

31 January, 2012

Quarterly Report, December 2011

Highlights

- Drill program produces several intersections of plus 20 metres of greensand, with grades of plus 3% K₂O
- Commercial grade potash produced, on laboratory scale

Dandaragan Trough Project

This project is focussed on exploiting the large glauconite deposits present in the Dandaragan trough, which commences less than 60km to the north of Perth (Fig 1). The objective is to produce potash fertiliser from the potassium in the glauconite. To that end the Company has two parallel programmes:

- exploration, to identify the thickest, shallowest and highest grade deposits, and
- process development, to identify the most cost-effective process of producing potash

Exploration

During the quarter a reconnaissance drilling programme was undertaken in the Dandaragan Trough. 41 widely spaced aircore drillholes were completed, with a total metres drilled of 3,235m. The location of the holes are shown on figure 1. Assays have been received for 18 holes and were reported to the ASX on 27 January 2012. Of the 18 holes, 9 had intervals greater than 3% K₂O, and of those 9, 4 had intervals of more than 20 metres at +3%.

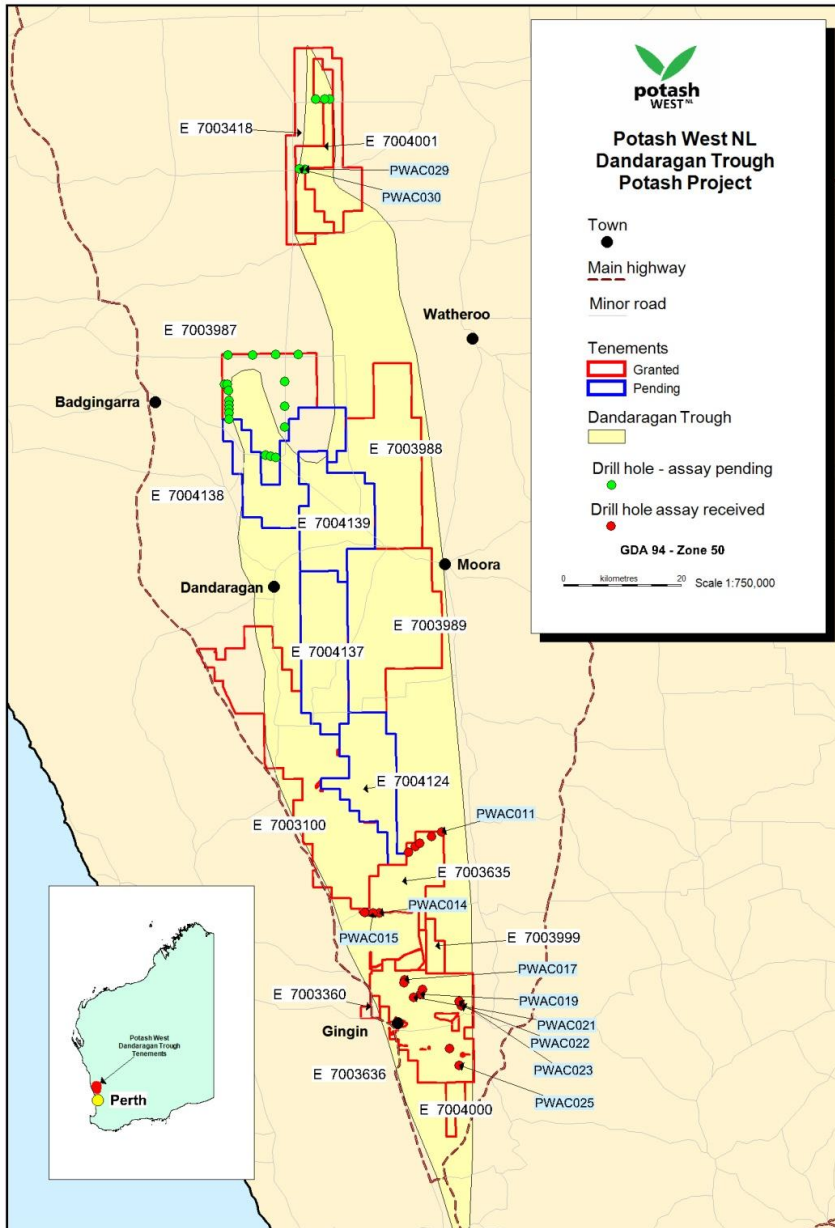


Figure 1: Potash West landholding and drill holes in current campaign

This drilling appears to confirm the geological model that the most prospective locations are on slopes, on elevated ground, where the Poison Hill Greensand seam is not eroded and laterisation is minimal.



