

31 July 2017

JUNE 2017 QUARTERLY ACTIVITIES REPORT

Highlights of activities during Q2

- Commencement of the feasibility study program to progress the Lake Wells SOP project to an investment decision
- Completion of the Native Title Process with no NT claim at APC's project
- Mining License submitted and application progressing
- Construction commenced on the five pond pilot evaporation program
- Commencement of stage 2 brine bore installation program
- MOUs signed with two of China's largest SOP producers, users and importers: Sino-Agri and Hubei-Agri to purchase Lake Wells SOP
- Acquisition of additional Lake Wells tenements with the total land-holding now extended to c.2,000kms² resulting in the potential to increase the Lake Wells resource through inclusion of palaeochannel in newly acquired ground
- Currently the largest indicated recoverable SOP resource in Australia of 12.7Mt at 8,237mg/l SOP including some of the highest grade SOP samples yet reported in Australia - up to 16,400mg/l SOPⁱ
- Verification of 50% increase in SOP output through MOP conversion circuit using excess sulphates in brine, a process which has been proven in a number of operations globally
- Further test work has resulted in a material improvement of recovery rate on potassium from brine to +71% (from 51%)
- Review of gold potential on the Company's significant Yamarna greenstone belt tenement holding commenced
- Board strengthened through the appointment of highly experienced and credentialed resource industry professionals Brett Lambert and Rhett Brans
- Cash and receivables position of circa A\$3.6million being cash on hand of A\$2m (30 June 2017) and A\$1.6m in R&D claim receivableⁱⁱ

Significant advancement in key work streams planned in Q3

- Gold exploration and drilling at the Yamarna gold project
- Commissioning of the large scale 5 pond pilot evaporation program
- Development of a further 4 brine production bores, brings total installed to 7
- Flow rate testing on new production bores
- Resource extension through exploration target estimate on new palaeochannel



- **Commencement of large scale evaporation pond constructability program**
- **Commencement of spring fauna and flora survey programs**

Australian Potash Executive Chairman Matt Shackleton said *"The June quarter was another quarter of significant progress for APC. The feasibility program commenced, building on and rapidly optimising the high returning scoping study results published in Q1ⁱⁱⁱ."*

"The coming quarter will see continued focus on field activities, test-work and process design for the Lake Wells SOP project."

"We will also be evaluating opportunities to realise value from the recently confirmed and highly significant gold prospectivity at the Yamarna gold project, which has the potential to deliver material value to our shareholders."

Introduction and overview

The quarter delivered a number of significant project and corporate developments for APC.

The board was transitioned and strengthened to reflect the strategy of advancing the Lake Wells SOP project in a rapid timeframe. The Company added greater than 60 years of direct project development and management experience to the Company as well as enhancing our corporate capabilities. This very strong oversight function is combining well with the industry leading project team APC has assembled, allowing APC to move the project through the next stage with confidence.

In the field, work advanced with the progression to the second stage of the brine production bore program. The first of the 4 planned brine wells is expected to be completed in early August. Once the further 3 brine wells are developed APC will commence the long-term test pumping program to verify the sustainability of the massive SOP production aquifers already estimated.

In addition, continued modelling on the brine chemistry and lithology of Lake Wells has resulted in an improved estimated recovery of potassium to 71%.

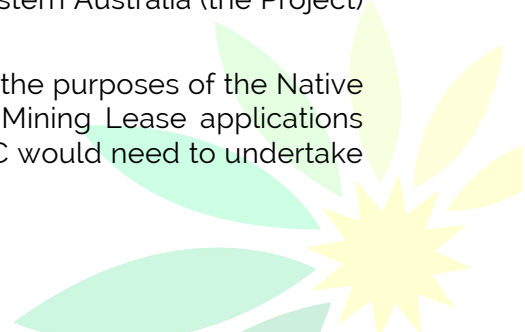
Outside of APC's SOP field programs, southern neighbours' Gold Road Resources (ASX: GOR) continued to have success with their gold exploration program. The significant interest the Company received from industry around the gold potential of the large tenement holding in the Yamarna directed us to commission a review of the structures and controls of the project area, and defining the target potential. The findings of this review have been revelatory, with the Company determining that further evaluation ought to be carried out in order to determine its value for shareholders.

Mining Lease Applications

Completion of the Native Title Process

During the quarter, the native title processes in relation to the Mining Lease applications at the Company's 100%-owned Lake Wells Potash Project in Western Australia (the Project) were completed.

