

Due Diligence and Valuation Report

Arrowhead Code: 25-02-04
 Coverage initiated: 14 December 2011
 This document: 14 December 2012
 Fair share value bracket: AU\$0.77 to AU\$3.87ⁱ
 Share price on date: AU\$0.25ⁱⁱ

Analyst Team

Vishal Pasari Mohanarangam Purushothaman
vishal.pasari@arrowheadbid.com mohanarangam.purushothaman@arrowheadbid.com

Market Data

| | |
|-----------------------|------------------------------------|
| 52-Week Range: | AU\$0.18 – AU\$0.35 ⁱⁱⁱ |
| Average Daily Volume: | 102,812 ^{iv} |
| Market Cap. on date: | AU\$ 20.90MM ^v |

Financial Forecast Data (in AU\$)

| | '13E | '14E | '15E | 16E | '17E | '18E | '19E |
|-----------------------|--------|--------|--------|--------|---------|-------|-------|
| High profit/(loss) MM | (6.5) | (13.1) | (17.7) | (43.5) | (101.7) | 245.7 | 198.7 |
| High EPS cents | (3.70) | (6.70) | (6.27) | (5.17) | (8.07) | 19.50 | 15.77 |
| Low profit/(loss) MM | (6.5) | (13.1) | (17.7) | (48.7) | (113.1) | 197.4 | 145.7 |
| Low EPS cents | (3.70) | (6.70) | (6.27) | (5.78) | (8.98) | 15.66 | 11.56 |

Fiscal Year (FY) 1st July – 30th June

Summary

Potash West NL is an Australian-based mineral exploration company focused on developing potassium-rich glauconite deposits in West Australia's Perth Basin. The company's flagship project is located within the Dandaragan Trough, which is one of the world's largest glauconite deposits. The project has unique advantages of excellent connectivity to transport facilities, infrastructure and proximity to the local markets.

The company holds exploration licenses and applications in 15 tenements, covering an area of 2,905km². Previous explorations in the region indicate glauconite sediments are widespread for more than 150km along strike and an average of 20km width.

To achieve production of fertilizer products from glauconite, the company is conducting exploration activities in parallel with identifying cost effective processing. In Q1 2012, the company conducted a resource definition drilling



Company: POTASH WEST NL
 Ticker: ASX:PWN, OTCQX:PWNNY
 Headquarters: Perth, Australia
 Managing Director: Patrick McManus
 Website: www.potashwest.com.au

program on Marchagee and Dinner Hill prospects in the Dandaragan Trough, and released initial assay results in September 2012. Highlights of the drilling program included 4.63% K₂O from 19m at an interval of 12m, and 4.51% K₂O from 21m at an interval of 13m.

In October 2012, the Company reported that it has completed a drilling programme of 3215m as part of the Dinner Hill Prospect. This allowed in estimation of JORC compliant which gave resource estimation of 244MMT @3.0% K₂O, including 122MMT @4.6% K₂O.

Potash West recently engaged Tenova Bateman Projects to conduct scoping level studies to estimate the capital and operating costs of a plant designed to treat glauconite. The results of the study are expected by December 2012. If the scoping study gives positive results, the company is likely to commence with feasibility work with an aim to start production by 2016.

In November 2012, the company entered into an agreement with a Chinese Investment group to invest AU\$3MM in Potash West. The company will issue 9MM shares at AU\$c33. On October 19, 2012, the company commenced ADR trading on OTCQX market in North America with the symbol PWNNY. On June 20, 2012, the company raised AU\$1.65MM from placement of 7,333,334 shares, which was higher than the underwritten amount of AU\$1.5MM.

Given the due diligence and valuation estimations based on discounted cash flow method, Arrowhead believes that Potash West NL's fair share value lies between AU\$0.77 to AU\$3.87^{vi}. Valuations are based on conservative estimate. The current valuation is based on the potash production estimates from the Dandaragan trough potash project.

Table of Contents

| | |
|--|-----------|
| Company Presentation | 3 |
| News | 5 |
| Listing Information | 7 |
| Contacts | 7 |
| Major Shareholders | 7 |
| Management and Governance | 8 |
| Assets and Projects | 9 |
| Technologies and Markets | 13 |
| Risk Profile Analysis | 16 |
| Peer Comparison | 17 |
| Comparable Potash Peers | 18 |
| Enterprise Value, Grade and Estimated Resource of Peers | 18 |
| Cash Cost Curve for Major Global Potash Manufacturers (in US\$) | 18 |
| Value | 19 |
| Analyst Certifications and Important Disclosures | 22 |
| Valuation | 23 |
| Notes and References | 24 |

Company Presentation

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 glauconite in Western Australia as a process feed stock to produce a range of fertilizer, and other value added products. It is developing potassium-rich glauconite deposits in the Dandaragan Trough, situated in the Perth Basin, to the north of Perth. It is the world's largest glauconite deposit. The area of the company's tenure extends of over 2,900km².

The company's flagship project is located close to good infrastructure, and to the Western Australian wheat belt, a major consumer of these products. The company holds right to exploit potash and phosphate within fourteen exploration licenses (ELs) and one EL application (totaling 15 tenements with a total area of 2,905 km²) located between 50 and 230km north of Perth. The company was granted 3 exploration licenses in May 2012.

The company recently completed a drilling programme of 3272m on part of the dinner hill prospect. This allowed in estimation of JORC compliant which gave resource estimation of 244MMT @3.0% K₂O, including 122MMT @4.6% K₂O. The mineralisation displays strong geological continuity providing scope for additional resources to be delineated with ongoing drill campaigns.

In November 2012, the company has entered into an agreement with a Chinese Investment group to invest AU\$3MM in Potash West. The company will issue 9MM shares at AU\$c33. Post placement a representative of the group will be offered a Non-executive director position in the company.

On May 31, 2012, the company announced that it has raised AU\$1.65MM from the placement of 7,333,334 shares at price of 22.5 cents per share, which is higher than the underwritten amount of AU\$1.5MM.

Potash West NL's Portfolio and Company Premiums

- *Large, Near Surface Greensand Deposit:* Potash West NL has a major landholding over the world's largest known glauconite deposit, with exploration licenses and applications covering an area of 2,905 km². Previous exploration indicated glauconite sediments are widespread for more than 150 km along strike and 20 km in width. A recent drilling program in 2Q 2012 also suggested mineralisation open to the north and east, and thickening towards the south.
- *Resource Characteristics:* Potash West NL's asset at Perth Basin contains potassium-rich glauconite deposits together with phosphate minerals. Along with rights to the glauconite and phosphate minerals within the tenements, Potash West also holds rights to by-products produced by processing these minerals. Significant progress has also been made on the processing flow sheet which has been developed to extract value from the glauconite within the greensands. The process design is a major breakthrough and has major implications on the overall viability of the project. In addition to commodity grade sulphate of potash (SOP), high magnesium SOP, single superphosphate, iron oxide and aluminium sulphate are produced.
- *Region of Operation:* Potash West NL operates in Australia, and once its resources are defined, is expected to become the first producer of potash in the country, a unique position which should allow it to displace existing exports which have high delivery costs associated with transport from Canada. The country has a long history of a favorable regulatory environment via-a-vis the mining industry; currently Australia imports all its potash requirements. The project is close to the local markets and connects to major roads/rails routes and export ports, providing innate advantage to the company. South-east Asia, India and China, are major importers of Potash and Phosphate.

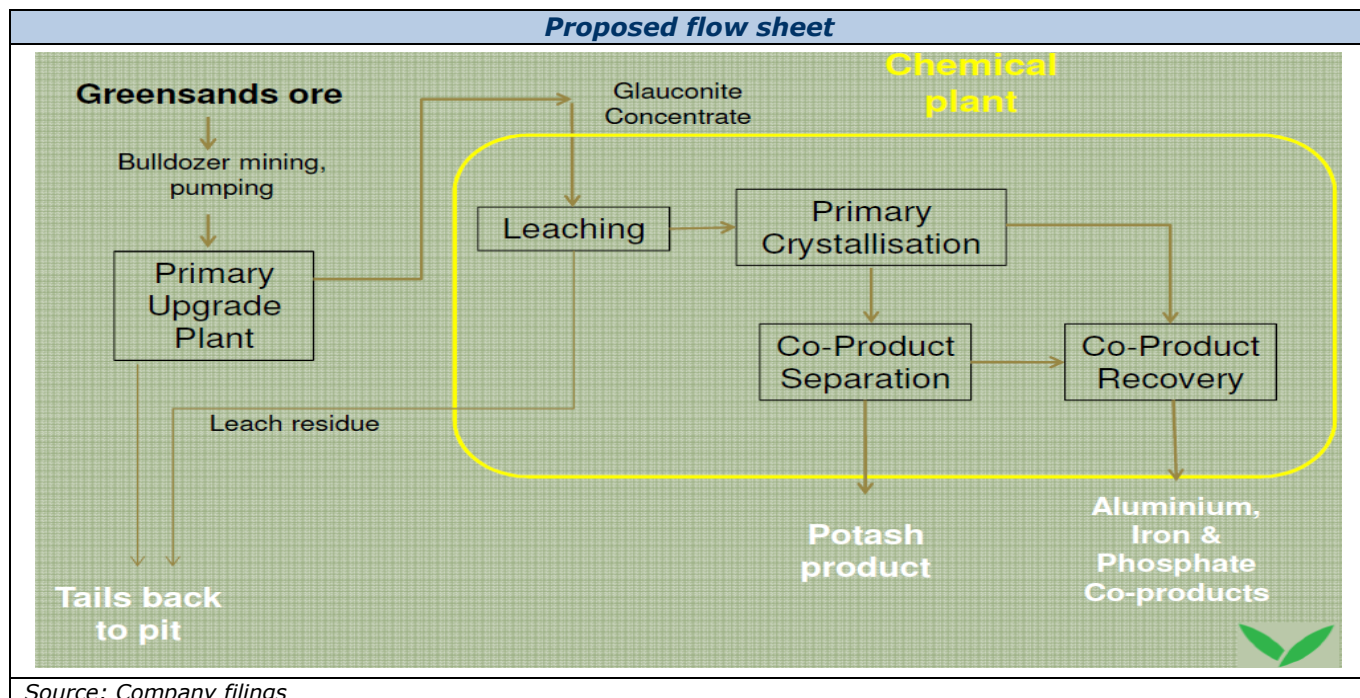
Potash West NL's Portfolio and Company Risks

Potash West NL has no operating history and its flagship project – Dandaragan Trough glauconite to fertilizer Project – is still under processing test work phase, resulting in materially high operational risks. Also, there are significant risks associated with the financing of the projects, as the company is exploring the mineral assets and is yet to start mining operation. Although the company has raised capital through IPO and private placement, Arrowhead believes that it will require additional capital to finance future activities.

