

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Potash West NL (PWN)

Initiating coverage

May 2012

WHO IS IIR?

Independent Investment Research Pty Ltd, "IIR" is an independent investment research house in Australia. IIR specialises in the analysis of industry trends, and high quality commissioned research. IIR was established in 2004 under Aegis Equities Holdings to provide investment research to a select group of customers. Since March 2010, IIR has operated independently from Aegis by former Aegis staff to provide customers and subscribers unparalleled research website, that covers listed and unlisted managed investments, resource companies, ETFs, property, structured products, and IPO's.

DISCLAIMER

This publication has been prepared by Independent Investment Research Pty Limited ("IIR") (ABN 90 111 536 700), an Australian Financial Services Licensee (AFSL no. 293655). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

Key Points.....	1
Earnings Forecast.....	1
SWOT Analysis	3
Overview	4
Financial Position	4
Strategy.....	4
Projects	5
What is Potash?.....	8
Potash Demand.....	8
Peer Analysis	9
Risks	10
Valuation of PWN	10
Investment Case	11
Capital Structure	11
Recent Events	11
Board and Management.....	12

Investment Profile

Share price (\$)	0.24
Valuation (\$)	0.65
Issued capital:	
Ordinary shares (M)	76.3
Options (M)	2.0
Fully Diluted (M)	78.3
Market capitalisation (\$M)	20.6
52-week L/H (\$)	0.15/0.35

Board and Management

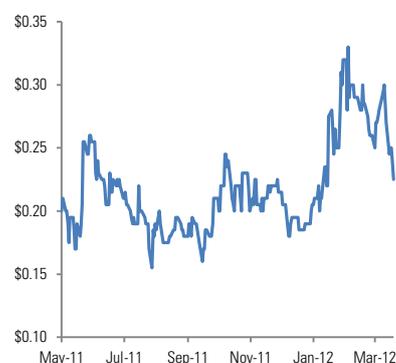
Directors

Adrian Griffin (Non-Exec Chairman)
Patrick McManus (Managing Director)
George Sakalidis (Non-Exec Director)
Gary Johnson (Non-Exec Director)

Major Shareholders

	%
Barclay Wells Ltd	19.7
Elsinore Energy Pty Ltd	16.6
UOB Kay Hian Private Ltd	7.3
Top 20 shareholders own 65.2% of company	

Share price performance



POTASH MOVES TOWARDS SCOPING STUDY

Potash West NL (PWN) is an ASX-listed mineral exploration company seeking to make the transition to producer status. The company's focus is on potash in Western Australia. PWN dominates tenure in one of the world's largest glauconite deposits. The tenure extends area of over 2,900km².

KEY POINTS

Beneficiation testwork upgrades K₂O feed grade by 120%: A screening and magnetic separation process shows that quartz, feldspars and chalk can be removed by sizing and magnetic separation leaving a clean glauconite concentrate with a grade of over 6% K₂O. This is over twice the grade of the mined material. PWN is on target to define a flowsheet by mid-year 2012.

JORC Resource Targeted for Sep 2012: On February 2012 PWN has completed a verge drilling programme over the Dandaragan Trough project in WA. The 153 hole, 8,300m programme identified ten prospective target zones over a distance of 140km. The drilling has demonstrated that near surface grades above 4% K₂O are present.

Potassium extraction of +95% achieved: 2,000kg bulk sample from Poison Hill Greensand test programme proved encouraging. Testwork has shown glauconite can be separated from gangue minerals by magnetic separation, enhancing K₂O content. Over 100 leaching tests have been carried out with range of reagents and temperatures. After 6 hours of leaching over 95% of potassium could be extracted from the glauconite concentrate.

Potash West enters agreement with Ochre Resources: PWN adds 162km² of Kimberley exploration interest to its portfolio. The project is close to existing infrastructure and export port. PWN can earn up to 70% interest in the project in North West WA. Flotation tests on the phosphate nodules have produced a concentrate grading 31% P₂O₅ with 81% recovery.

Potash West IPO oversubscribed: PWN debuts on the ASX back of oversubscribed IPO on May 2011. The IPO of 30,000,000 shares were issued at price of \$0.20 each, closed three weeks early with oversubscription.