The Department of Mines and Petroleum gave notification for the purposes of the Native Title Act 1993 (Cth) (NTA) on 11 January 2017 in respect to Mining Lease applications 38/1274, 38/1275 & 38/1276. In accordance with the NTA, APC would need to undertake



the right to negotiate process with any claimant group that made a claim by 11 April 2017 and had their claim registered by 11 May 2017. No claim was made by 11 April 2017, and no claim was registered as at 12 May 2017.

5 Pond Pilot Evaporation Program

During the quarter, APC received all necessary regulatory approvals to proceed with the development of the 5 pond pilot evaporation program^{iv}. These ponds will commence to produce approximately 20 tonnes of the feeder salts for processing into SOP. Construction of the evaporation ponds was completed in July 2017, with commissioning of the ponds to take place through August. Test-work on the bulk samples of potash salts from the pilot evaporation pond program will further optimise process design, and allow the Company's Chinese MOU partners to conduct their own test-work to determine possible product specifications. Ultimately the outcome of the various test-work programs on the potash salts produced from the pilot ponds will form the basis for future off-take agreement discussions.

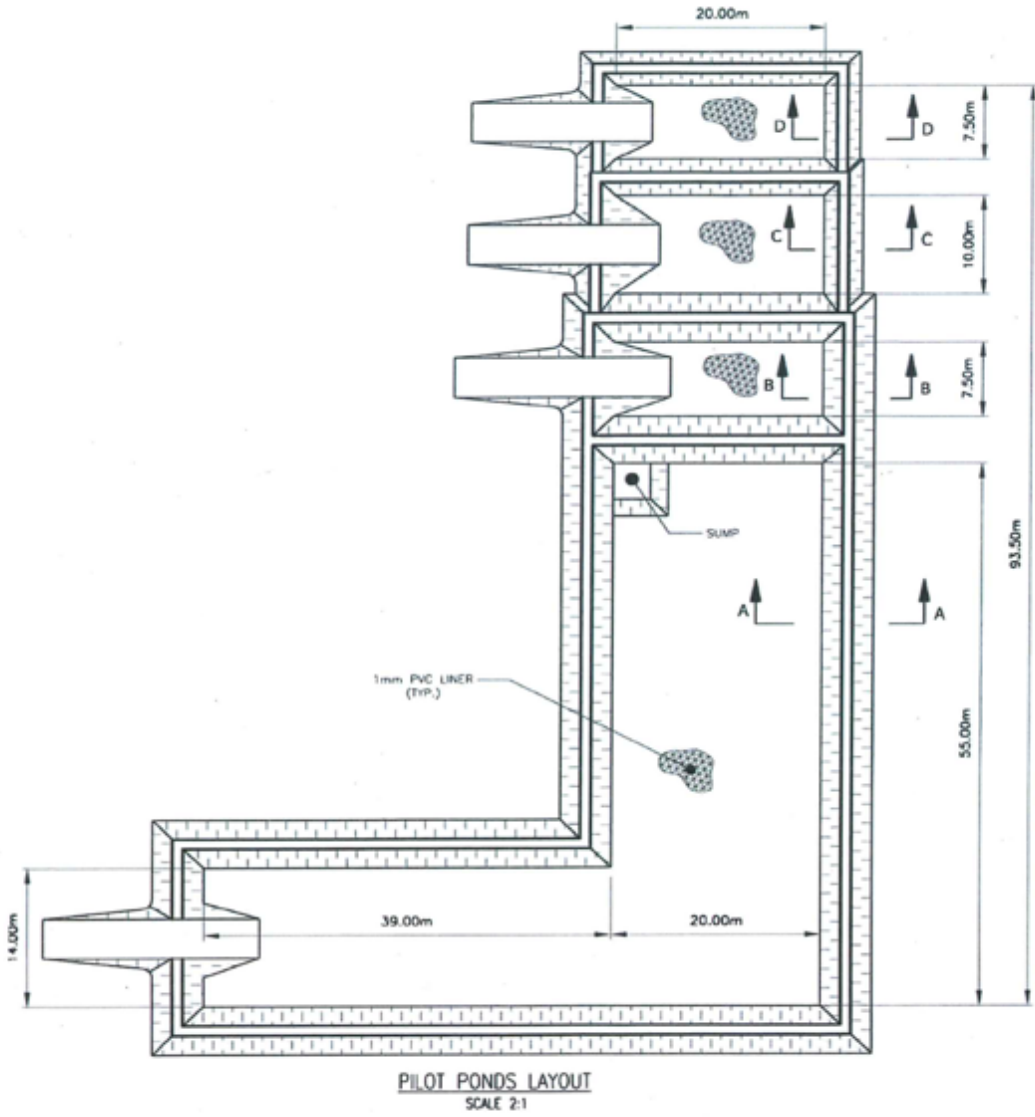
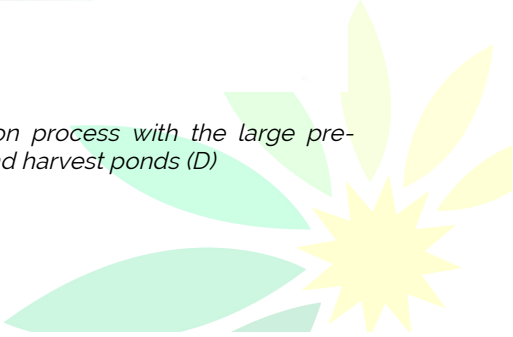


