

9 February 2021

ASX ANNOUNCEMENT
ASX: APC

AUSTRALIAN POTASH LIMITED

ORGANIC CERTIFICATION

HIGH-VALUE PRODUCT STRATEGY

Highlights

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

- **LSOP's K-Brite certified for organic use**
 - K-Brite has been reviewed by ECOCERT, a leading European organic certification agency and classified suitable for use in international organic farming in compliance with European regulations
 - Organically certified K-Brite to be distributed through take-or-pay offtake agreement with Helm AG through European jurisdictions where organic certification carries a premium
- **Process flow optimisation testwork confirms premium grade K-Brite SOP**
 - Front-end Engineering Design (FEED) Study process flow optimisation testwork across all unit processes performed by Bureau Veritas, an international provider of laboratory testwork services to the minerals sector, confirms >53% potassium (K₂O) and <0.1% chloride
 - Testwork further confirms LSOP's process flow design for producing a premium fertigation grade K-Brite for use in micro-irrigation
 - Soluble SOP carries an estimated premium of up to US\$50/tonne ⁱ
- **Granulation testwork confirms premium granulated K-Brite SOP**
 - FEED granulation process flow testwork undertaken by FEECO International, a global leader in the manufacture of fertiliser processing equipment, confirms LSOP will produce a premium granulated product
 - Premium granulated SOP achieves a granule hardness that minimises product loss in handling and logistics
 - Granulated SOP carries an estimated premium of up to US\$25/tonne ⁱⁱ to powdered SOP and is growing in demand due to its improved handling and application characteristics

Australian Potash Limited (ASX: APC) (**APC** or the **Company**) is pleased to provide an update on K-Brite's organic certification pathway and high-value product strategy.

Managing Director and CEO, Matt Shackleton, commented: “We are very pleased to advise the first notification of organic certification for our premium suite of high-value K-Brite SOP products.

“Organic certification opens premium markets across the globe that demand environmentally friendly inputs. Our distribution partners will be able to position K-Brite into these markets, targeting premium price points across the horticultural, viticultural and flower sectors, and high-value broad-acre crops.

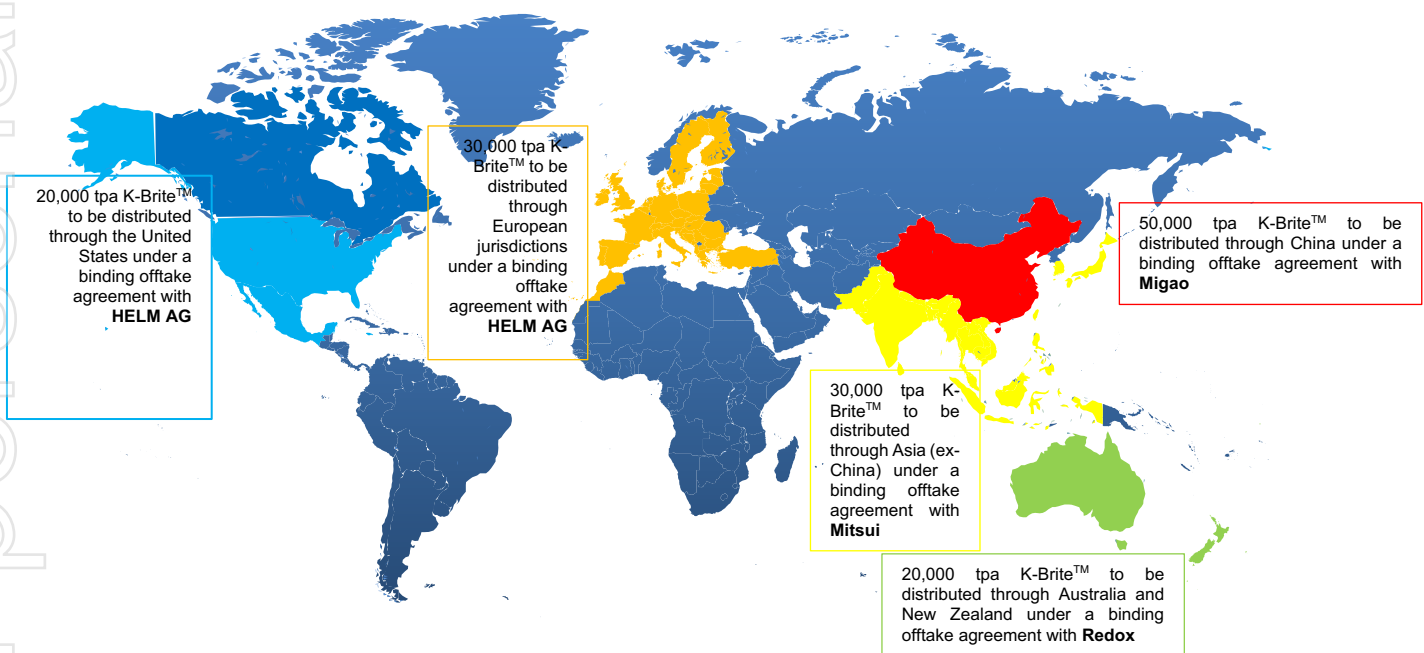
“The rigorous testwork program conducted through FEED demonstrates the LSOP will produce premium granulated and fertigation grade K-Brite, both additional value-adding product qualities.