Potash West NL's Corporate Strategy

The company's long-term strategy centers around consolidating prospective ground in Western Australia, reducing competing market interests, dominating the Australian glauconite resource market, defining cost effective extraction, maintain efficiency and cost profile, and advancing toward bankable feasibility. The project has ready local market at its doorstep and is close to rail and export ports.

The extraction of glauconite from greensands and its treatment to produce potash high Mg Potash (KMS) phosphate and iron oxide is based upon proven technologies. It is well supported by over 2,000 bench scale tests undertaken by 'Strategic Metallurgy Pty Ltd'. However, processing is yet to be tested on a meaningful scale outside of the laboratory.



The proposed flow sheet is based on the leaching of the glauconite to produce potassium in the form of potassium sulphate. The other components of the glauconite are also used to advantage and recovered as valuable by-products.

The company plans to concentrate on further drilling of identified areas and procurement of results to define bankable feasibility study by December 2013, followed by construction in December 2015 and production by mid-2016.

News

Potash West receives Chinese backing for the western Australian project: On November 16, 2012, Potash West announced that it has reached an agreement with a Chinese Investment group to invest AU\$3MM in Potash West. The company will issue 9MM shares at AU\$0.33. Post placement a representative of the group will be offered a Non-executive director position.

Potash West publishes quarterly activity report for Q1 2013: On October 30, 2012, Potash West published its quarterly activities report for Q1 2013 and reported that a drilling programme of 3272m was completed on part of the dinner hill prospect. This allowed in estimation of JORC compliant which gave resource estimation of 244MMT @3.0% K₂O and 1.6% P₂O₅, including 122MMT @4.6% K₂O and 1.8%P₂O₅.

Potast West Commences ADR trading on the OTCQX market in North America: On October 19, 2012, Potast West subscribed to have an American Depositary receipt program with Bank of New York mellon and has elected to have its ADRs trade on the highest tier of the United States over the counter markets OTX QX under the symbol PWNNY. Trading commenced on October 19, 2012, and enables the investors to buy hold and sell Potash West shares in US\$ denominated currency and trade within US market hours.

Initial JORC resource of 244MMT identified in just 20% of Potash West's Dinner Hill prospect: On October 11, 2012, Potash West has completed its first resource estimate at the company's Dinner Hill prospect. The JORC estimate has been defined on an estimated 20% of the prospect. Molecap Greensand estimated to contain 122MMT at 4.6% K₂O and 1.8% P₂O₅ and total resource estimated to be of 244MMT grading 3.0% K₂O and 1.6% P₂O₅. Dinner Hill is one of 10 areas initially identified as prospective from a very wide-spread drilling programme. The identified resource is sufficient to support the planned project for over 30 years. The resource extends to the south and east, and appears to thicken and have reduced overburden in those directions supporting the company's assertions of existence of very large resource base and low mining costs.

Assay Results confirm excellent grade and continuity of Glauconitic Greensands from the Dandaragan Glauconite-to-fertilizer Project: On September 17, 2012, Potash West announced initial assay results from resource definition drilling conducted at the Dinner Hill prospect within the Dandaragan Trough Potash Project. Drilling was completed in late June and comprised 83 vertical aircore holes for 3,215m drilled on a 400m x 400m grid. The drilling defined excellent continuity of well-preserved Molecap Greensand at an average thickness of 9m, thickening to a maximum of 14m to the south and to a minimum of 4m to the north. Mineralisation remains open to the north and south as well as to the east.

Scoping Study to commence on flow sheet producing a range of fertilizer and other chemicals: On September 13, 2012, Potash West announced commencement of a scoping study to estimate the costs of producing Sulphate of Potash (SOP), KMS, single super phosphate, iron oxide and aluminium sulphate from the extensive glauconite deposits in the Dandaragan Trough project area, north of Perth in Western Australia. The company has selected Tenova Bateman Projects to estimate the capital and operating costs of a plant designed to treat glauconite, using a flowsheet designed by the Company's technology, partner, Strategic Metallurgy. CRU has been selected to provide estimates of sales revenue.

Market Update: On July 24, 2012, Potash West announced significant progress in the program to exploit the extensive glauconite deposits in its Dandaragan Trough project, located 60km north of Perth in Western Australia. To date 3,272m have been drilled, in 86 holes, at the Dinner Hill prospect. The drill hole spacing has covered an area of 2.6km by 3.6 km. Greensands were identified in all holes, over thicknesses from 9 to 14m. 2,262 samples are currently awaiting assay and results are expected by the end of July.

Placement Completion: On June 20, 2012, Potash West announced that it has placed 7,333,334 shares at 22.5 cents per share to raise AU\$1.65MM. Managing Director Patrick McManus commented, "The placement exceeds Stellar Securities' initial commitment to raise AU\$1.5MM and is an excellent result in the current financial market conditions.

Tenements granted over prospective areas of the Dandaragan Trough: On May 31, 2012, Potash West announced the granting of three Exploration licences covering the Central and Western portions of the Dandaragan Trough, located 60km north of Perth in Western Australia, which is potentially the world's largest glauconite deposit. The tenements, E70/4137, E70/4138 and E70/4139, have a combined area of 620 km² and consolidate the Company's dominant 2,905km² holding over the Dandaragan Trough. The Company will immediately begin negotiations with landowners to acquire surface rights to the more prospective areas of the tenements. Following approvals to commence work programs, the company anticipates drilling on the newly granted tenure to commence by the end of 2012.

Potash West raises further \$1.5MM from private placement: On May 21, 2012, Potash West published its quarterly activities report for Q3 2012 and reported that it has identified several target areas throughout Dandaragan Trough, with shallow, high grade glauconite. The company reported results from drilling program completed during the year. The company also said that its focus is on exploration to find high grade mineralization zones and process development to identify a cost-effective process of producing Potash.

Potash West publishes quarterly activity report for Q3 2012: On April 27, 2012, Potash West published its quarterly activities report for Q3 2012 and reported that it has identified several target areas throughout Dandaragan Trough, with shallow, high grade glauconite. The company reported results from drilling program completed during the year. Company also said that its focus is on exploration to find high grade mineralization zones and process development to identify a cost-effective process of producing Potash.

Potash West announces Process Development update: On April 17, 2012, Potash West announced that it has achieved target process feed grades from a bulk sample of the Poison Hill Greensand sequence by applying a screening and magnetic separation process. The process was successful in removing quartz, feldspar and chalk leaving clean glauconite concentrate with grade of over 6% K₂O.

Potash West appoints Stellar Securities as an Adviser: On April 12, 2012, Potash West appointed Stellar Securities, a specialist security trading and corporate advisory firm based in Western Australia, as a Corporate Adviser to the company. Stellar Securities is expected to assist Potash West with advice on equity market transactions and facilitate the introduction of the company to high net worth individual, corporate and institutional investors for the company's exciting prospects.

Potash West identifies targets over a length of 140km within Dandaragan Trough Project: On April 03, 2012, Potash West announced completion of road verge drilling program and produced commercial grade MOP and SOP from glauconite from the trough. The 153 hole, 8.3km drilling program commenced in November 2011, successfully identified ten prospective target zones over a distance of 140km between Gingin and Corrow. The majority of drill holes penetrated contained significant thickness of Coolyena Group sediments consisting of fine to medium grained glauconitic sandstone, siltstone and clystone.

Potash West publishes financial report for half year ending 31 December 2011: On March 16, 2012, Potash West announced half year results H1 2012. The company reported a net loss of AU\$1.75MM for the period and EPS of AU\$(2.89). The company received AU\$0.1MM as interest revenue and ended the half year with cash and cash equivalents of AU\$3.78MM.

Potash West succeeds in producing potash from WA glauconite deposits: On January 23, 2011, Potash West continued to make important breakthroughs in the critical area of identifying a commercial process to produce Potash from its world scale greensands resources in Western Australia. Potash West defined two flow sheets that have successfully produced laboratory quantities of potassium chemicals which have the potential to be important ingredients in the production of fertilizers for the domestic and international marketplace.

Listing Information

Potash West NL listed on ASX on May 11, 2011. The company's American Depositary Receipts (ADR) are listed on OTCQX, effective from July 31, 2012. On October 19, 2012, the company commenced ADR trading on OTCQX market in North America with the symbol PWNNY.

