

29 January 2021

ASX ANNOUNCEMENT
ASX: APC

AUSTRALIAN POTASH LIMITED

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 DECEMBER 2020

Highlights

Lake Wells Sulphate of Potash Project (LSOP) – WA, 100% owned

- **Funding Strategy Execution**
 - Export Finance Australia commenced due diligence on and detailed assessment of the LSOP
 - The Northern Australia Infrastructure Facility (NAIF) undertaking the technical and financial due diligence required for the board of NAIF to consider an investment decision
 - Lender's Independent Technical Expert, Behre Dolbear, commenced a review of the financial and technical metrics of the LSOP development and operations
 - APC continuing to review indicative terms sheets provided by commercial lenders following due diligence conducted through the December quarter
 - Aiming to update the market on the Company's funding strategy by the end of Q3 FY21
- **Offtake Program**
 - 20,000 tonne take-or-pay binding agreement signed with HELM AG for distribution through the United States of America
 - 100% of DFS projected output of 150,000 tpa now under offtake
- **Approvals Pathway**
 - Minister for Environment has largely dismissed the appeal against the EPA report into the LSOP, with one minor amendment to previously advised conditions of approval (*post-quarter end*)
 - Consultations with relevant decision-making authorities underway
- **Community Engagement**
 - The Laverton STEM program pilot program was effected at the Laverton School, with plans agreed for the roll-out of the program through the 2021 – 2023 school years
 - The Laverton VET program planning continued with strong support from the Laverton Shire and senior traditional elders in the region

Lake Wells Gold Project (LWGP) – WA, Joint Venture with St Barbara (SBM)

- Drilling by Joint Venture partner SBM has continued to expand the footprint and tenor of gold mineralisation
- Mineralised corridor exceeding 9 kilometres in length delineated
- Highest grade air-core (AC) assay results from regional scale drilling program returned
- Diamond core drill program underway with two holes of a three-hole program completed and assays expected from March 2021 (*third hole completed post-quarter end*)
- A 19-hole, 3,400 metre Reverse Circulation (RC) drill program underway with assays expected from March 2021
- **Capital Raising**
 - \$7 million raised through an oversubscribed placement to institutional and professional investors

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 2020.

Managing Director and CEO, Matt Shackleton, commented: *“The December 2020 quarter was focussed towards addressing the Independent Technical Expert’s investigations into the LSOP development models, assisting lending institutions including EFA, NAIF and commercial banks with their due diligence programs, and engaging contractors with Early Works programs and plans.*

“Discussions continued with Indigenous stakeholders in the Laverton region, as plans progressed to develop the Laverton Vocational & Education Training facility. An adjunct to the Laverton STEM program initiated by APC through the quarter, the LVET is targeting the commencement of training programs on-country through Q3/Q4 2021.

“The Minister for Environment considered the Appeals Convenor’s report into the appeal lodged against the EPA’s report into the LSOP. Notwithstanding the concerns raised by the appellant, the Minister concluded that APC’s consultation with Indigenous stakeholders throughout the exploration and development planning for the LSOP was highly appropriate and comprehensive. We look forward to continuing these consultations and remain committed to a long and mutually beneficial relationship with traditional knowledge holders.

“The Minister has commenced the final approvals process, which is consulting with the Ministers of the relevant decision-making authorities within State government.

“Our JV partner at the LWGP, St Barbara Limited, continued execution of their exploration program through the quarter. Following the return of impressive Air-Core results which delineated a mineralised corridor exceeding 9 kilometres, a diamond rig and an RC rig were mobilised to site.

“Post quarter end the diamond rig completed the third of three holes designed to follow up the AC program results and test a previously untested EM anomaly. We very much look forward to updating shareholders through the March quarter with assay results from both the diamond and the 19-hole RC programs.

