

Australian Potash Ltd

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Australian Potash implementing final stages of DFS work plan

- The company is undertaking a capital raising and aims for funds of \$5.3 million
- Three shares are available for every 14 held and are priced at 8 cents each
- Lead manager Patersons Securities Limited has underwritten the capital raising to the tune of \$4.2 million
- Funds raised will be used to finish up a definitive feasibility study for the high-grade low-cost Lake Wells Potash Project (LWPP) and working capital
- The DFS is due in the June half of this year
- New resource estimation work is underway to update the resource and support the study

What does Australian Potash do?

Australian Potash Ltd (ASX:APC) specialises in sulphate of potash (SOP) development in Australia. It is run by Matt Shackleton, a chartered accountant who has more than 13 years experience in the mining game and who boasts managing director and CEO leadership experience at a variety of resource industry companies on his CV, including Mount Magnet South.

What does Australian Potash own?

The key asset is the wholly-owned Lake Wells Sulphate of Potash (SOP) Project in Western Australia which lies 500 kilometres northeast of Kalgoorlie-Boulder, in the Eastern Goldfields.

A definitive feasibility study (DFS) is underway for Australian Potash's SOP project and is currently with Lycopodium Minerals Ltd.

Lycopodium is completing plant design, capital and operating costs estimates, and an implementation plan for the study.

Geotechnical engineering outfit Knight Piesold (KP) completed hydraulic models and, steady-state and transient seepage analyses for the study's pre-concentration pond design in conjunction with Montreal-based solar salt-processing expert Novopro Projects (Novopro).

KP also modelled seepage containment designs to be analysed as part of the now-started June 2019 half-year trial pond program.

Novopro had developed evaporation and brine chemistry models to develop pond size and configuration.

Once HDPE-lined, off-playa, pilot evaporation ponds were constructed and filled with Lake Wells Paleochannel brine in late 2017, evaporation and salt

Price: 0.076

Market Cap: \$36.98 m

1 Year Share Price Graph



Share Information

Code: APC

Listing: ASX

52 week High Low
0.133466 0.048

Sector: Agribusiness

Website: www.australianpotash.com.au

Company Synopsis:

Australian Potash Ltd (ASX:APC) is listed on the Australian Securities Exchange.

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crystallisation seen in 2018 was compared to these models.

Adequate evaporation and crystallisation in the pilot pre-concentration pond enabled a transfer of the concentrated brine to pilot harvest ponds that allowed the company to produce the potassium (K) and sulphate (SO₄)-bearing salts, as predicted in the numerical models.

Bureau Veritas then took delivery of the salts last year and started a pilot processing program using a Novopro-developed process flowsheet developed for the project.

The delivered salts were then assayed and XRD analysis conducted before being prepared for processing.

More than 250 kilograms of high-quality sulphate of potash (SOP) was subsequently produced in January.

Now the completed Novopro process design, including flowsheets, mass balance, specifications and data sheets, are with Lycopodium as it looks at plant design and key financial metrics for the project.

Australian Potash's DFS is based on the foundation the company set in its March 2017 scoping study.

The still-current resource featured in the scoping study comprised of 14.7 million tonnes of SOP.

More than 12 million tonnes of gravity-recoverable SOP was in the indicated level.

Since the resource estimate was produced 3,180 metres of additional drilling has been completed, two production bores drilled, while 52,600 more metres of passive seismic data has been generated.

The newer understandings gained have been drawn on in identifying drill targets for the program being undertaken this half-year, which includes the construction and testing of two or three large-diameter production bores and monitoring bores assessing aquifer response during pumping.

Australian Potash's Lake Wells scoping study demonstrated the company's potential to become a significant producer of low-capital and high-margin SOP with a project that had a 20-year life.

Stage-one production levels were 150,000 tonnes a year between years 1 and 5 while the stage-two rate of 300,000 tonnes a year would extend from year 6 to year 20.

Using a SOP price of \$795 a tonne, life-of-mine annual operating pre-tax cash flow was put at \$118 million.

Pre-production capital expenditure was \$175 million for stage one and \$163 million for stage two.

WA's Environmental Protection Authority (EPA) has had an environmental

review document (ERD) for the Lake Wells project on its to-do list since last month after approving and publishing an environmental scoping document last September.

The ERD is likely to draw on terrestrial fauna, subterranean fauna and flora studies completed by Australian Potash to support its regulatory approvals and DFS work.

Australian Potash's latest drilling and pump testing work is expected to validate a water management plan to support a groundwater abstraction plan the EPA is expected to lay out in its Lake Wells ERD.

How is Australian Potash funding its study?

Australian Potash's \$5.3 million March quarter pro rata renounceable rights (or entitlements) issue offer closes this Friday.

The offer is designed to fund completion of the Lake Wells DFS, expected in the June half, and provide working capital.

Shareholders on the register on February 19 can subscribe for three new shares for every 14 held, priced at 8 cents each.

Each package of four new rights shares comes with a free-attaching 12-cent option exercisable before August 8, 2021.

Shareholders can oversubscribe to shares beyond their entitlements and Australian Potash directors intend to participate in the offering.

Lead manager Patersons Securities Limited is partly underwriting the capital raising up to a \$4.2 million maximum.

New shares are expected to be issued on March 15 and traded from March 16.

Australian Potash had \$1.2 million cash on December 31 and expects \$860,000 of cash outflows in the March quarter.

A \$500,000 sum is earmarked for exploration and evaluation.

Inflection points

- Successful capital raising of at least \$4.2 million to back completion of DFS in targeted June 2019 half-year
- Production of a DFS supporting low-capital, high-margin SOP over a long mine life in the order of 20 years
- Offtake or production-taking agreements or options for any SOP produced from Lake Wells
- Investor support for Australian SOP production via the company's process
- Progress of other developers of SOP production operations in Australia and Western Australia, such as Salt Lake Potash Ltd (ASX:SO4) (LON:SO4) (FRA:W1D) (OTCMKTS:WHELP) and its Goldfields-Esperance region salt-brine exploration and development projects

- Merger and acquisitions activity in the SOP production operations and field-evaporated SOP space
- Funding for the building of stage one, stage two and any commercial-scale operation at Lake Wells

Managing director & CEO Matt Shackleton outlines field program for DFS

"Central to the final field program at Lake Wells is the push to a JORC reserve estimate and our focus is on building upon the more than 50,000 metres of drilling and already extensive database of test work that comprises the existing, robust JORC-compliant SOP mineral resource estimate," managing director & CEO Matt Shackleton said last week.

"Final geotechnical field trials will allow us to establish the optimal commercial-scale pond design, in terms of cost of construction and effectiveness of the design.

"We will round out the environmental surveying program that has been underway at Lake Wells for nearly two years — this final program is scheduled to conclude shortly."

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