“Granule hardness reduces product loss through the logistics chain, right up to end user application. For this granular K-Brite will command a price premium to the more common standard or powdered SOP. Similarly, soluble K-Brite, which will go to the fertigation (spray fertiliser) market, is priced at a premium due to its applicable uses in the high-value horticultural sectors.”

Geographic and Counterparty Offtake Diversity

100% of the Company’s DFS projected output of 150,000 tonnes per annum is now under binding take-or-pay offtake agreements. APC adopted a geographically diverse distribution strategy, minimising exposure to single market risks.

The Company’s existing marketing program covers the following jurisdictions:



During the FEED program opportunities were considered to optimise the SOP output profile, with the Company continuing to aim for 100% of output under offtake agreement.

The LSOP is planning on producing three high quality, organically certified SOP products being:

- Granulated SOP;
- Fertigation grade SOP; and,
- Standard SOP.

Industry pricing benchmarks are typically for a 50% potassium product and pricing premiums are achieved for high quality SOP products including being certified for use in organic agricultural, greater than 50% potassium content, fertigation grade SOP, and granular SOP.

Organic Input Certification

The LSOP's K-Brite has been certified by ECOCERT as suitable for use in international organic farming, in compliance with European regulations as allowed under European regulation EC 834/2007.

The organic farming market is fast growing as the world moves to more sustainable farming practices. The EU recently announced a goal of reaching 25% of the total European agricultural area as organic farmland by 2030. The current organic farmland makes up 7.7% of the EU's total agricultural land.

The Company is progressing other geographic specific organic certification processes to be recognised in each of its current offtake geographies as a supplier of premium organic SOP for sustainable agriculture.

ECOCERT is a globally recognised inspection and certification body established in France in 1991 by agronomists aware of the need to develop environmentally friendly agriculture and of the importance of offering some form of recognition to those committed to this method of production.

High Grade Premium Product

The FEED program included further process flow optimisation testwork to confirm the process flow design that formed the basis of the tendered EPC SOP process plant package. The testwork was performed by Bureau Veritas across all unit processes and confirmed the following product characteristics:

- | | |
|--------------------------------|-------|
| • Potassium (K ₂ O) | 53% |
| • Sulphate (SO ₄) | 54% |
| • Chloride (Cl) | <0.1% |

The high potassium and low chloride content confirms the premium nature of the standard SOP and fertigation grade SOP products.

It is expected that fertigation grade SOP will be a fast-growing market as the agricultural industry moves towards improved irrigation systems and water use efficiency. Recent estimates of the market size and growth rates of micro-irrigation systems give a robust global compound annual growth rate (CAGR) of over 17% up to 2019 from a baseline of nearly US\$2bn in 2013, with Asia-Pacific growing fastest overall, with a CAGR in excess of 20%.

Premium Granulated Product

The FEED program also included granulation test work undertaken by FEECO International on the LSOP feed salts produced during the evaporation trial ponds in late 2018. FEECO completed granulation test work at its facility in North America. A variety of tests were conducted to assess different binder combinations and finished product characteristics such as granular hardness and quality.