Valuation: Our base case valuation for PWN is **\$0.65** per share. We have risk adjusted the valuation to account for the risk associated with the company, given its early stage of development.

EARNINGS FORECAST

Y/e June	2011	2012F	2013F	2014F	2015F
Revenue (\$M)	0.0	0.0	0.0	0.0	0.0
EBITDA (\$M)	-0.7	-1.9	-2.0	-2.0	-2.1
Reported NPAT (\$M)	-0.8	-1.9	-2.0	-2.0	-2.1
Normalised NPAT (\$M)	-0.8	-1.9	-2.0	-2.0	-2.1
Reported EPS (A\$)	-0.01	-0.02	-0.02	-0.02	-0.03
Normalised EPS (A\$)	-0.01	-0.02	-0.02	-0.02	-0.03
PER	n/a	n/a	n/a	n/a	n/a
DPS	n/a	n/a	n/a	n/a	n/a
Price /Cash (x)	n/a	n/a	n/a	n/a	n/a
Price/Book (x)	1.8	2.7	1.4	2.0	0.9

PROFIT & LOSS (\$M)					
Y/E June	2011	2012	2013	2014	2015
Sales Revenue	0	0	0	0	0
Other Revenue	0.1	0.1	0.1	0.2	0.2
Total Costs	0.9	2	2.1	2.2	2.3
EBITDA	-0.8	-1.9	-2	-2	-2.1
Depreciation	0	0	0	0	0
EBIT	-0.8	-1.9	-2	-2	-2.1
Interest	0	0	0	0	0
Pre-Tax Profit	-0.8	-1.9	-2	-2	-2.1
Tax expense	0	0	0	0	0
Net Profit After Tax	-0.8	-1.9	-2	-2	-2.1
Abnormals	0	0	0	0	0
Reported Net Profit After Tax	-0.8	-1.9	-2	-2	-2.1
CASHFLOW (\$M)					
Y/E June	2011	2012	2013	2014	2015
Receipts from customers	0	0	0	0	0
Payments to suppliers	-0.3	-1	-1.2	-1.2	-1.2
Net interest	0.1	0.1	0.1	0.1	0.1
Tax Paid	0	0	0	0	0
Other	0	0	0	0	0
Operating Activities	-0.2	-0.9	-1.1	-1.1	-1.1
Capital Expenditure	0	0	0	-100	-100
Exploration, Development, Evaluation	0	-2	-3	-4	-4
Asset Sales/Acquisitions	0	-0.1	-0.1	-0.4	0
Other	0	0	0	0	0
Investment Activities	0	-2.1	-3.1	-104	-104
Share Issues /(Buybacks)	6.2	0	5	0	0
Debt Drawdown/ (Repaid)	0	0	0	110	100
Dividends Paid	0	0	0	0	0
Other	-0.5	0	-0.5	-1	-1
Financing Activities	5.7	0	4.5	109	99
Net Cash Increase/(Decrease)	5.4	-3	0.3	3.5	-6.1
Cash at beginning	0	5.4	2.4	2.7	6.2
Cash at end	5.4	2.4	2.7	6.2	0.1
BALANCE SHEET (\$M)					
Y/E June	2011	2012	2013	2014	2015
Cash	5.4	2.4	2.7	6.2	0.1
Trade and other Receivables	0.1	0.1	0.1	0.1	0.1
Inventories	0	0	0	0	0
Investments	0	0	0	0	0
Other	0	0	0	0	0
Current Assets	5.5	2.5	2.8	6.3	0.2
PPE	0	0	0	100	200
Investment in Joint Venture	0	0.1	0.1	0.4	2
Exploration & Evaluation	2.5	5.4	10.8	11.5	15.5
Other	0	0	0	0	0
Non-current Assets	2.5	5.5	10.9	111.9	217.5
Total Assets	8	8	13.7	118.2	217.7
Trade and other Payables	0.4	0.5	0.5	0.5	0.5
Short-term Debt	0	0	0	0	0
Long-term Debt	0	0	0	110	210
Provisions	0	0	0	0	0
Other	0	0	0	0	0
Total Liabilities	0.4	0.5	0.5	110.5	210.5
Net Assets	7.6	7.5	13.2	7.7	7.2
Share Capital	8.4	8.4	13.4	13.4	13.4
Reserves	0	0	4.5	1	2.6
Retained Earnings	-0.8	-2.7	-4.7	-6.7	-8.8
Shareholders' Equity	7.6	7.5	13.2	7.7	7.2
Minorities	0	0	0	0	0
Other	0	0	0	0	0
Total Equity	7.6	7.5	13.2	7.7	7.2
Shares on Issue (M)	75	76.3	81	81	81
Options Outstanding (M)	0	2	2	2	0.2
Fully Diluted (M)	75	78.3	83	83	81.2