Contacts

| | |
|--------------------------|---|
| Registered office | Potash West NL, Suite 3, 23 Belgravia Street, Belmont WA 6104, Belmont WA 6984, Australia |
| Telephone | +61 8 9479 5386 |
| Facsimilie | +61 8 9475 0847 |
| E-mail | info@potashwest.com.au |

Major Shareholders^{vii}

| Equity Holder | No. of Shares (MM) | Percentage Issue Capital (%) |
|-----------------------------|--------------------|------------------------------|
| Barclay Wells Limited | 15.00 | 17.90 |
| Elsinore Energy | 12.50 | 14.92 |
| HSBC Custody Nominees | 6.33 | 7.56 |
| UOB KayHian Private Limited | 5.00 | 5.96 |
| Citicorp Nominees Pty Ltd | 1.71 | 2.04 |
| Patrick McManus | 1.70 | 2.03 |
| Sept Rouges Pty Ltd | 1.40 | 1.67 |

Management and Governance^{viii}

Potash West NL's management comprises professionals with a proven record and sound geological background.

| Personnel | Designation | Current and total experience |
|------------------|------------------------|---|
| Adrian Griffin | Non-executive Chairman | <p>Adrian Griffin is an Australian-trained mining professional with 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. He also specializes in mine management and production. He is also the managing director of ASX-listed Midwinter Resources NL, an Africa-focused iron ore project developer.</p> <p>He is a former CEO of Dwyka Diamonds Limited, an AIM- and ASX-listed diamond producer. He 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. Adrian was also a founding director of ASX-listed Northern Uranium Limited, of which he is currently a non-executive director.</p> |
| Patrick McManus | Managing Director | <p>Patrick McManus has a degree in mineral processing from Leeds University and is an MBA from Curtin University. A mining professional for more than 30 years, his work has taken him to several sites within Australia and overseas, including Eneabba and the Murray Basin in Australia, Madagascar, Indonesia and the US.</p> <p>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.</p> |
| George Sakalidis | Non-executive Director | <p>George Sakalidis is an exploration geophysicist of more than 20 years standing. His career has encompassed extensive exploration for gold, diamonds, base metals and minerals. He was a director of North Star Resources NL, Image Resources and the unlisted Imperium Minerals Limited.</p> <p>George compiled one of Australia's largest aeromagnetic databases, now held by Image Resources and contributed to a number of discoveries, including gold discoveries at the Three Rivers and the Rose deposits in Western Australia. He was also instrumental in the acquisition of the Image Resources exploration tenements, 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.</p> |
| Gary Johnson | Non-executive Director | <p>Gary Johnson is a metallurgist with more than 30 years of 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. Currently, he runs his own consulting company and holds several patents in the field of hydrometallurgy. He is currently a director of the TSX-listed Hard Creek Nickel Corporation.</p> <p>In 1998, after 10 years as chief metallurgist for a large gold producer, Gary formed his own specialized hydrometallurgical consulting company. During this period, he worked closely with Lion Ore Mining International to develop the Activox[®] process for treating sulphide concentrates. In 2006 when Lion Ore 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.</p> |


Assets and Projects

Overview

Potash West is an mineral exploration company seeking to make the transition to producer status. The Company's focused is on developing potassium-rich glauconite deposits in West Australia's Perth Basin.

Company's Asset Portfolio

The Company has a major land holding over the world's largest known glauconite deposit, the Dandaragan Trough, with exploration licenses and applications covering an area of 2,905km².

| Project location | Project overview |
|--|--|
|  | <div data-bbox="829 636 1190 856" style="background-color: #4F81BD; color: white; padding: 10px; border-radius: 10px; text-align: center;"> <h3 style="margin: 0;">Dandaragan Trough Potash Project</h3> </div> <p style="text-align: right; margin-top: 10px;">Western Australia</p> <ul style="list-style-type: none"> •Target Commodity: Sulphate of Potash (SOP) and co-products •Interest - 100% •Tenement Area - 2,905km² |
| <p>Source: Company filings</p> | <p>Source: Company filings</p> |

Dandaragan Trough Project

Asset Summary: The Dandaragan Trough Project is located in Western Australia, and is expected to be one of the world's largest glauconite deposits. The project has unique advantages in terms of connectivity to major roads/rails routes and export ports, and its proximity to the local markets.

The company is currently conducting exploration (to identify the thickest, shallowest and highest grade deposits), in parallel with process development activities to identify the most cost-effective process of production. The company

recently released a maiden JORC resource of 244MMT @ 3.0% K₂O and 1.6% P₂O₅, just within 18 months after beginning exploration.

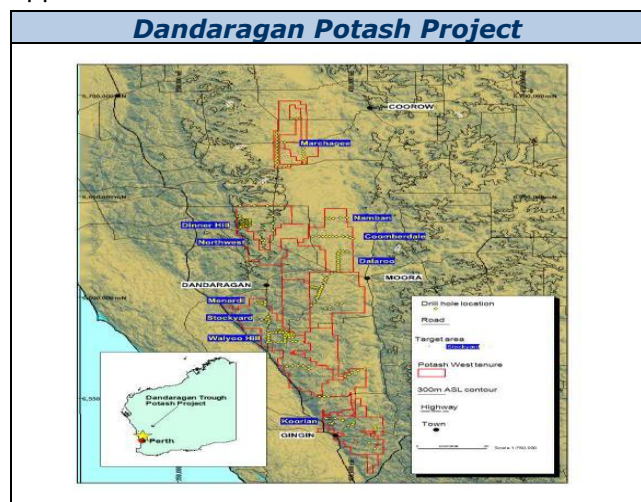
Target Commodity: SOP and Phosphate products

Project Location: The Project is located approximately 60km north of Perth, in Western Australia.

Geology: The project's tenements cover Cretaceous sediments of the Coolyena Group. The Company has obtained the rights for Potash and Phosphate for more than 2,900km², which is more than 80% of the total basin within this geological feature. The trough is known to carry significant

deposits of glauconite, within greensand beds, which are a mixture of quartz and glauconite. The glauconite is associated with widespread, but low-grade phosphate deposition, primarily in the form of apatite.

The target geological formations in the area are flat-lying, outcropping or near-surface, and extend between Gingin in the south and Hill River in the north. The underlying glauconite beds generally range in thickness from 25m to 50m in areas previously drilled. The maximum thickness appears to be about 200m.



Tenements Details: The Dandaragan Trough Project comprises 15 tenements, extending over a length of 155km and average width of approximately 20km, covering a total area of 2,905 km². The tenements are held or applied for by Potash West NL, Image Resources, Richmond Resources, Torbinup Resources and Adrian Griffin. On May 31, 2012, the company announced it has been granted 3 Exploration Licenses covering the Central and Western portion of the Dandaragan Trough, having an area of 620 km².

| Tenement | Grant date | Term (Years) | Holder or applicant | Area (km ²) |
|------------|------------|--------------|---------------------|-------------------------|
| E70/3100 | 04/05/2010 | 5 | Image Resources | 488 |
| E70/3360 | 07/04/2010 | 5 | Adrian Griffin | 9 |
| E70/3418 | 08/02/2011 | 5 | Image Resources | 95 |
| E70/3635 | 02/12/2010 | 5 | Richmond Resources | 122 |
| E70/3636 | 02/12/2010 | 5 | Torbinup Resources | 253 |
| ELA70/3967 | 26/07/2011 | 5 | Richmond Resources | 225 |
| ELA70/3988 | 26/07/2011 | 5 | Richmond Resources | 293 |
| ELA70/3969 | 26/07/2011 | 5 | Richmond Resources | 360 |

| | | | | |
|------------------------------------|------------|-----|-----------------|--------------|
| ELD70/3999 | 16/09/2011 | 5 | Image Resources | 24 |
| ELA70/4000 | 8/03/2011 | 5 | Image Resources | 24 |
| ELA70/4001 | 12/10/2011 | 5 | Image Resources | 214 |
| E70/4124 | Pending | N/A | Potash West NL | 178 |
| E70/4137 | 22/05/2012 | 5 | Potash West NL | 620 |
| E70/4138 | 22/05/2012 | 5 | Potash West NL | |
| E70/4139 | 22/05/2012 | 5 | Potash West NL | |
| Total Area (KM²) | | | | 2,905 |

Source: Company Prospectus; Media Release 14 Sep 2011; Annual Report 2011; Media Release 31 May 2012

Along with rights to the glauconite and phosphate minerals within the tenements, Potash West NL also holds rights to any by-products produced by processing these minerals. However, some small pre-existing tenements and reserves (such as flora and fauna reserves) are present in these tenements. Henceforth, the total area of the tenement applications may not be granted.

Potential Mineralization: Drilling conducted in Q3 2011/12 demonstrated near surface grade of above 4.0% K₂O and confirmed elevated areas with slopes having gradients with active erosion surface as primary targets.

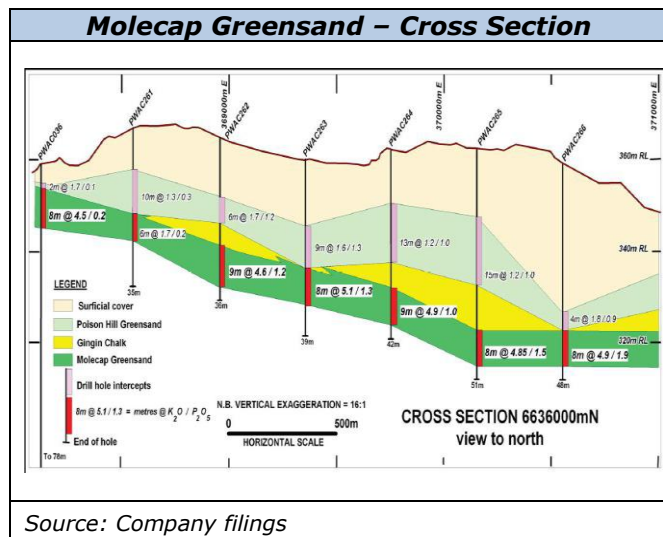
In Q2 2012, the company conducted a drilling program on Marchagee and Dinner Hill prospects to test the continuity of the greensand unit and provide sample density to define a JORC compliant resource. In September 2012, the company released initial assay results from the drilling conducted at the Dinner Hill prospect.