“The March quarter is shaping as one of the most important in the Company’s development. With the LSOP moving to final investment decision, the LWGP showing strong signs of continuing the rich history that north-eastern Goldfields greenstone belts are globally famous for and early exploration commencing on two new project areas we anticipate a pipeline of strong and steady updates.”

Lake Wells Sulphate of Potash Project (LSOP) – WA, 100% owned

Funding Strategy

During the quarter, Export Finance Australia confirmed that it would undertake a detailed due diligence on providing an additional tranche to the proposed multi-tranche senior debt facility, which it commenced in late October 2020 and is ongoing.

This tranche will be in addition to, and not replacement of, the previously announced potential NAIF tranche (refer to the announcement dated 3 April 2020) and the commercial bank tranche being considered by APC.

The Company is continuing to review indicative terms sheets provided by commercial lenders (which it is anticipated would form a club arrangement for a syndicated debt facility) following due diligence conducted through the December quarter.

During the quarter, the lenders' independent technical expert, Behre Dolbear, undertook its review of the financial and technical metrics of the LSOP development and operations. A Public Benefits Report and Independent Market Report were completed during the quarter.

NAIF is undertaking the technical and financial due diligence required for the board of NAIF to consider an investment decision.

The Company anticipates being in a position to update the market regarding its funding strategy by the end of Q3 FY21.

Capital Raising

During the quarter, the Company completed a placement to institutional and sophisticated investors to raise \$7 million at \$0.111 per share following which it issued 63,063,064 fully paid ordinary shares (**Placement Shares**) to Placement participants.

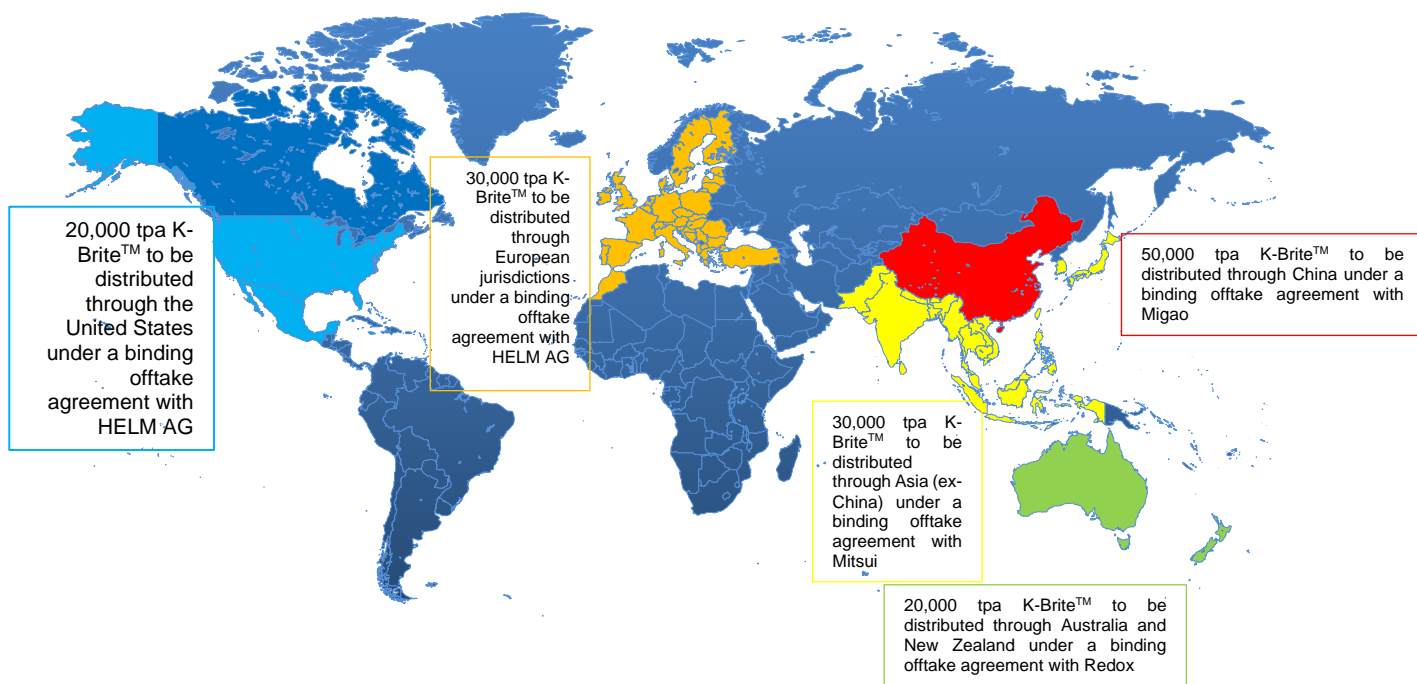
The Placement Shares were issued on the same terms as, and rank equally in all respects with, the existing fully paid ordinary shares in the Company. 48,656,054 Placement Shares were issued under the Company's 10% placement capacity under ASX Listing Rule 7.1A, and 14,407,010 Placement Shares were issued under the Company's 15% placement capacity under ASX Listing Rule 7.1.