Figure 1: The pilot evaporation ponds will mirror the full-scale evaporation process with the large pre-concentration pond (A) feeding brine into the smaller crystallisation (B & C) and harvest ponds (D)



Off-take MOUs Signed

During the quarter, APC signed two non-binding Memorandums of Understanding (MOUs) for the supply of SOP (Sulphate of Potash) with Sino-Agri Holdings Company Limited^v (Sino-Agri), and Hubei Agricultural Means of Production Group Co Ltd (Hubei-Agri)^{vi} for sales of up to 100ktpa of SOP.

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 rateⁱ. 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.

Sino-Agri is one of China's largest fertiliser corporations with 60 years of operating history. Sino-Agri is both a domestic producer, trader and distributor of a range of domestic and imported fertiliser products.

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

Acquisition of Tenements

During the quarter, APC acquired three tenements at its Lake Wells Potash Project from Anglo Gold Ashanti Australia Ltd (AGAA). The acquisition was for 100% of the right, title and interest in tenements E38/2988, E38/3018 and E38/3028;

The acquisition of the Tenements completes and expands 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, with an exploration target currently being estimated for the new tenure, and;
- Additional level of flexibility as to where the evaporation ponds can be located.



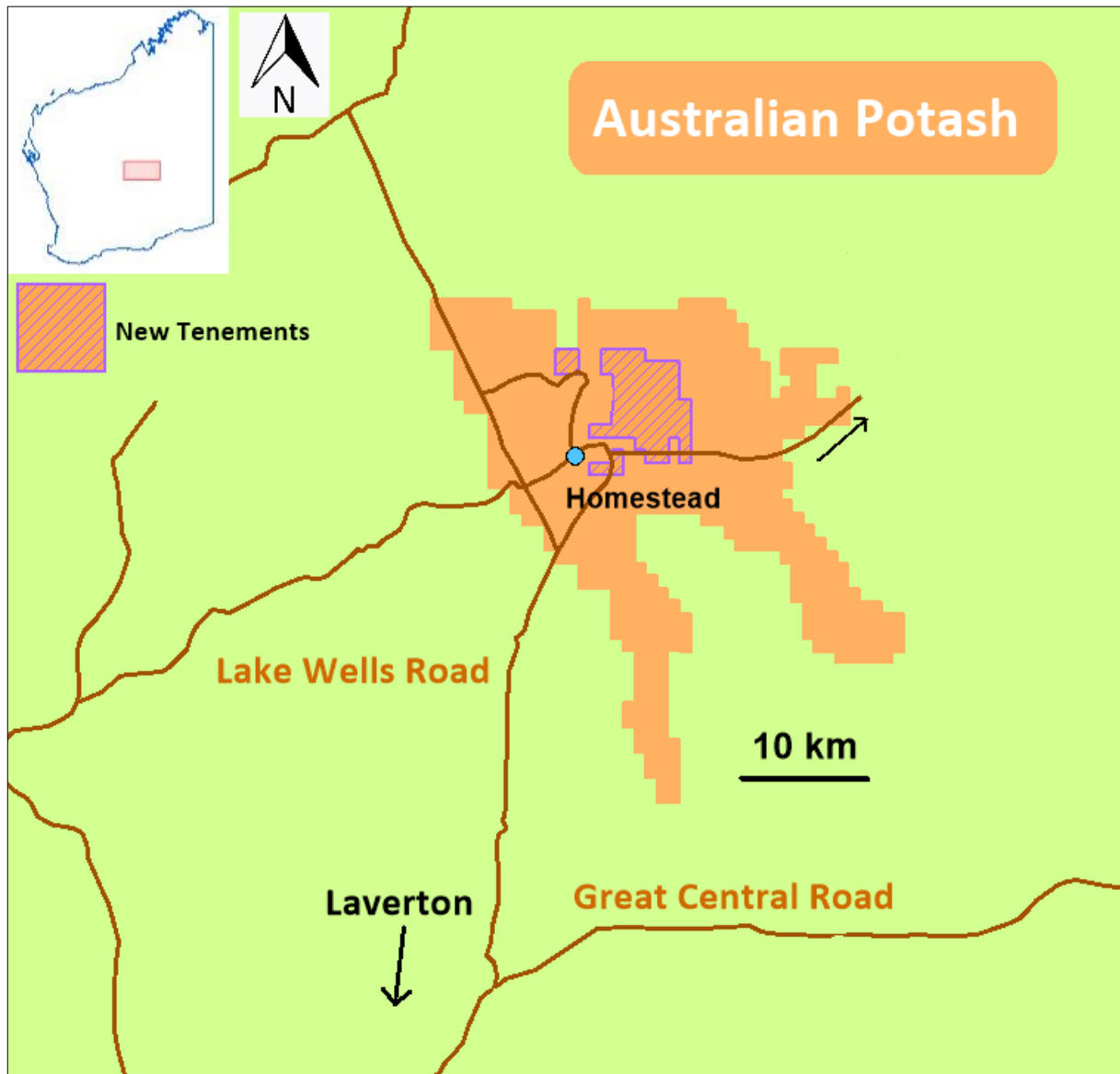


Figure 2: The acquisition of additional tenure at the Lake Wells SOP Project gives the Company more development options through the feasibility program

APC's Gold Potential

Subsequent to quarter end, and following the June 2017 announcement by neighbour Gold Road Resources (ASX: GOR) of outstanding gold results 2kms south-east of APC's tenement holding, including 10m @ 28.76g/t Au and 9m @ 4.56g/t Au at the Ibanez prospect^{vii}, APC commissioned experts in the Yamarna region, CSA Global, to conduct a gold structural interpretation and targeting exercise. APC's tenements cover an estimated 65kms of strike 60kms north-west & along strike of the 6m ounce Gruyere mine development^{viii}. 18 priority gold targets identified along a 62 kilometre strike length for further exploration and drilling, including 9 high priority areas. The gold exploration and drilling program is scheduled to commence Q3 2017.^{ix}