The JORC resource was defined by 83 vertical holes for a total of 3,215m. However, the drilling campaign only targeted ~20% of the prospective Dinner Hill area, with mineralisation open to the north, south and east. Potash West now has plans in place for up to 10,000m of additional aircore drilling targeting an extension to the current resource.

| Dinner Hill Resource | | | | |
|-----------------------------|--------------|------------|---------------------|--------------------------|
| Unit | Category | Tonnes M | Potassium oxide (%) | Phosphorus pentoxide (%) |
| Molecap Greensand | Indicated | 120 | 4.6 | 1.8 |
| | Inferred | 2 | 4.4 | 2.2 |
| | Total | 122 | 4.6 | 1.8 |
| Poison Hill Greensand | Indicated | 121 | 1.5 | 1.4 |
| | Inferred | 1 | 1.6 | 1.1 |
| | Total | 122 | 1.5 | 1.4 |
| Total Resources | Indicated | 241 | 3 | 1.6 |
| | Inferred | 2 | 3.6 | 1.9 |
| | Total | 244 | 3 | 1.6 |

The drilling program also suggested open mineralization to the north and east, and

thickening towards the south. The company plans to conduct a study in the southern extension to confirm the thickening of the high-grade greensand beds and continuity over significant strike extensions.

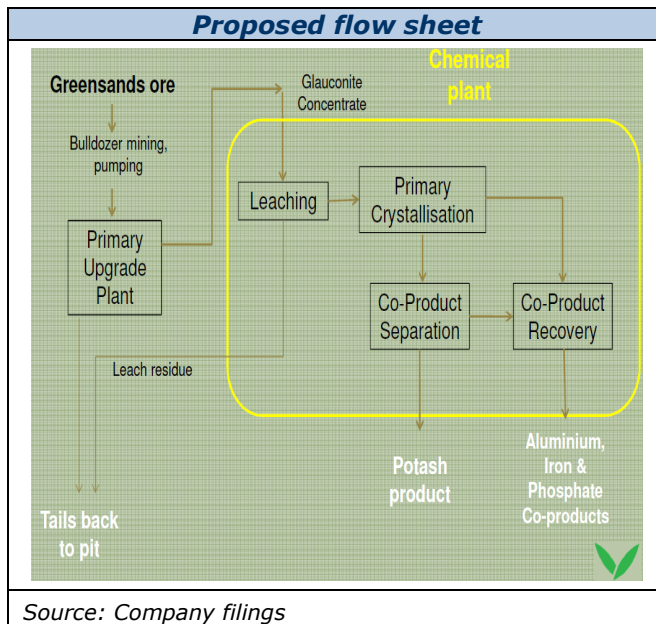


The Molecap Greensand (dark green in the above image) has been the primary target at Dinner Hill due to its high contained K₂O grades and the strong geological continuity with no apparent faulting or disruption. Geological modelling of the resource and surrounding area suggests the Molecap becomes shallower and thickens to the south and east. Potash West will primarily target this area with the planned follow up drill campaign. The lower grade 'Poison Hill' green sand overlays the higher grade Molecap 'band'. This material has yet to be subjected to metallurgical testing however, Potash West is confident that this greensand 'band' will also be recovered.

Project Schedule: Potash West recently engaged Tenova Bateman Projects to conduct scoping level studies to estimate the capital and operating costs of a plant designed to treat glauconite. The results of the study are expected by December 2012. Post this, the company plans to commence and complete a Bankable Feasibility Study by end of next year.

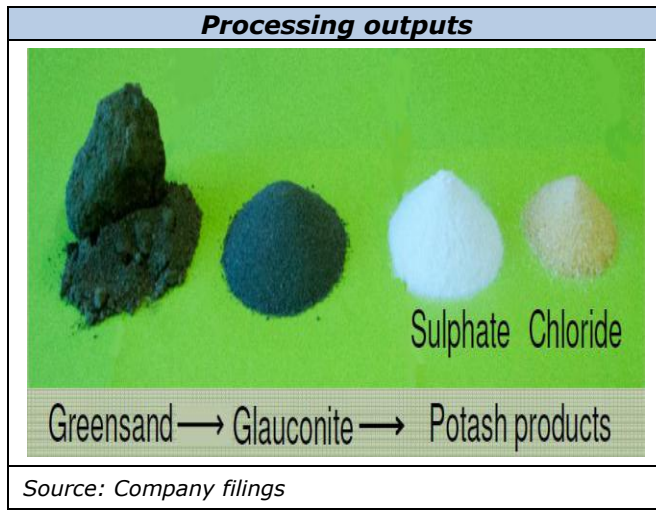
| Activity | Target |
|----------------------------|--------------------------------------|
| Scoping Study | Ongoing, to be completed by Dec 2012 |
| Bankable Feasibility Study | Dec 2013 |
| Financing | June 2014 |
| Construction | Dec 2015 |
| Commissioning | Early 2016 |
| 250ktpa Potash production | Mid 2016 |

Recent Development: The Company designed a flowsheet to produce sulphate of potash and a range of other high value co-products from glauconite. These co-products include mixed potassium/magnesium sulphate, aluminium sulphate, iron oxide and superphosphate. The company believes the production of these co-products to be a major breakthrough in the project development.



The proposed flow sheet is based on the leaching of the glauconite to produce potassium in the form of potassium sulphate. The other components of the glauconite are recovered as valuable by-products.

The flow sheet, which is in the process of a patent application, produces potassium sulphate, aluminum sulphate, iron oxide, sulphur phosphate and a mixed magnesium and potassium sulphate.



Poison Hill Greensand

The Poison Hill Greensand has features of glauconitic quartz sandstone and shallow marine and is weakly lithified, medium-to very coarse-grained, poorly-sorted, clayey glauconitic sandstone that in places has a lower unit of glauconite clay. It is over 40 m thick at its type locality; Poison Hill, which is located within the E70/3636 tenement. At Poison Hill the upper part of the unit is strongly ferruginised, however unaltered material has been exposed by bulldozing it along with the base of the northern ridge.

Geological survey of Australia (GSWA) drilled a hole in Poison hill greensand and intersected 54m of the unit. However, about 110km to the north, a line of vertical holes, showed the unit to be 23m thick. Four of the greensand samples from the Poison Hill area analyzed by Simpson, the government mineralogist, ranged from 2.48% to 3.76% K_2O , with glauconite contents from 35% to 52%. Recent drilling suggests a lower grade, variably oxidized mineralization. Though not metallurgically tested, the company expects glauconite recovery from the area.

Poison Hill Greensand



Gingin Chalk

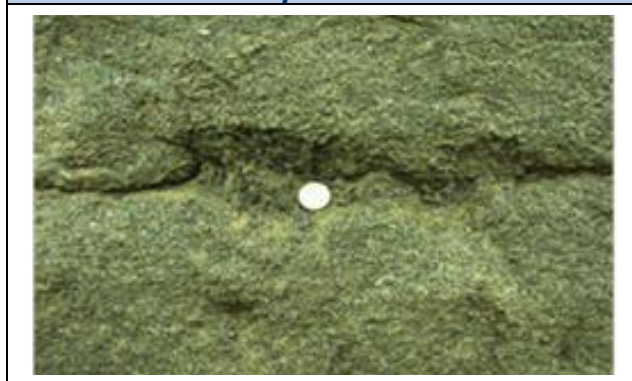
The Gingin Chalk contains some glauconitic mineral and the unit locally comprises thinly interblended greensand and chalk. The Gingin Chalk overlies the Molecap Greensand and is typical of chalk deposits of this age globally and was deposited on the floor of a shallow, warm sea

supporting abundant marine life and with little inflow of terrestrial debris.

Molecap Greensand

The Molecap Greensand is a major unit primarily composed of coarse to granule-sized quartz and medium-sized green glauconite grains. The thickness of the unit varies within the underlying topography as the unit was laid down in shallow sea over an irregular topography.

Molecap Greensand



The Company has identified 122MMT tonnes of higher grade mineralization at 4.6% K_2O and 1.8% P_2O_5 , at an average thickness ranging between 8m to 14m within the Molecap Greensand, at Dinner Hill. The Molecap Greensand has been the primary target at Dinner Hill prospect based on higher potassium oxide grade and thickness.

A Resource Definition drilling program conducted in 2Q 2012 suggests greensand to be continuous with thickness in the range of 4-14m at an average of 9m.

Osborne Formation

The Osborne Formation has glauconite sandstone, with minor siltstone and clay stone. Although it contains less glauconite than the overlying Molecap and Poison Hill Greensands, it is still prospective for glauconite production.

Technologies and Markets

Potash Description

Potash refers to potassium compounds and potassium-bearing materials, used for fertilizer, the most common being potassium chloride (KCl). The term "potash" comes from the practice of extracting potassium fertilizer (K_2CO_3) by leaching wood ashes and evaporating the solution in large iron pots.