The granulation test work confirmed the granular K-Brite product will have a >50% potassium content and >4 kg/granule hardness with the use of a benign binder. Granulated SOP has improved handling

and application characteristics and is used as both a direct application SOP and in blended NPK fertilisers.

FEECO is recognised globally as an expert in process design and manufacturing solutions for complete fertiliser systems and turnkey production facilities including bulk material handling, granulation technology and control systems.

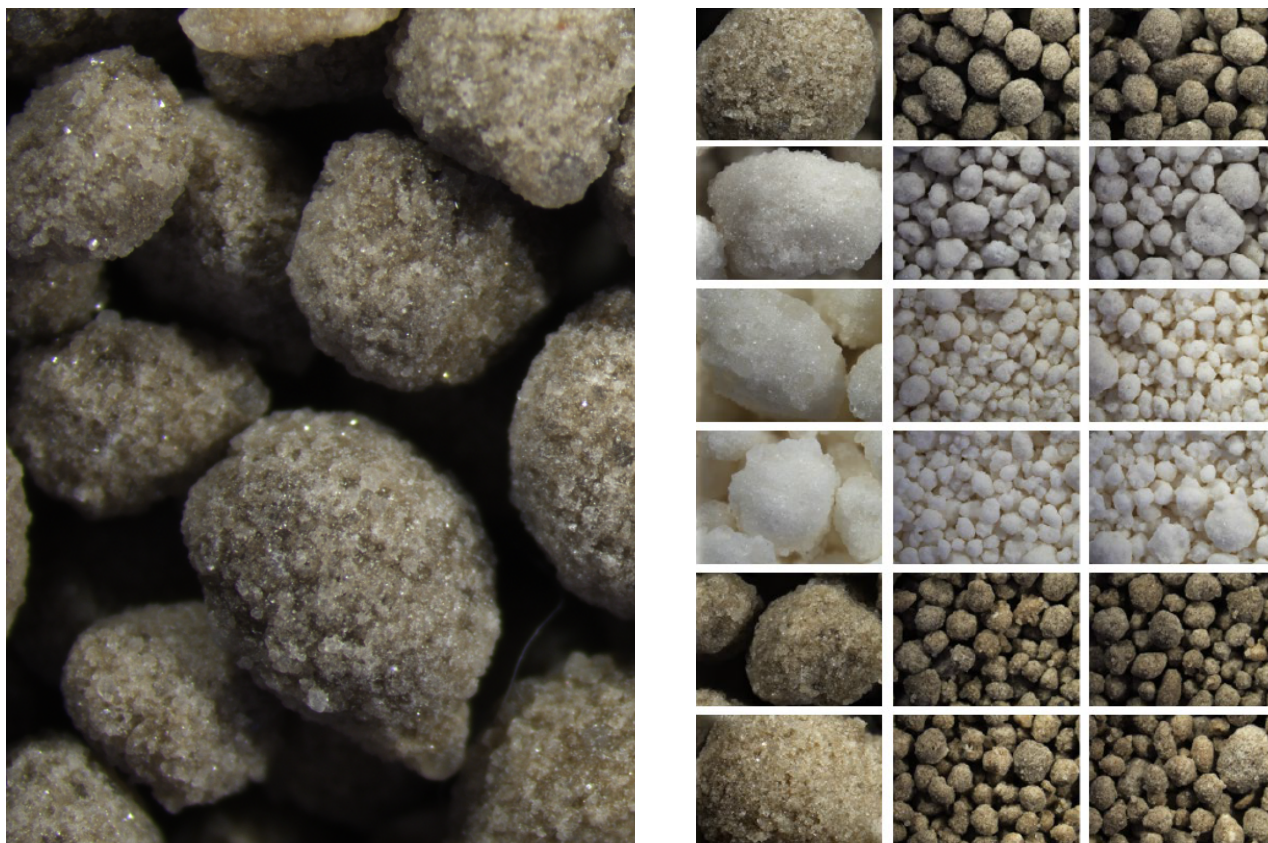


Figure 1: LSOP granulated product showing well-formed granules

This release was authorised by the Managing Director 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 2019ⁱⁱⁱ, 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 To standard (or powdered) SOP containing insoluble particles greater than 0.1% w/v (*Argus Media*).

ⁱⁱ To standard (or powdered) SOP that is not granulated (*Argus Media*).

ⁱⁱⁱ 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.