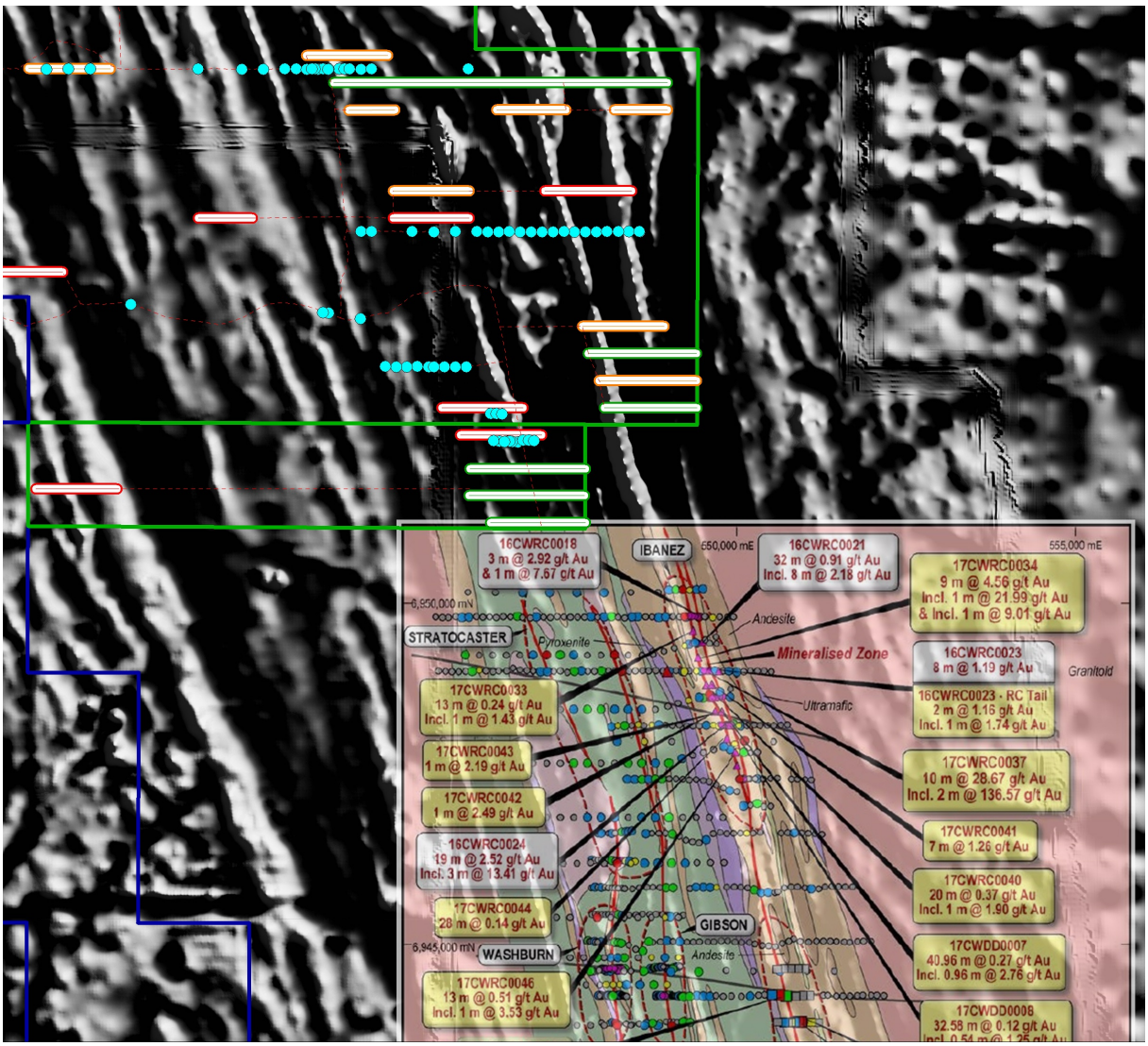

Figure 4: The initial air-core drill program has been finalised comprising P1 (green), P2 (orange) and P3 (red) drill lines across the target area ranked 1 by CSA Global. Image included showing Gold Road Resources Limited's (ASX: GOR) data sourced from ASX announcement of 7 August 2017 'High Grade Mineralisation Confirmed at Ibanez'

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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[i]. 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[i]
- 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[ii] 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.

[i]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.

[ii]Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.