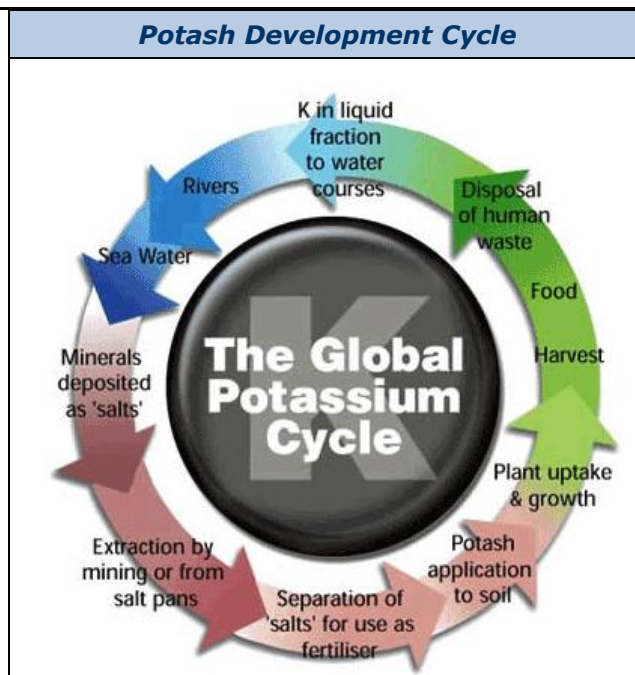
Potassium occurs abundantly in nature, being the 7th most common element in the earth's crust. Some clay minerals which are associated with heavy soils are rich sources of potassium. Potash bearing rock deposits are derived from the minerals in ancient seas that dried up millions of years ago. Fertilizer potash is mostly derived from these potash rocks. It requires only separation from the salt and other minerals.^{ix}

Sources: Potash deposits are limited to a few regions across the world, but often occur in large deposits. Potash fertilizers contain about 20 to 62% K_2O . They consist of potassium in combination with chloride, sulfate, nitrate, and other elements.

Historically, the large evaporate deposits of Saskatchewan and Belarus has provided potash to the world markets. These types of deposits are of high grade but they occur at great depths. This involved significant capital expenditure and high cost associated with deep underground mining.

The common forms of potash are Muriate of Potash, MOP (KCl) and Sulphate of Potash, SOP (K_2SO_4). Approximately 90% of potash is extracted by conventional underground mining methods. Solution mining is used when underground deposits are irregular and very deep.

Potash Uses^x: Potash has three main uses: fertilizer, livestock feed supplements and industrial processes. Fertilizers use 95% of world's potash production. Potash is a key ingredient in fertilizers that enhance water retention of plants, increases crop yields and plants' disease resistance. In feed supplements, the key function of potash is to contribute to animal growth and milk production. Potash is also used to produce glass, ceramics, soaps etc.



Potash from Greensand (Glaucanite): The term 'greensand' refers to a specific formation, generally sandstone, which contains glauconite. Greensands are characterized by their high total iron content (Fe_2O_3) and high K_2O content, with glauconite typically containing ~6% K_2O .

Glaucanite is an iron potassium phyllosilicate (mica group) mineral of characteristic green color with very low weathering resistance and very friable.

Where is Glaucanite Mined: The mineral is currently mined on a small scale either as a soil conditioner, slow release fertilizer, or as a water purifier for iron contaminated groundwater. There are a few pits scattered over New Jersey, Illinois, Wisconsin, Iowa, in the US, and Russia; even New Zealand has a few very small-scale operations^{xi}.

Production^{xii}: Potash production is limited to only 12 countries around the world, of which Canada (35%), Russia (19%) and Belarus (16%). None of this production comes from the processing of glauconite. Potash is imported by more than 100 countries worldwide as over 80% of world potash production is exported.

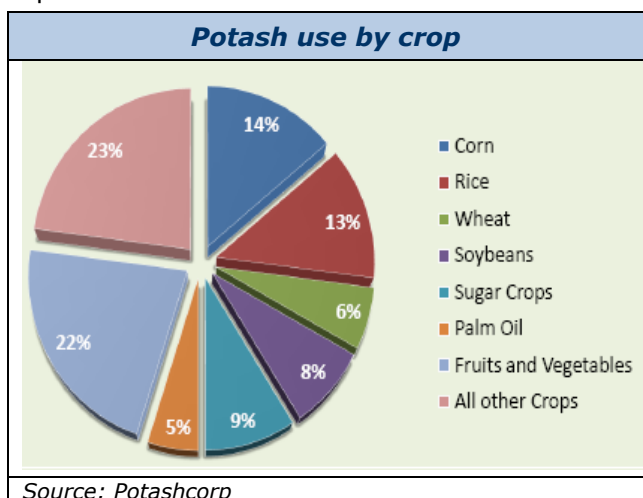
Global potash production^{xiii} is estimated to increase to 41.4MMT in 2012 compared with 2011 levels of 37.0MMT, and further rise to 45.9MMT by 2014.

| Potash Producers of the world^{xiv} (K₂O) | |
|---|------------------------|
| COUNTRY | PRODUCTION (KT) |
| Canada | 11,200 |
| Russia | 7,400 |
| Belarus | 5,500 |
| Germany | 3,300 |
| China | 3,200 |
| Israel | 2,000 |
| Jordan | 1,400 |
| United States | 1,100 |
| Chile | 800 |
| United Kingdom | 430 |
| Spain | 420 |
| Brazil | 400 |

According to a report by IFA, global potash capacity is expected to increase to 54.7MMT in 2014 from 43.8MMT in 2011. Approximately 30 projects are expected to be completed by 2015. The bulk of the new potash capacity will be in the form of MOP.

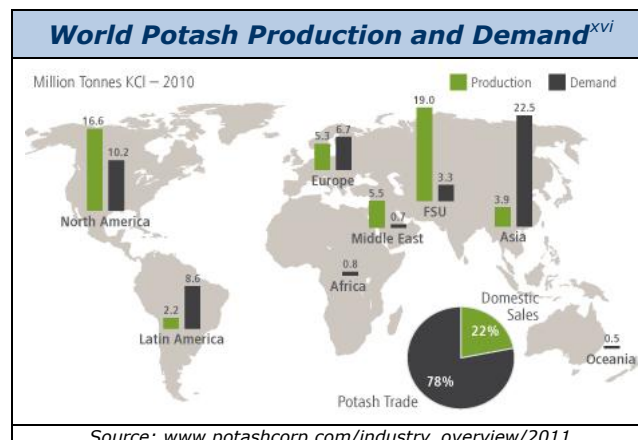
Potash Market: Demand, Supply and Outlook

Demand^{xv}: Potash demand is highly correlated to crop production, as it is an essential component of fertilizer. The potash market is primarily driven by the rising population and the need for nutritious food with rise in the per capita income.

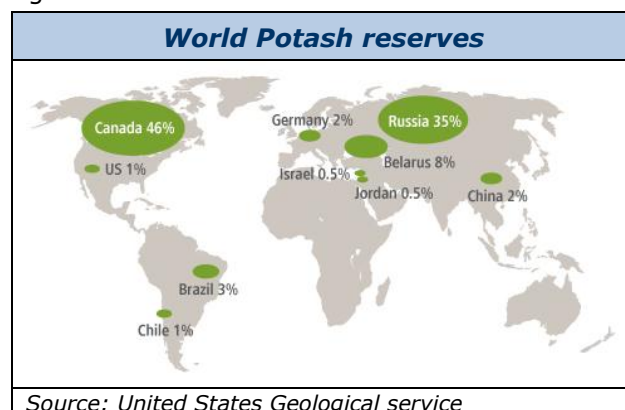


With increased population, farm output is expected to rise by 70% by 2050, which will require higher crop yields as a result of decreasing arable land per capita.

In the medium term, potash demand is expected to increase from 37.0MMT in 2011 to 35.8MMT in 2014. In the long term, potash demand is expected to grow at a rate of 3-5%.



Supply: Supply is constrained by old mines with limited shaft capacity and a lack of capital for new mines. Over the next five years, approximately 12MMT of additional global capability is expected to be added with Potash Corp expected to account for more than half of the global total. Even with all announced brownfield projects coming on stream, it is believed that the fundamentals are in place for a tight market.



Price outlook: The potash market is primarily driven by the rising population, limited increases in arable land and the need for nutritious food as the per capita income increases in the emerging markets. Potash is a core part of soil nutrition and cannot be replaced by other sources. As potash plays an important role in improving yield, taste, and nutrient value of these key crops, the farmers in developing countries have started to address decades of unbalanced fertility practices by applying potash in greater quantities.

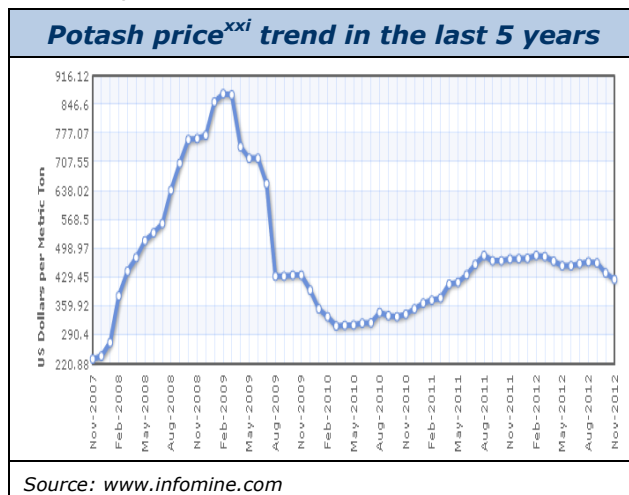
During the commodity rally of 2003-2008, potash prices rose sharply from US\$200 a ton to US\$1000 a ton in June 2008. In 2009, the potash market suffered a major demand drop, caused by low agricultural prices, obstinate

farmers, and world uncertainty associated with financial instability. These factors had lowered the price of potash in world markets to around US\$350/T.^{xvii}

After a temporary slowdown during the global economic downturn beginning at the end of 2008, potash consumption levels have begun to return to pre-crisis levels in most key markets. Potash markets recovered sharply in 2010 following 2009's record decline. Global shipments rose by more than 80% to approximately 53MMT. In response to the strong demand recovery, 2010 industry operating rates increased to more than 85% of estimated operational capability.