Process Development

Work on extracting the potassium from the glauconite matrix has continued, Testwork has confirmed that glauconite is magnetic and can be separated from silica and feldspar by magnetic separation. This simple pre-concentration step will increase the K₂O grade at relatively low cost.

A number of leaching tests have been completed and commercial grades of Muriate of Potash (MOP, potassium chloride) and Sulphate of Potash (SOP, potassium sulphate) have been produced.

Work continues in evaluating and comparing different process routes for potash extraction. As part of this, significant new and innovative intellectual property has been created.

Langey Project

PWN has entered into a JV with a wholly owned subsidiary of Heron Resources on the Langey project, close to Derby, WA (see figure 2), which is prospective for phosphates and glauconite.

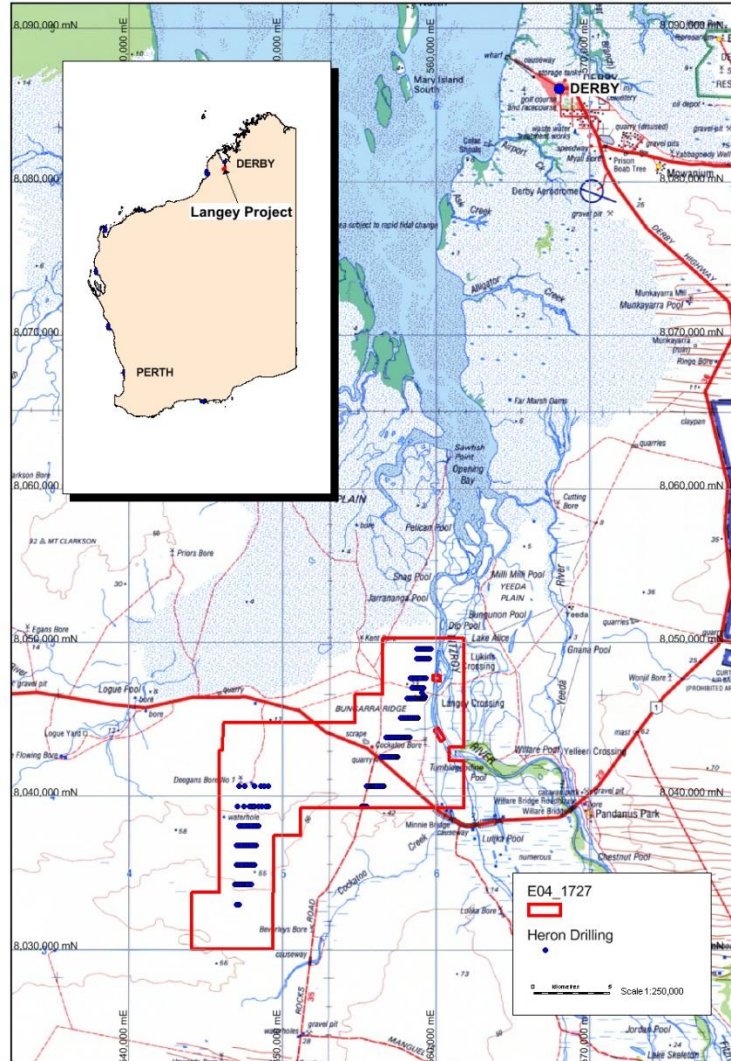


Figure 2: Langey Project location plan

Corporate

An unmarketable share buyback and top-up program was completed in the period. This was carried out as a large number of shareholders had very small holdings from the allocation of shares to Image Resources Shareholders at IPO. 1457 shareholders sold and 196 elected to increase their shareholding. Shares were purchased on market, as part of this programme. At 31 December the company had 1,404 shareholders, of which 165 held less than a marketable parcel.