Key Model Assumptions			
Dandaragan Trough Project			
Potash Price (K ₂ SO ₄)			US\$700/t
Total cost			A\$320/t
Recovery rate			90%
Annual production			250,000t
WA State royalty as % of revenue			5%
Capex			A\$200M
Strip Ratio			0.5/1
Exchange Rate (US\$/A\$)			1.04
First Production (year)			2016
Mine life			10 Years
Sensitivity Analysis			
		Base Case	
Exchange Rate US\$/A\$	0.95	1.04	1.15
NPV per share (\$)	0.97	0.65	0.33
Potash Price US\$/t	600	700	800
NPV per share (\$)	1.17	0.65	1.13
Discount Rate	8%	10%	12%
NPV per share (\$)	0.86	0.65	0.48

SWOT ANALYSIS

STRENGTHS

- ◆ Exposure to booming potash business.
- ◆ Potash demand growth driven by China and India with both countries +8% CAGR over 15 years to 2008.
- ◆ The company has one of the world's largest known glauconite deposits.
- ◆ High extraction possible with simple extraction technology.
- ◆ Close to rail and export ports.
- ◆ Close to local markets.
- ◆ Near surface deposit covering +2900km² of prospective area.
- ◆ Skilled and experienced management team.

WEAKNESSES

- ◆ No production history.
- ◆ No JORC resources.
- ◆ With global financial weakness raising capital could be difficult.

OPPORTUNITIES

- ◆ Significant resource potential.
- ◆ Ready market on doorstep.
- ◆ Could be the first potash production in Australia. All Australian potash is currently imported from Canada or Northern Europe.
- ◆ Advance towards bankable feasibility.
- ◆ Rise of fertiliser demand and fertiliser prices.

THREATS

- ◆ Volatility in potash prices.
- ◆ Increasing construction and mining costs due to labour shortage in WA.
- ◆ Project financing may not be secured.
- ◆ Failure to find reserve.

OVERVIEW

- ◆ Potash West NL (PWN) was listed on the ASX on 11 May 2011 following a successful and oversubscribed \$6m IPO. It is a mineral exploration company seeking to make the transition to producer status. The company's focus is on potash in Western Australia.
- ◆ PWN has land holding over one of the world's largest known glauconite deposits, covering an area of 2,905km². Previous exploration indicates glauconite sediments are widespread for more than 150km along strike and 15km in width.
- ◆ Recent drillings has identified target areas for resource drilling.
- ◆ PWN has entered into an agreement with Ochre Resources Limited (Ochre) allowing Potash West to earn a 70% interest in a large, potentially glauconite rich, project in Western Australia's North West.

FINANCIAL POSITION

- ◆ PWN reported a cash balance of \$3.78M and no debt in the December Quarterly Activities Report. During the six months to 31 December 2011 most of the cash was depleted from further exploration and evaluation activities. In the next quarter it is expected for the company to spend \$500k on exploration and evaluation and \$350K on administration.

STRATEGY

- ◆ PWN has carried out its principal activities being the evaluation of the Dandaragan Trough glauconite deposit for its potassium content and the production of potash from the deposit.

PWN timetable



Source: PWN

- ◆ PWN will start resource drilling on the Dandaragan Trough in April 2012.
- ◆ PWN will have finished scoping study on the Dandaragan Trough by end of this year.