In 2011, potash prices increased 25% y-o-y to US\$425/T due to higher demand (owing to increasing population and decreasing land availability). Prices are expected to increase as planting season begins in US, and settle at around US\$520/T by the end of 2012^{xviii}^{xxxx}

In the medium to long term, we expect the potash prices to be supported by demand recovery.



Risk Profile Analysis

Potash West NL has a medium to low risk profiles. The Dandaragan Trough Potash Project is under processing test work phase and the scoping study is expected to be completed by end of 2012. The company's successful IPO of AU\$6MM and a placement of AU\$1.65MM, is expected to mitigate its otherwise risky prospects. The recent investment by Chinese Investment group will further lower the capital constrains. The company has also obtained positive results from the drilling results and the JORC results were also positive. The company also continues to make important breakthroughs in identifying a commercial process to produce Potash from greensands resources in Western Australia.

On November 16, 2012, Potash West announced that it has reached an agreement with a Chinese Investment group to invest AU\$3MM in Potash West. The company will issue 9MM shares at AU\$c33. Post placement a representative of the group will be offered a Non-executive director position.

Operational Risk – Medium

Potash West NL has no operating history and its flagship project - the Dandaragan Trough Project – is still under processing test work phase, resulting in materially high operational risks. The operations of the company may be affected due to failure to achieve predicted grades in exploration and mining along with other technical difficulties encountered in mining. However, the directors have rich operating experience which the company hopes to leverage. Also, results from the resource extension drilling program were encouraging, defining continuity and thickness in the prospects.

Exploration Cost Estimates Risk – Medium

Arrowhead believes that the company will commercially explore for glauconite until 2016, leading to higher- than-estimated exploration costs. Dandaragan Trough Potash Project is under processing test work phase and the JORC resource estimates and scoping study are expected to be completed by end-2012. Also, any future exploration activity may be affected by factors such as geological conditions and limitations on activities due to seasonal variations, which may further escalate the exploration cost.

Financing Risk - Medium

The company recently raised AU\$6MM through an IPO to fund its project, leading to cash in hand of AU\$5.4MM as of June 2011. The raised capital is expected to mute the financial risk of the project for at least a year. However, Arrowhead believes that the company will require additional capital to fund future exploration activities (according to our estimates, the scoping study in itself could entail close to AU\$0.5MM in expenses). On June 20, 2012, the company raised AU\$1.65MM from placement of 7,333,334 shares at 22.5 cents per share. Recently, company has raised AU\$ 3MM from Chinese Investment group against which company has issued 9MM shares at AU\$c33. Any additional equity financing is expected to dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

Regulatory Risk – Low

As Potash West NL is still in the nascent stage of its operations and is exposed to regulatory and legal compliances, the company is expected to have medium regulatory risks. Changes in government policies, taxation and other laws can have a significant impact on the company's assets and operations, and, ultimately, its financial performance and securities.

Commodity Price Volatility Risk - Low

Potash West NL has low commodity price fluctuation risk as such risks will arise when the company achieves success leading to potash production – which is yet to start. Commodity prices fluctuate and are affected by several factors such as demand and supply, technological advancements, forward-selling activities and other macro factors.

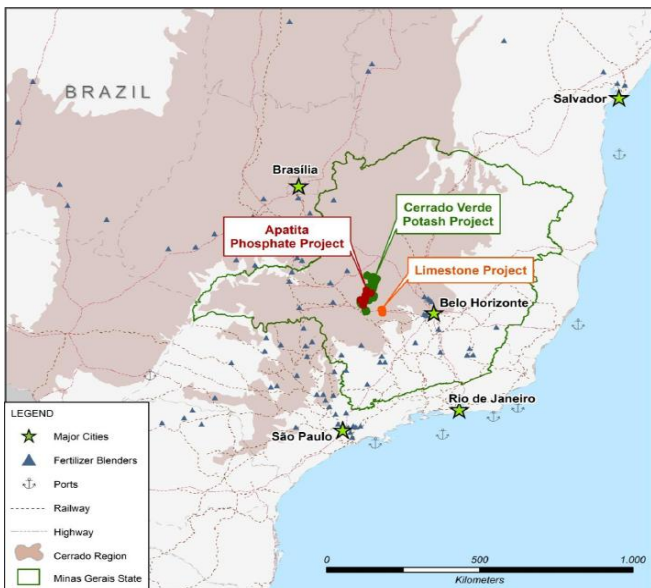
Title Risks – Low

The company has the mineral rights to five exploration licenses, with a further nine under application. The company could lose title to or interest in these 14 tenements if license conditions are not met as these interests in tenements in Australia are governed by the respective state legislation and are confirmed by the granting of licenses or leases. Also, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist.

Peer Comparison

We compare Potash West with Verde Potash (formerly Amazon Mining) and South Boulder, besides other select group of peers.

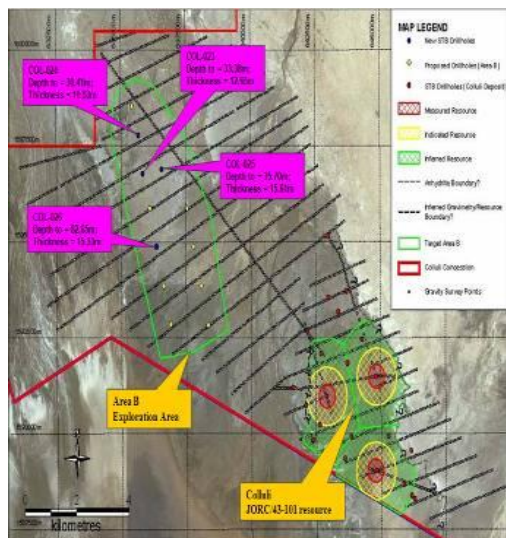
Verde Potash – Verde Potash Plc, formerly Amazon Mining Holding Plc, is a Canada-based mineral exploration and development company. The company is engaged in the acquisition and exploration of mineral properties in Brazil, and is focused on advancing the Cerrado Verde Project, from which the company plans to produce the potash fertilizer product, potassium chloride ("KCl").



As of April 2012, the company had total indicated mineral resource of 71.08MMt at 9.22% and total inferred mineral resource of 2,763.80MMT at 8.91% K₂O. Verde Potash has completed the preliminary economic assessment with base case scenario of 0.6mtpa – 1.4mtpa from phase-1 to phase-3 and capex of US\$2,338MM. The upside case scenario had production estimates of 1mtpa – 1.5mtpa from phase 1 to phase 3 with capex of US\$3,095MM. ^{xxii}

In an another project – Apatita – the company has conducted an initial drilling program in two of the three phosphate prospects and identified mineralized phosphate between 0.01% and 9.57% P₂O₅ with widths of between 1m and 22m. The company plans to continue drilling, targeting an NI 43-101 compliant resource estimate. In addition, Verde will continue its exploration on five other prospects that have been identified along a 30km strike length by the regional mapping and surface grab sampling program ^{xxiii}.

South Boulder Mines - South Boulder Mines Limited is involved in acquisition, exploration and development of resource projects in Western Australia and Eritrea. The company has projects in nickel, gold and potash. The Colluli Potash Project is located in the coastal Danakil Depression region of Eritrea (Africa) approximately 200km south east of the Capital Asmara.



The company is currently conducting a Definitive Feasibility Study (DFS) which is expected to be completed by 2013. In June 2012, the company released preliminary DFS findings, which suggested processing of Carnallite along with Sylvinit.

The JORC/NI43-101 Compliant Mineral Resource Estimate for the Colluli Potash Project as of May 2012 stands at 1.08BT @ 18% KCl for 194MMT of contained potash. The company aims to achieve a JORC exploration target between 1.25-1.75BT in the Colluli deposit, with an estimated grade of 18-20% KCl. The location of the project provides ready infrastructure as it is approximately 70km from the Red Sea Coast and major shipping routes to Asia. ^{xxiv}

During Q2 2012, the company raised AU\$9.5MM capital from Meridian Capital International Fund. The company plans to use the proceeds from the raising to complete DFS, start early access works and provide working capital for the Colluli Potash Project.