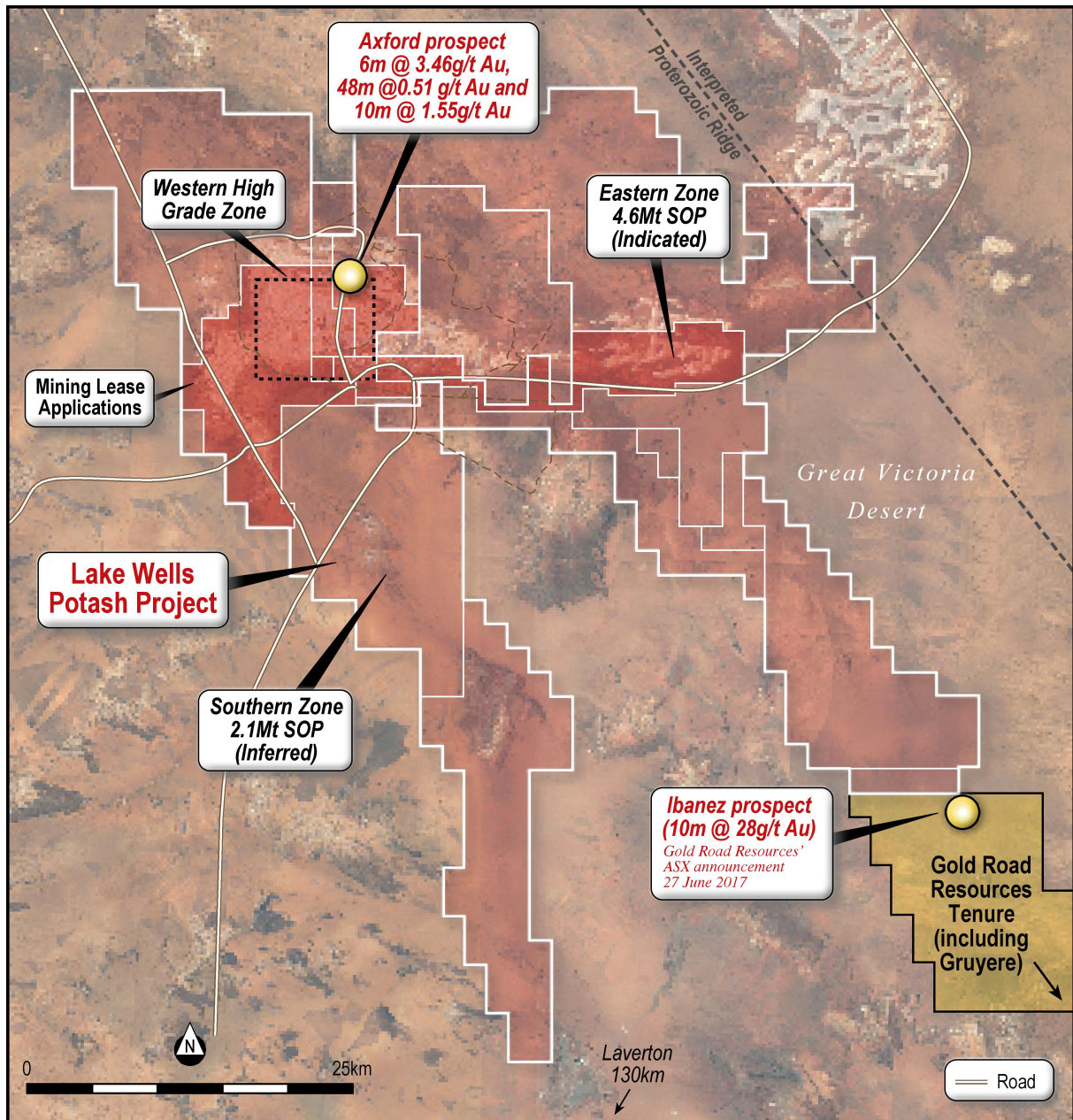


Figure 3: APC's Yamarna gold project sits contiguous to the highly gold endowed Corkwood gold camp currently being explored by Gold Road Resources Ltd (ASX: GOR)

Corporate

Board Appointments

During the quarter, on 9 May 2017, APC appointed Messrs Rhett Brans and Brett Lambert to the board as non-executive Directors. The evolution of the board is to prepare APC as it progresses through the next stages of project studies, finance and ultimately development. To facilitate the changes Messrs Brenton Siggs and Dean Goodwin tendered their resignations from the board of APC.

Cash

At the end of the quarter, the Company had cash and receivables balance of \$3.6m, comprising \$2m cash at bank and \$1.6m in R&D grant receivableⁱⁱ.



Tenement schedule


Project	Tenement	Interest at 1 April 2017	Action	Interest at 30 June 2017
Lake Wells Potash Project	E38/1903	100%	-	100%