Offtake Finalised

In November 2020, a binding 10-year take-or-pay term sheet was signed with HELM AG (**HELM**) for 20,000 tpa of K-Brite™ sulphate of potash from Lake Wells for distribution into the United States of America. Pricing is based on a Net Realised Price basis, incentivising HELM to achieve the highest sales price in the market jurisdictions covered by the agreement.

100% of the Company's DFS projected output of 150,000 tpa is now under offtake.

The Company's marketing program covers the following jurisdictions:



Approvals Pathway

Post-quarter end, the Company was notified by the Office of the Appeals Convenor that the Minister for Environment had issued an Appeal Determination in relation to an appeal lodged against the EPA Board's recommendation that the LSOP be approved for development.

The Minister was satisfied that the EPA's assessment of the proposal was appropriate and sufficient to establish the risk posed to its Social Surrounds and has largely dismissed the appeal. The Minister has recommended that one of the conditions recommended by the EPA in its recommendation be amended.

The Minister will now commence consultation with relevant decision-making authorities as to whether or not the proposal may be implemented, and the conditions which apply to any such implementation, under section 45(1) of the EP Act.

Lake Wells Gold Project (LWGP) – WA, Joint Venture with St Barbara (SBM)

As announced on 8 October 2018, APC and St Barbara Limited (SBM) entered into an Earn-in & Joint Venture Agreement (Agreement) covering APC's tenure at the LWGP.

Post-quarter end, drilling by SBM has continued to expand the footprint and tenor of gold mineralisation, with a mineralised corridor exceeding 9 kilometres in length delineated (refer to Figure 1 below).

The LWGP exploration program is based upon a comprehensive and detailed dataset that includes magnetic and gravity geophysics, and mapping of bottom of hole (BOH) geochemistry. Analysis of the available data has generated target opportunities for follow up drill programs. SBM commenced the drilling programs with a circa 60,000 metre Air-Core program, which in turn has delineated a ~1km wide mineralised corridor extending over 9 kilometres at the Southern Yamarna Anomaly Camp (SYAC).

It is important to understand that the Yamarna greenstone belt is not only home to the multi-million-ounce Gruyere JV Project which is targeted to produce an average of 300,000 ounces per annum for 10 years, but are typified by a deep cover profile and subtle gold anomalies, lending itself to exploration using AC drilling. SBM's confidence in the AC drilling technique, combined with the BOH geochemical mapping and targeting previously concluded (conducted?), is reassuring and demonstrated by the mobilisation of both DDH and RC rigs to site.