The company has recently agreed to submit a proposal for ENAMCO (Eritrean Govt dept.) to participate in the Colluli Potash project by way of a 50:50 profit share, wherein South Boulder is expected to pay

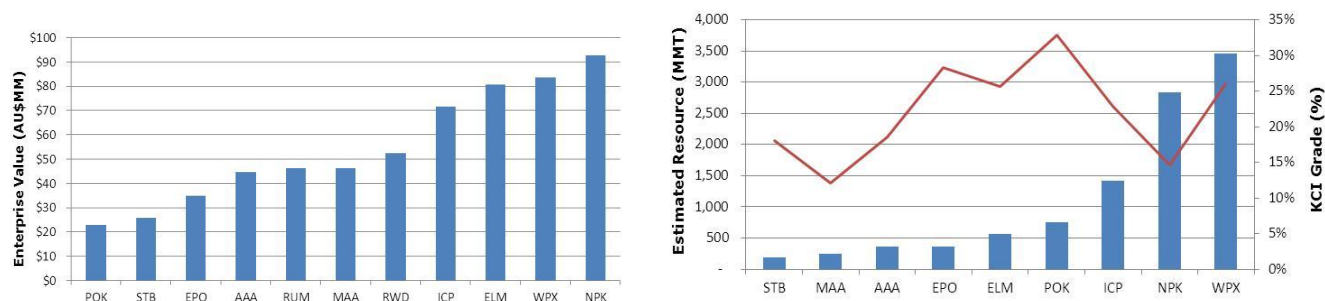
100% of the development costs. Post the acceptance of the proposal, South Boulder would have 50% interest

Comparable Potash Peers

| Ticker | Company | EV AU\$MM | Capacity (mtpa) | EV/Capacity (AU\$/T) | Measured & Indicated (MT) | Inferred (MT) | KCI Grade (%) ^{xxv} | Estimated Resource (MT) | EV/Resource (AU\$/T) |
|--------|----------------------|-----------|-----------------|----------------------|---------------------------|---------------|------------------------------|-------------------------|----------------------|
| RUM | Rum Jungle Resources | \$46 | NA | NA | 0.5 | 1.0 | NA | 2 | \$29.339 |
| POK | Potash Minerals | \$23 | NA | NA | NA | 754 | 32.8% | 754 | \$0.031 |
| RWD | Reward Minerals | \$53 | NA | NA | NA | 21 | NA | 21 | \$2.558 |
| EPO | Encanto Potash | \$35 | 2.5 | 14 | 131 | 235 | 28.3% | 365 | \$0.095 |
| MAA | Mag Industries | \$46 | 0.6 | 77 | 33 | 209 | 12.1% | 242 | \$0.192 |
| ICP | IC Potash | \$72 | 0.8 | 90 | 984 | 440 | 22.8% | 1,424 | \$0.050 |
| STB | South Boulder Mines | \$26 | 1.5 | 17 | 168 | 26 | 18.0% | 194 | \$0.133 |
| AAA | Allana | \$45 | 1.0 | 45 | 251 | 109 | 18.6% | 360 | \$0.124 |
| WPX | Western Potash Corp | \$84 | 2.8 | 30 | 758 | 2,700 | 26.0% | 3,458 | \$0.024 |
| ELM | Elemental | \$81 | 1.2 | 67 | 326 | 243 | 25.6% | 569 | \$0.142 |
| NPK | Verde Potash | \$93 | 1.1 | 84 | 71 | 2,764 | 14.6% | 2,835 | \$0.033 |

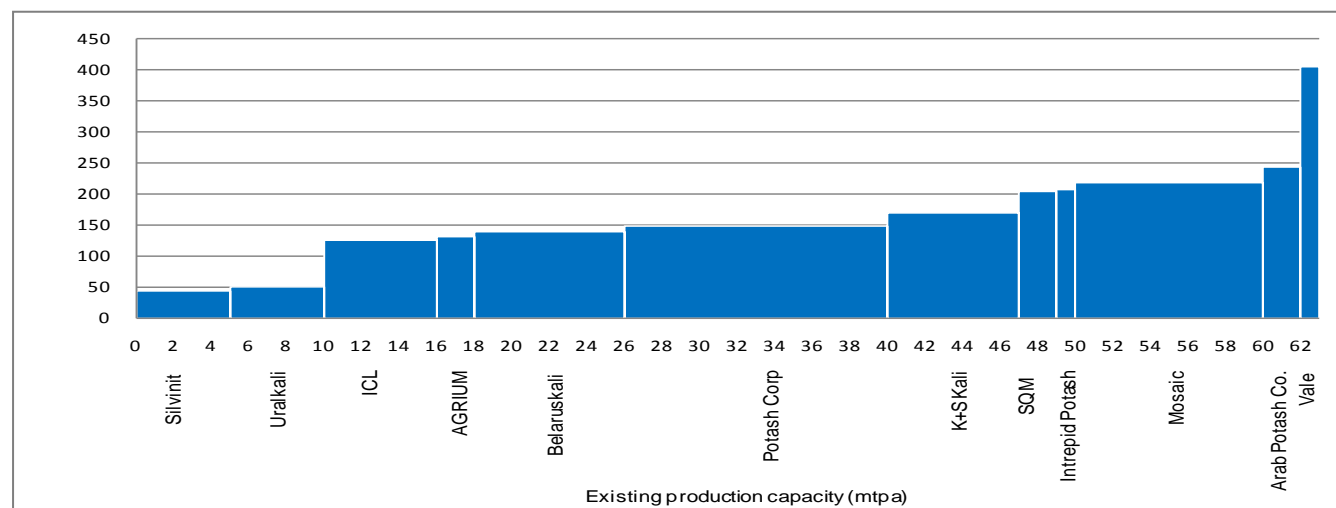
Sources: Arrowhead estimates, Company Websites, Bloomberg as on November 26, 2012

Enterprise Value, Grade and Estimated Resource of Peers



Sources: Arrowhead estimates, Company Websites, Bloomberg as on November 26, 2012

Cash Cost Curve for Major Global Potash Manufacturers (in US\$)



Sources: Arrowhead estimates and Company Websites as on July 2011

Value

The Fair Market Value for Potash West NL shares stands between AU\$64.2MM and AU\$324.3MM.

The Fair Market Value for one of Potash West NL publicly traded shares stands between AU\$0.77 to AU\$3.87.

Potash West NL Limited Balance Sheet Forecast

| CONSOLIDATED BALANCE SHEET | <i>all figures in '000 AU\$, unless stated differently</i> | | <i>Low bracket estimates</i> | | | | |
|-------------------------------------|--|---------------|------------------------------|------------------|------------------|------------------|------------------|
| <i>year ending June 30th</i> | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E |
| Total Current Assets | 20,789 | 31,314 | 40,072 | 159,815 | 55,847 | 348,743 | 507,241 |
| Total Non-Current Assets | 4,285 | 7,972 | 159,312 | 1,482,660 | 2,418,667 | 2,241,433 | 2,128,845 |
| TOTAL ASSETS | 25,075 | 39,286 | 199,384 | 1,642,474 | 2,474,514 | 2,590,177 | 2,636,086 |
| Total Current Liabilities | 481 | 577 | 692 | 1,492 | 3,164 | 21,457 | 21,671 |
| Total Non-current Liabilities | - | - | 60,000 | 600,000 | 1,000,000 | 900,000 | 800,000 |
| TOTAL LIABILITIES | 481 | 577 | 60,692 | 601,492 | 1,003,164 | 921,457 | 821,671 |
| Total Shareholder's Equity | 24,594 | 38,709 | 138,691 | 1,040,983 | 1,471,350 | 1,668,720 | 1,814,414 |
| TOTAL LIABILITIES and EQUITY | 25,075 | 39,286 | 199,384 | 1,642,474 | 2,474,514 | 2,590,177 | 2,636,086 |

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent, depending on the sub-sectors in which the research is conducted. But all Arrowhead valuation researches possess an underlying set of common principles and a generally common quantitative process.

With Arrowhead commercial and technical due diligence, the company researches the fundamentals, assets and liabilities of a company, and builds estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earnings ratios, indicated as applicable, are mainly for reference. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

We have also presented the comparables method based on enterprise value per resource (US\$/T) as a secondary measure of fair value, which, though is not central to the methodology applied towards building the fair value bracket, is presented here as additional information.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analyses such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a valuation tool.

In principle, an investor comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and, likewise, in terms of low estimates. The investor will also note the company intangibles to analyze the strengths and weaknesses, and other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in investor's own analysis.

The bracket should be taken as a tool by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that while on the one hand global capital markets contain inefficiencies, especially in terms of information, on the other, corporations and their commercial and technical positions evolve rapidly. This present edition of the Arrowhead valuation is for a short to medium-term alignment

analysis (one to twelve months). The reader should refer to important disclosures on page 22 of this report.

Information on the Potash West NL valuation

Potash West NL Valuation Methodology: The Arrowhead fair valuation for Potash West NL is based on the discounted cash flow (DCF) method. Valuation is based on the flagship project – Dandaragan Trough Project.

Time Horizon: The Arrowhead fair valuation for Potash West NL is based on a DCF method. The time period chosen for the valuation is ~187 months (2013-2028). While revenue is expected to ramp up significantly during the 2016-2028, due to the discount factor used, the later years are heavily discounted and have a marginal effect on valuation. They are included to present a full project cycle situation.

Underlying Business Plan: Potash West NL, with large, near surface greensand deposit, is developing these assets to start production of a range of fertilizer minerals. The company has been following the strategy of consolidating prospective ground in Western Australia, reducing competing market interests, dominating the Australian glauconite resource market, defining extraction, efficiency and cost profile, and advancing toward bankable feasibility.

Along with glauconite, the company also plans to explore phosphate contained in the greensands, which might be recovered during mining and processing of the greensands. This gives the company the opportunity to devise a single production plant to extract different elements in a cost-efficient manner. The proposed application of recent advances in metallurgy, including fine grind technologies, aimed at extracting potassium to produce commercial-grade potash is expected to augment company's fundamentals. The company believes there are compelling reasons for the development of this project, including large, near surface greensand deposit, which is favorably located near the local markets.

Arrowhead estimates has been evaluated taking into consideration that the company has no operating history and its flagship project – Dandaragan Trough Project – is still under prefeasibility stage, resulting in materially high operational risks. The operations of the company may be affected due to failure to achieve predicted grades in exploration and mining along with other technical difficulties encountered in mining.

However, rising global fertilizer demand and change in potash price structure are expected to provide a compelling case for re-evaluating and, if viable, commercializing the deposits. Also, the company is expected to be benefitted from highly experienced management and technical team.