PROJECTS

■ DANDARAGAN TROUGH PROJECT (100%)

Location

- The Dandaragan Trough project is located 50km north east of Perth. It holds one of the world's largest known glauconite deposits with exploration licenses and applications covering an area of 2,905km².

Map of Dandaragan Trough project



Source: PWN

Resource

- With infill drilling of selected areas the company is targeting around 75 Mt of resource at 3 to 4% K₂O. We expect PWN to have some JORC resource by September 2012.

Geology

- Department of Minerals and Energy had shown that the greensand deposit is up to 200m thick.
- The project tenements cover three greensand formations within the Cretaceous Coolyena Group: the Poison Hill Greensand, the Molecap Greensand and the Osborne Formation.
- The term greensand refers to a specific formation, containing quartz and glauconite. The green colour of the greensand is due to the glauconite, a mica containing iron, potassium and aluminium. The greensands within the project tenements also contain phosphates.

Coolyena Group Stratigraphy

Formation	Thickness	Features
Poison Hill Greensand	54m plus	Glauconitic quartz sandstone, shallow marine
Gingin Chalk	10-40m	Chalk; locally glauconitic
Molecap Greensand	10-30m	Glauconitic quartz sandstone; shallow marine
Osborne Formation	60-180m	Glauconitic sandstone, siltstone and claystone

History

- Previously the greensand of the Dandaragan Trough was examined as a source of potassium by WA government and mining companies over a period of 50 years, but the potash prices were too low to be economically mined.

Mining

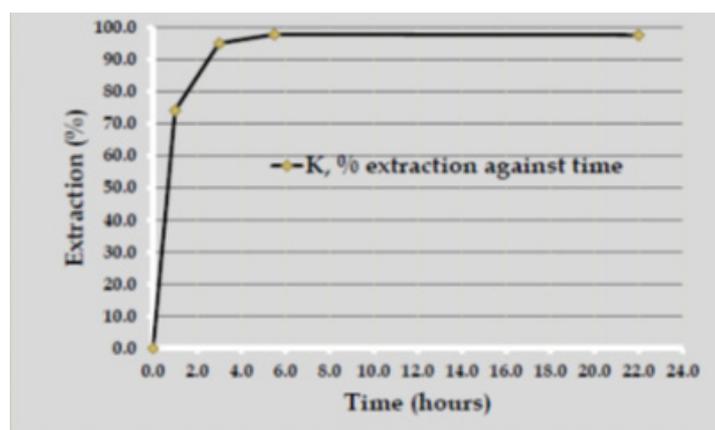
- Glaucinite deposits are close to the surface. The material is unconsolidated, so mining and comminution costs should be low. Further, the deposits are close to one of Australia's major potash consuming regions in the WA wheat belt and located within well established infrastructure.

Access

- The project is located between 50 and 230km north of Perth. The tenements lie between two major road transport corridors, the Brand Highway to the west and the Great Northern Highway to the east. A railway is close by the eastern edge of the tenements and a major gas pipeline passes along the western boundary of the project with major power lines also present.