	E38/2901	100%	-	100%
	E38/2505	100%	-	100%
	E38/3021	100%	-	100%
	E38/3039	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	-	100%
	E38/2744 ¹	100%		100%
	E38/2742 ²	100%		100%
	E38/2988	-	Acquired	100%
	E38/3018	-	Acquired	100%
	E38/3028	-	Acquired	100%
	E38/3109	100%		100%
	ELA38/3224	0%	Application	0%
	ELA38/3225	0%	Application	0%
ELA38/3226	0%	Application	0%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
Hack Well	E38/2945	100%	-	100%

For further information, please contact:

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Media

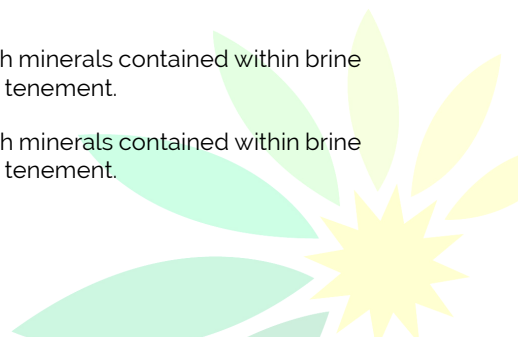
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¹ Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

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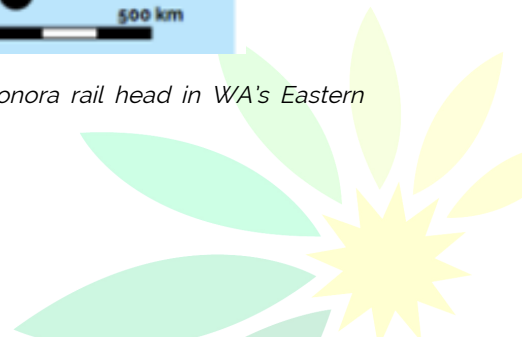
About Australian Potash Limited

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.