The highest grade air-core (AC) assay results from the regional scale drilling program were returned, including:

- LWAC0900: 1m @ 3.88g/t Au from 47m
- LWAC0979: 3m @ 2.03g/t Au from 62m including 1m @ 5.53g/t Au from 62m and 4m @ 0.33g/t Au from 71m
- LWAC0824: 3m @ 0.99g/t Au from 53m including 1m @ 2.46g/t Au from 55m and 1m @ 0.111g/t Au from 58m

A diamond core drill program is underway with two holes of a three-hole program completed and assays expected from March 2021 (*third hole completed post-quarter end*). Further, a 19 hole, 3,400 metre Reverse Circulation (RC) drill program is underway, with assays expected from March 2021.



Figure 1: Project location map showing the South Yamarna Anomaly Camp (SYAC)

Corporate and Financial

Annual General Meeting

The Company held its Annual General Meeting on 25 November 2020, at which all resolutions put to shareholders were passed with the requisite majority following a poll, namely:

- Resolution 1 – Adoption of Remuneration Report
- Resolution 2 – Election of Director – Cathy Moises
- Resolution 3 – Re-Election of Director – Jim Walker
- Resolution 4 – Approval of 7.1A Mandate
- Resolution 5 – Issue of Options to Related Party – Cathy Moises
- Resolution 6 – Issue of Options to Related Party – Brett Lambert
- Resolution 7 – Issue of Performance Rights to Related Party – Rhett Brans
- Resolution 8 – Ratification of Prior Issue of Placement Shares

Related Party and Project Expenditure

During the quarter, payments to related parties and their associates totaled \$184,000, 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 (\$97,000), staff costs (\$278,000), and administration and corporate costs (\$396,000).

Mining Tenements

Area	Tenement	Interest at 1 October 2020	Action	Interest at 31 December 2020
Lake Wells	E38/1903	100%	-	100%
	E38/2113	100%	-	100%
	E38/2114	100%	-	100%
	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%
	ELA38/3423	100%	Application pending	100%
	M38/1274	100%	-	100%
	M38/1275	100%	-	100%
	M38/1276	100%	-	100%
	MLA38/1287	100%	Application pending	100%
	MLA38/1288	100%	Application pending	100%
MLA38/1289	100%	Application pending	100%	
Laverton Downs	E38/2724	100%	-	100%
	E38/3014	100%	-	100%
	E38/3132	100%	-	100%
	E38/3402	100%	-	100%
	E38/3403	100%	-	100%

Area	Tenement	Interest at 1 October 2020	Action	Interest at 31 December 2020
	E38/3404	100%	-	100%
Darlot East	ELA37/1388	100%	Application pending	100%
	E37/1389	100%		100%
	E37/1390	100%		100%

This release was authorised by the Board of Directors of the Company.

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About Australian Potash Limited



K-Brite is a registered trademark brand of Australian Potash Limited (ASX: APC), representing the premium Sulphate of Potash (SOP) to be produced from the Company's flagship Lake Wells Sulphate of Potash Project (LSOP).

APC holds a 100% interest in the LSOP, located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Following the release of the Definitive Feasibility Study (DFS) in August 2019ⁱ, APC is focused on the Front-end Engineering Design (FEED) Study, finalising offtake discussions and securing financing to develop the LSOP.

The DFS was underpinned by extensive and rigorous testwork, data, and modelling. The DFS confirmed that the LSOP will be a long life, low capital and high margin SOP producer.

Key outcomes from the DFS include:

- 30-year mine life producing 150,000tpa of premium grade SOP utilising approximately 21% of the total Measured Resource estimate
- Long mine life underpinned by 3.6Mt reserve and **18.1Mt** Measured Resource estimate
- Pre-tax NPV₈ of **A\$665m** and an IRR of 25%
- Development capex of A\$208M with sector leading capital intensity of A\$1,387/t
- First quartile industry opex of US\$262/t providing high cash operating margins

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 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.

ⁱ Refer to ASX Announcement 28 August 2019 'Definitive Feasibility Study Outstanding Financial Outcomes'. 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 28 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 28 August 2019 announcement continue to apply and have not materially changed.