Extraction Process

Extraction of potassium glauconite



Source: PWN

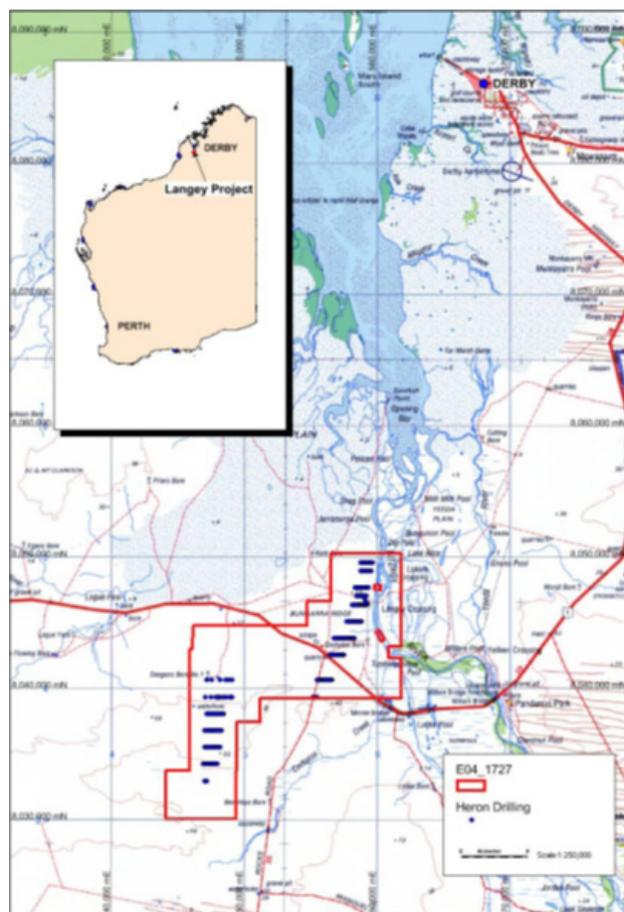
- Potassium can be extracted from glauconite to produce potash, the term applied to a group of water soluble potassium salts used in fertiliser.
- Glaucinite, a potassium bearing mineral, makes up about 50% of the greensand.
- Extracting clean glauconite concentrate from the target greensand is relatively easy, using size and magnetic separation.
- Phosphates also occurs within the greensand and there is the potential for it to be recovered as a co-product.
- Recoveries of up to 96% of the available potassium have been achieved by leaching similar material in hydrochloric acid at atmospheric pressure.

■ LANGEY PROJECT (70%)

Location

- The Langey Project is 60km south of the major Kimberley town Derby as shown below. It has the Great Northern Highway nearby. The Langey Project covers an area of 162km²

Map of Langey project



Source: PWN

Agreement with Ochre Resources

- PWN has entered into an agreement with Ochre Resources Limited (wholly owned subsidiary of Heron Resources Limited) allowing Potash West to earn a 70% interest in a large, potentially glauconite rich, project in the Kimberly region of WA.
- Under the agreement Potash West will:
 - Earn a 51% interest in the project by meeting expenditure commitments for 2 years, or spending \$225,000;
 - Earn a 70% interest by meeting expenditure commitments for a further 1 year, or spending \$400,000; and
 - Free carry Ochre to a Bankable Feasibility study, or until the expenditure of \$5 million.

Geology

- The near surface geology comprises mudstones and sandstones of the Jarlemai Formation containing glauconite and phosphate rich layers near the base.
- The phosphate layer is between 0.5 to 1m thick and underlies the entire tenement area. Phosphate grades for the nodular horizon average 4.2% P_2O_5 , whilst the nodules themselves have an average grade of 21% P_2O_5 . Overlying the phosphate layer is a 1.5 to 2m thick horizon containing green glauconitic clays containing between 3% and 4% K_2O .
- Recently Heron has drilled 151 RC holes for a total of 2,269m at an average depth 15m, and undertaken geological modelling of both the phosphate and glauconite layers.
- Flotation tests on the concentrate nodules produced a concentrate with a grade of 31% P_2O_5 and a recovery of 81%.

Strategy

- Potash West and Heron are currently planning the next phase of exploration work at Langey. It is expected to include collection of a bulk sample for process testwork and completion of resource estimate studies.
- The Langey project could benefit from the application of technology that PWN is developing for the Dandaragan Trough glauconite project.

WHAT IS POTASH?

- ◆ Potash is the common name for various salts that contain potassium in water soluble form. Potash is primarily used in fertilisers.
- ◆ Potassium, nitrogen and phosphorus are three primary minerals for healthy soil and plant growth. Such fertilisers must be used annually, since nutrients are depleted from the soil with the harvesting of crops. Thus, demand for these products is ongoing.
- ◆ Potash is important for agriculture because it improves water retention, yield, nutrient value, taste, colour, texture and disease resistance of food crops.

POTASH DEMAND

- ◆ China is the world's largest consumer of fertiliser. World demand for Muriate of Potash (KCl) is approximately 60 million tonnes per year, increasing 60% during the last decade. In India, the world's second largest consumer of fertiliser, demand has doubled over the last decade.
- ◆ Strong demand from China and India has led to strong upward pressure on fertiliser prices. Prices had peaked during the global financial crisis in 2008 but now it has stabilised and started to increase.