1,250,000 options with an exercise price of 28c and an expiry of Nov 2014, were issued to Company directors as part of the Employee Option Plan.

Announcements

The following ASX announcements were made in the quarter

- 6 October 2011 Encouraging Potassium Extraction Results
- 17 October 2011 Completion of Unmarketable Parcel Program
- 20 October 2011 Appendix 3B
- 23 October 2011 Potash West adds significant Kimberley Exploration interest
- 27 October 2011 Notice of Annual General Meeting/Proxy Form
- 31 October 2011 Quarterly Activities and Cashflow Reports
- 2 November 2011 Change of Director`s Interest Notice
- 4 November 2011 Response to ASX Query re Appendix 3Y
- 16 November 2011 Potash Commences Dandaragan Reconnaissance Drilling Program
- 23 November 2011 Potash West adds significant Kimberley Exploration interest
- 30 November 2011 AGM Presentation
- 30 November 2011 Results of Meeting
- 30 November 2011 Appendix 3B
- 30 November 2011 Change of Directors` Interest Notices
- 05 December 2011 Amended AGM Presentation
- 19 December 2011 2011 Annual Report - Additional Information

The following announcements were made subsequent to 31 December 2011

- 09 January 2012 Research Report on Potash West
- 18 January 2012 Release from Escrow
- 23 January 2012 Success in Producing Potash from WA Glaucosite Deposits
- 27 January 2012 Exploration update

Cash on Hand

At 31 December 2011 \$3.78 million cash (5.0 cents/share) was available.

For further information contact:

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Competent Person's Statement:

The geological information in this report is based on information compiled by Lindsay Cahill, who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Cahill has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cahill is a consultant to the mining industry. This report is issued with Mr Cahill's consent as to the form and context in which the exploration results appear.

The metallurgical information in this report is based on information compiled by Gary Johnson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Johnson has sufficient experience relevant to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Johnson is a consultant to the mining industry. This report is issued with Mr Johnson's consent as to the form and context in which the results appear.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Potash West NL

ABN

62 147 346 334

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(535)	(925)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	47	105
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(773)	(1,488)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(31)	(42)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Investment in Subsidiary)		
Net investing cash flows	(31)	(42)
1.13 Total operating and investing cash flows (carried forward)	(804)	(1,530)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(804)	(1,530)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Equity Raising Costs)		(125)
	Net financing cash flows		(125)
	Net increase (decrease) in cash held	(804)	(1,655)
1.20	Cash at beginning of quarter/year to date	4,581	5,432
1.21	Exchange rate adjustments		
1.22	Cash at end of quarter	3,777	3,777

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	92
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to Directors Remuneration, Directors Fees and Superannuation Contributions.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	
4.3 Production	
4.4 Administration	350
Total	850

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,777	4,581
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,777	4,581

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased	E70/3999 E70/4001 E04/1727	Potash Rights Potash Rights Joint Venture	Pending Pending Nil	Granted Granted Earning 51%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	76,237,500	43,597,959		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	925,000	925,000	19.1	19.1
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000	-	<i>Exercise price</i> \$0.40	<i>Expiry date</i> 08-Sep-16
	100,000	-	\$0.60	08-Sep-16
	500,000	-	\$0.30	08-Sep-14
	1,250,000	-	\$0.28	30-Nov-14
7.8 Issued during quarter	1,250,000	-	\$0.28	30-Nov-14
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2012

Print name: Patrick McManus
Managing Director

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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