Terminal Value: Terminal Value is estimated to depend on a terminal growth rate of 0%, representing the maturity, technology change and prospective competitiveness in the business.

Prudential Nature of Valuation: This Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it discounts the eventuality of the company acquiring and producing from any other projects than Dandaragan Trough Project before 2028.

Key variables in Potash West NL's revenue estimations

Variable 1 – Hypothesis for mining at Dandaragan Trough project (MTPA): As on February 2011, Potash West was expected to define infill drilling of selected prospect areas, leading to the definition of a target of between 50 and 70MMT of resource at 5% grade. However, with company still under pre-production stage, we expect that company will start the glauconite production from 2016, with a mining rate of 2.50 to 2.60 MTPA of potash with mine-life of 12 years.

| | 2016 | 2017-2019 | 2020-2028 |
|------|------|-----------|-----------|
| Low | 2.50 | 5.25 | 7.25 |
| High | 2.60 | 5.50 | 7.50 |

Variable 2 – Hypothesis for mining for export plant: As well as “local supply Plant”, the company also plans to develop an export plant which will be used to export potash. The company is expected to start production from the export plant from 2018 with a life of more than 10 years.

| | 2018-2019 | 2020-2028 |
|------|-----------|-----------|
| Low | 30 | 35 |
| High | 31 | 36 |

Variable 3 – Forecast price of Potash in 2016 (US\$/T): Arrowhead believes that Potash prices should be firmly supported by demand recovery in the near term. As grain prices trend higher and farmer economics improve, potash demand is expected to sustain in the range of US\$550-560/T per ton in 2016, with CAGR of 1.0%.

| | |
|------|-----|
| Low | 550 |
| High | 560 |

Variable 4 – Forecast AU\$/US\$ exchange rate: Arrowhead believes that exchange rate for AU\$/ US\$ will be in the range 0.90- 0.95. Since the potash prices are assumed in US\$ and company reports in AU\$ therefore exchange rates are to be estimated based on historical benchmarks.

| | |
|------|------|
| Low | 0.90 |
| High | 0.95 |

Analyst Certifications and Important Disclosures

Analyst Certifications

I, Vishal Pasari, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

I, Mohanarangam Purushothaman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2011 and 2012 from Potash West NL for researching and drafting this report and for a series of other services to Potash West NL, including distribution of this report and networking services. Arrowhead and some of its employees own call options and shares in Potash West equity.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of our judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment

objectives and financial situation utilizing their own financial advisors as they deem necessary.

Investors are advised to gather and consult multiple information sources before making investment decisions. Recipients of this report are strongly advised to read the information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision taking process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall, and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered as an offer to buy any security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

Valuation

WACC

| | | |
|-------------------------|-------|--------|
| Risk-free rate | 3.3% | xxvi |
| Beta | 1.00 | xxvii |
| Risk premium | 8.5% | xxviii |
| Additional Risk Premium | 2.0% | xxix |
| Cost of Equity | 13.8% | |
| Terminal Growth Rate | 0% | xxx |

KEY VARIABLES

| | | | |
|--------------|---|---|-----------------|
| | Potash Prices 2016-2025 | Dandaragan Trough - Potash Production Capacity (MT) | US\$ / AUS\$ |
| Max value | <i>Please refer to the Key Variable Section</i> | | |
| Min value | | | |

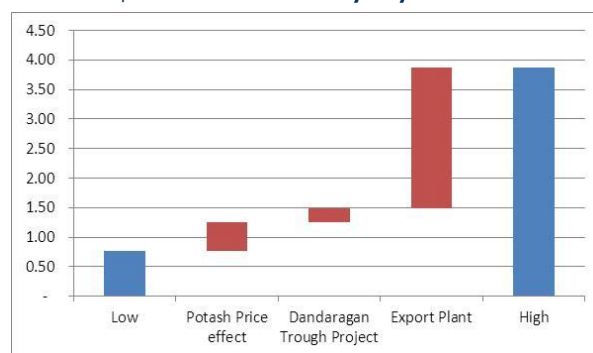
| | FCFE (High) Time Period -> | | | | | | | | |
|------------------------------------|----------------------------|-----------------|------------------|------------------|------------------|----------------|----------------|----------------|--|
| | 0.58 | 1.58 | 2.58 | 3.58 | 4.58 | 5.58 | 6.58 | 7.58 | |
| | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | |
| Net cash from operating activities | (8,089) | (16,668) | (18,906) | (16,641) | (35,183) | 408,301 | 310,719 | 378,103 | |
| Capital Expenditure | - | - | (150,000) | (1,350,000) | (1,000,000) | - | - | - | |
| Net Debt Addition | - | - | 60,000 | 540,000 | 400,000 | (100,000) | (100,000) | (100,000) | |
| Free Cash Flow to Equity | (8,089) | (16,668) | (108,906) | (826,641) | (635,183) | 308,301 | 210,719 | 278,103 | |
| Discount Factor | 0.93 | 0.82 | 0.72 | 0.63 | 0.55 | 0.49 | 0.43 | 0.38 | |
| Present Value of FCF | (7,502) | (13,588) | (78,036) | (520,623) | (351,617) | 150,007 | 90,116 | 104,537 | |
| | FCFE (Low) Time Period -> | | | | | | | | |
| | 0.58 | 1.58 | 2.58 | 3.58 | 4.58 | 5.58 | 6.58 | 7.58 | |
| | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | |
| Net cash from operating activities | (8,089) | (16,668) | (18,906) | (23,281) | (49,960) | 365,457 | 258,176 | 315,849 | |
| Capital Expenditure | - | - | (150,000) | (1,350,000) | (1,000,000) | - | - | - | |
| Net Debt Addition | - | - | 60,000 | 540,000 | 400,000 | (100,000) | (100,000) | (100,000) | |
| Free Cash Flow to Equity | (8,089) | (16,668) | (108,906) | (833,281) | (649,960) | 265,457 | 158,176 | 215,849 | |
| Discount Factor | 0.93 | 0.82 | 0.72 | 0.63 | 0.55 | 0.49 | 0.43 | 0.38 | |
| Present Value of FCF | (7,502) | (13,588) | (78,036) | (524,805) | (359,797) | 129,161 | 67,646 | 81,136 | |

In the model, the valuation is continued to the year 2028, from which point the terminal value is established. For all data see reference table below:

ARROWHEAD FAIR VALUE BRACKET

| | High | Low |
|----------------------------------|------------------|------------------|
| Terminal Value (TV) | 3,064,968 | 2,568,808 |
| Present Value of TV | 410,400 | 343,964 |
| Present Value of FCF + TV | 321,020 | 60,921 |
| + Cash | 3,250 | 3,250 |
| Equity Value Bracket | 324,270 | 64,171 |
| Shares Outstanding (in '000) | 83,795 | 83,795 |
| Fair Value Bracket | AU\$ 3.87 | AU\$ 0.77 |
| Current Market Price | AU\$ 0.25 | AU\$ 0.25 |
| Current Market Capital | 20.9 | 20.9 |
| Target Market Capital | 324.3 | 64.2 |

\$ Value Contribution by Key Variables



Notes and References

- i Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 21-23 of this report and important disclosures on page 22 of this report.
- ii Source: Bloomberg as on 14 December 2012
- iii 52 weeks to 14 December 2012. Source: Bloomberg as on 14 December 2012
- iv 3 months to 14 December 2012. Source: Bloomberg as on 14 December 2012
- v Source: Bloomberg as on 14 December 2012
- vi Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 21-23 of this report and important disclosures on page 22 of this report.
- vii Source: Company data
- viii Source: <http://www.potashwest.com.au/management.php>
- ix Source: <http://www.passportpotash.com/potash.html>
- x Source: <http://www.westernpotash.com/about-potash>
- xi Source: <http://sites.google.com/site/glaucunitenz/globally-rest-of-the-world>
- xii Source: <http://minerals.usgs.gov/minerals/pubs/commodity/potash/mcs-2011-potas.pdf>;
<http://www.allanapotash.com/i/pdf/ppt/AAA-Presentation-Sept2012.PDF>;
<http://www.encantopotash.com/Repository/Home/Corporate-Presentation.pdf>;
http://magnaresourcesltd.com/investors/MAGNA_PPT_1207%20Potash.pdf
- xiii K2O equivalent
- xiv <http://minerals.usgs.gov/minerals/pubs/mcs/2012/mcs2012.pdf>
- xv Source: <http://www.thehindubusinessline.com/features/investment-world/macro-view/article3387746.ece>
- xvi Source: www.potashcorp.com/industry_overview/2011
- xvii Source of information <http://www.westernpotash.com/about-potash>
- xviii Source: <http://www.infomine.com/chartsanddata/chartbuilder.aspx?z=f&g=127651&dr=3y>
- xix Source: <http://www.magindustries.com/cmsdocs/Presentations/MagIndustries-on-Potash.pdf>
- xx Source: <http://www.potash1.ca/s/Fundamentals.asp>
- xxi MOP, US\$ MT - FOB Vancouver
- xxii Source: http://www.amazonplc.com/Theme/AmazonMining/files/Verde%20Potash%20Corporate%20Presentation%20April%202012_v001_z5dh61.pdf
- xxiii Source: <http://www.amazonplc.com/Projects/apatita-phosphate/default.aspx>
- xxiv Source: <http://www.southbouldermines.com.au/projects/colluli-potash-project/>
- xxv For comparison purposes the silicates, sulphates are converted to equivalent KCl.
- xxvi Source: Bloomberg as on 22 November 2012
- xxvii Source: Arrowhead estimate
- xxviii Source: Arrowhead estimate
- xxix Source: Arrowhead estimate
- xxx Source: Arrowhead estimate