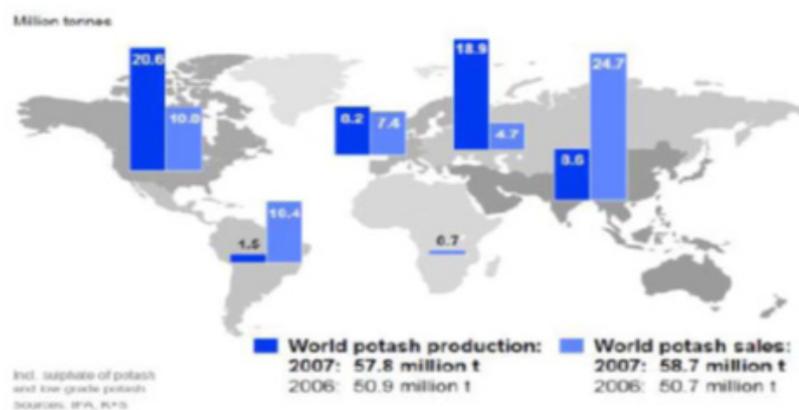
Price of Potash US\$



Source: Potashcorp, PWN

- ◆ Demand for food products continues to grow, driven by population increases and rising standards of living. As available arable land is not increasing at the same rate as food demand, agricultural intensity must grow to meet demand, it is anticipated that this will cause an increase in usage of all fertilizers, including potash.
- ◆ Potash demand growth is driven by China and India. Both countries had +8% CAGR over 15 years to 2008.
- ◆ More than 50% of world traded potash is used by China and India.

Potash market

Potash Production and Sales by Region

Source IFA, PWN

- ◆ Potash production is concentrated in four countries, Canada, Russia, Belarus and Germany. Between them they account for 85% of traded potash. Six companies account for 85% of global capacity.
- ◆ In 2008 around 500,000 tonnes per annum of potash, all imported was used in Australia.
- ◆ The Australian market is divided into two broad sectors. The eastern states use KCl and in WA, where soil salinity is a problem, sulphate of potash K_2SO_4 is a preferred product. K_2SO_4 has around 30-40% price premium over KCl.

PEER ANALYSIS

- ◆ Another unconventional potash developer is Verde Potash (formerly Amazon Mining). Verde Potash is focused on the development of the Cerrado Verde project. Cerrado Verde is a source of potash from a green slate deposit. It is a UK public company with shares listed on the Toronto Stock Exchange since November 2007. As at 4 May 2012, the company had a market capitalisation of CAD\$203 million.
- ◆ Verde Potash is focused in manufacturing and commercialisation of ThermoPotash, Potassium Chloride and Potassium Sulfate.
- ◆ It has completed Preliminary Economic Assessment (PEA) of the Cerrado Verde project in Feb 2012. From the PEA Verde Potash intends to focus its efforts on a KCl product.

RESOURCE

- ◆ Cerrado Verde project resource:
 - Indicated resource 71Mt @ 9.22% K_2O
 - Inferred resource 2.8Bt @ 8.9% K_2O

VALUATION

- ◆ Cerrado Verde project valuation from the PEA:
 - Base case scenario: 3Mtpa KCl production NPV @ 10%, US\$3.3B, IRR 27%; "Phase 1" CAPEX US\$598M.
 - Upside case scenario: 4Mtpa KCl production NPV @ 10%, US\$4.4B, IRR 27%; "Phase 1" CAPEX US\$868M.

RISKS

- ◆ Ore Body Risk – Uncertainties in resource estimation, mine planning and mineral project evaluation.
- ◆ Exploration Risk – There is no assurance exploration will result in the discovery of an economic resource. Exploration costs may increase.
- ◆ Mining Risk- Inherent technical risks associated with all mining projects irrespective of method used.
- ◆ Construction and Infrastructure Development Risk- As with the construction of all mines, potential for costs to escalate with the development.
- ◆ Environmental and regulatory risks – The Company needs to get approval for environmental impact on the mining operation.
- ◆ Title risk – The Company could lose title or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.
- ◆ Commodity Price Risk – Changes in the potash price have a significant impact on revenue.
- ◆ Exchange Rate Risk- Sales of PWN's ore production is typically denominated in USD. Therefore a change in the AUD/USD will impact revenue.
- ◆ Financing Risk – PWN will require funding to be able to continue with its exploration. It would require further funding to develop the mine. There remains the risk that all the financing won't be sourced.