Figure 4: The Lake Wells Potash Project is located 300kms from the Leonora rail head in WA's Eastern Goldfields



A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017^x. 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^x
- 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^{xi} 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

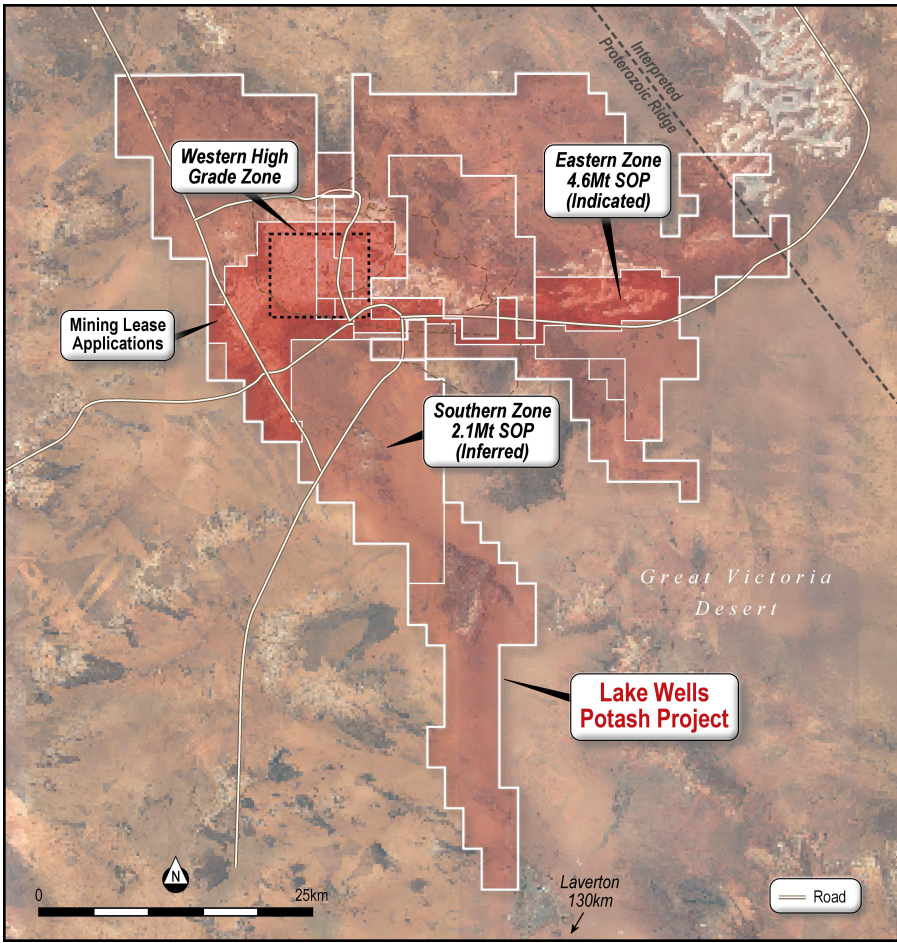


Figure 5: Mining lease applications have been made over the Lake Wells Potash Project and the Native Title Process has been completed. No native title claim was lodged over the proposed development area.



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.



ⁱ Refer to ASX announcement 29 June 2016 'Strong Maiden Resource Underpins Goldphyre's WA Potash Development Strategy'. 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 29 June 2016 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 29 June 2016 announcement continue to apply and have not materially changed.

ⁱⁱ AUSINDUSTRY R&D Rebate claim to be assessed when the Company's 2017 income tax return is lodged, with funds expected to be received through Q3

ⁱⁱⁱ 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 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.

^{iv} Refer to ASX announcement 27 March 2017 'Final Approvals Received for Pilot Evaporation Pond Program'.

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

^{vi} Refer to ASX announcement 19 June 2017 'Second off-take broadens regional engagement'.

^{vii} Gold Road Resources Limited, ASX announcement 27 June 2017, 'Yamarna Exploration Update: Significant Intersections Returned Across Tenement Package'.

^{viii} www.goldfields.com.au

^{ix} Refer to ASX announcements 27 July 2017 'Nearby drilling on structural trend elevates APC's gold potential'

^x 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 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.

^{xi} Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