VALUATION OF PWN

- ◆ A discounted cash flow (DCF) methodology was used to value Dandaragan Trough project of PWN to derive a base case valuation of \$0.65 per share.
- ◆ The company is yet to have a defined resource. The valuation of the model assumes the company will have a resource of 75Mt @ 3.7% K₂O. There is a risk that the Dandaragan Trough project may not be economical.
- ◆ Our assumption is that the company will produce sulphate potash (K₂SO₄) which trades around 30-40% premium to muriate potash (KCl).
- ◆ Our DCF model only includes the Dandaragan Trough project and excludes the Langey project. We have assumed that the Dandaragan Trough project will be financed 100% by debt.
- ◆ Production is assumed to start in 2016 with a mine life of 10 years.

Key Model Assumptions

Model Assumptions – Dandaragan Trough Project	
Potash Price (K ₂ SO ₄)	US\$700/t
Total cost	A\$320/t
Recovery rate	90%
Annual production	250,000tpa
WA State royalty as % of revenue	5%
Capex	A\$200M
Exchange Rate US\$/A\$	1.04
First Production	2016
Mine life	10 Years
Depreciation	Straight Line

- ◆ A basic sensitivity analysis is shown below. Assuming all else remains the same, changes to the price of potash and the currency rate (AUD/USD) have a significant impact on the valuation.
- ◆ For our base case valuation we have used exchange rate of US\$/A\$ 1.04, potash (K₂SO₄) price of US\$700/t and with a weighted average cost of capital of 10%.

PWN Sensitivity Analysis

Sensitivity Analysis		Base Case	
Exchange Rate US\$/A\$	0.95	1.04	1.15
NPV per share (\$)	0.97	0.65	0.33
Potash Price US\$/t	600	700	800
NPV per share (\$)	1.17	0.65	1.13
Discount Rate	8%	10%	12%
NPV per share (\$)	0.86	0.65	0.48

INVESTMENT CASE

- ◆ PWN has land holding over one of the world's largest known glauconite deposits. We expect there is high probability that the company will achieve its target resource of around 75Mt @ 3-4% K₂O.
- ◆ PWN's glauconite deposits are close to the surface and the material is soft so the mining costs should be low. It is also close to well established infrastructure.
- ◆ We expect the strong demand for the potash to continue as the demand for food increases. With a strong potash market the Langey project should add value to PWN valuation in the near future.
- ◆ We initiate coverage of Potash West NL (ASX:PWN) with a risk adjusted valuation of \$0.65 per share. Our valuation includes a 50% discount due to the fact that the company does not have any JORC resources and has not completed a feasibility study. Without the 50% discount the company valuation would be at \$1.30 per share. The 50% discount means that we believe there is 50% probability that our Key Model Assumptions would be achieved.

CAPITAL STRUCTURE

- ◆ As at 14 March 2012, there were 44.4M ordinary shares and 31.9M escrowed shares on issue and 2.0M unlisted options with a market cap of \$20.6M.
- ◆ As at 30 June 2011, there were three substantial shareholders (shareholding greater than 5%):
 - Barclays Wells Limited: 19.7%
 - Elsinore Energy Pty Ltd: 16.6%
 - UOB Kay Hian Private Limited: 7.3%

RECENT EVENTS

- ◆ 17 April 2012 – Process Development Update
- ◆ 12 April 2012 – BBR Webcast. Potash West Identifies prospective targets at Dandaragan.
- ◆ 12 April 2012 – Potash West appoints Stellar Securities as an Adviser.
- ◆ 3 April 2012 – Drilling identifies targets over 140km within Dandaragan.
- ◆ 16 March 2012 – Half year accounts
- ◆ 14 March 2012 – Appendix 3B
- ◆ 1 February 2012 – Appendix 3B
- ◆ 31 January 2012 - Quarterly report for the period ended 31 December 2011.
- ◆ 27 January 2012 – Potash West intersects plus 20m.
- ◆ 23 January 2012- January 2012 process development update.

BOARD AND MANAGEMENT

Sourced from PWN's Website (www.potashwest.com.au)

- ◆ **Adrian Griffin BSc(Hons) MAusIMM, MGSA, TMS Non-executive Chairman.** Adrian Griffin, an Australian-trained mining professional, has had exposure to metal mining and processing worldwide during a career spanning more than three decades. A pioneer of the lateritic nickel processing industry, he has helped develop extraction technologies for a range of minerals over the years. Today, Adrian specialises in mine management and production. He is a former chief executive officer of Dwyka Diamonds Limited, an AIM- and ASX-listed diamond producer, was a founding director and executive of Washington Resources Limited and also a founding director of Empire Resources Limited, Ferrum Crescent Limited and Reedy Lagoon Corporation Limited. Moreover, Adrian was a founding director of ASX-listed Northern Uranium Limited, of which company he is currently a non-executive director. He is also managing director of ASX-listed Midwinter Resources NL, an African focused iron ore project developer. Anthony Schoer BBus, FCPA - Managing Director.
- ◆ **Patrick McManus BSc(Hons), MBA, FAusIMM, FAICD Managing Director.** Patrick McManus has a degree in mineral processing from Leeds University and an MBA from Curtin University. A mining professional for more than 30 years, his work has taken him to many sites within Australia and overseas, including Eneabba and the Murray Basin in Australia, and Madagascar, Indonesia and the United States. During that time, Patrick has worked in operational, technical and corporate roles for RioTinto, RGC Limited and Bemax Resources Limited. He was a founding director and, from January 2007 to March 2010, managing director of ASX-listed Corvette Resources Limited.
- ◆ **George Sakalidis BSc(Hons), MAusIMM Non-executive Director.** George Sakalidis is an exploration geophysicist of more than 20 years' standing. His career has encompassed extensive exploration for gold, diamonds, base metals and mineral sands and, with others, he compiled one of Australia's largest aeromagnetic databases, now held by Image Resources. Using this database, George contributed to a number of discoveries, including such gold discoveries as the Three Rivers and the Rose deposits in Western Australia. Moreover, he was instrumental in the acquisition of the Image Resources exploration tenements, and the design and interpretation of the magnetic surveys that led to the discovery of the large mineral sands resources at the Dongara project of Magnetic Minerals NL, of which he was a founding director. Also previously a director of North Star Resources NL, Image Resources and the unlisted Imperium Minerals Limited.
- ◆ **Gary Johnson MAusIMM, TMS, AICD Non-executive Director.** Gary Johnson is a metallurgist with more than 30 years of broad experience in all aspects of the mining industry. In his early career, he gained operational and project expertise with a range of metals in operations in Africa and Australia. Later, he was a member of the team operating the metallurgical pilot plant at the giant Olympic Dam copper, gold and uranium project in South Australia. In 1998, after 10 years as chief metallurgist for a large gold producer, Gary formed his own specialised hydrometallurgical consulting company. During this period he worked closely with LionOre Mining International to develop the Activox® process for treating sulphide concentrates. When, in 2006, LionOre acquired Gary's company, he joined LionOre as a senior executive. In 2007, LionOre was taken over by MMC Norilsk Nickel and in 2009 Gary became managing director of the latter's Australian operations. Today, Gary runs his own consulting company, which specialises in high-level metallurgical and strategic advice. He also holds several patents in the field of hydrometallurgy and is a director of the TSX-listed Hard Creek Nickel Corporation.

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR" (ABN 56144966165), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes, or

a price target for the security or managed investment scheme.

Where a Fee is received, this is clearly stated in the Content, including any reports produced from the Content.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited
PO Box H297 Australia Square
Sydney NSW 1215
Phone 61 2 8001 6693
ABN 11 152 172 079