

Due Diligence and Valuation Report

Arrowhead Code: 25-02-07
 Coverage initiated: 14 December 2011
 This document: 6 January 2014
 Fair share value bracket: AU\$0.39 to AU\$2.41ⁱ
 Share price on date: AU\$0.094ⁱⁱ

Analyst Team

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Market Data

52-Week Range:	AU\$0.086 – AU\$0.29 ⁱⁱⁱ
Average Daily Volume:	39,730 ^{iv}
Market Cap. on date:	AU\$ 8.84MM ^v

Financial Forecast Data (in AU\$)

	'14E	'15E	16E	'17E	'18E	'19E	'20E
High profit/(loss) MM	(8.9)	(11.8)	(12.6)	(20.7)	(47.7)	25.5	95.1
High EPS cents	(3.1)	(2.2)	(1.4)	(1.6)	(2.7)	1.3	4.7
Low profit/(loss) MM	(8.9)	(11.8)	(12.6)	(20.7)	(47.7)	9.4	69.0
Low EPS cents	(3.1)	(2.2)	(1.4)	(1.6)	(2.7)	0.5	3.4

Fiscal Year (FY) 1st July – 30th June

Summary

Potash West NL is an Australia-based mineral exploration company focused on developing potassium-rich glauconite deposits in West Australia's Perth Basin.

The company's flagship project, the Dandaragan Trough Project, is one of the world's largest glauconite deposits, mixed with silica, in a deposit of greensand. The greensands contain significant potash within the glauconite and phosphate. Besides rights to glauconite and phosphate minerals within the tenements, Potash West holds rights to by-products produced by processing these minerals.

The project has a K-Max resource estimate of 122MMT @ 4.6% K₂O within 20% of the Dinner Hill target area. Dinner Hill has an exploration target of 1.0BT to 1.5BT @ 4.0% to 4.8% K₂O. The tenement is having 300–600MMT of phosphate mineralization target at a grade of 1.5% to 3%



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

P₂O₅. The mineralization displays strong geological continuity, providing scope for additional resources to the south, east, and north of the tenement.

The scoping study for K-Max resource at Dinner Hill at a mining rate of 2.4Mtpa highlighted NPV of AU\$808MM at an 8% discount rate and IRR of 21.0%. Further scoping study carried out for single superphosphate shows an IRR of 26.2% and NPV of AU\$218MM at 8% discount rate.

Potash West now plans to carry out a fast-tracked Definitive Feasibility Study at the phosphate project, completing the same by 2016. The company plans to complete the construction by 2017 and aims to start production by mid-2018.

The company has also developed a flowsheet, called K-Max, to extract Sulphate of Potash (SOP), Single Superphosphate (SSP) and other co-products, from glauconite. In December 2012, the company announced that it had applied for a patent over K-Max. In 2013, after the SSP resource was defined, the company further enhanced the process to produce phosphate with a recovery of 70% to only 36% of the mass.

Potash West enjoys a unique location advantage in terms of excellent connectivity to transport facilities, infrastructure and proximity to the local markets. The grant of K-Max patent is expected to further strengthen the company's position.

Given the due diligence and valuation estimations based on the discounted cash flow method, Arrowhead believes that Potash West NL's fair share value lies between AU\$0.39 to AU\$2.41^{vi}. The current valuation is based on the potash production estimates from the Dandaragan Trough potash project, and does not factor in the potential value of the company's future projects.

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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 over 2,700km². 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 project has a K-Max resource estimate of 122MMT @ 4.6% K₂O within 20% of the Dinner Hill target area and an exploration target of 1.0BT to 1.5BT @ 4.0% to 4.8% K₂O at Dinner Hill. The recently identified fresh greensand mineralization extends its current Dinner Hill Mineral Resource to the south, east, and north. The tenement is having 300–600MMT of phosphate mineralization target at a grade of 1.5% to 3% P₂O₅. The mineralization displays strong geological continuity, providing scope for additional resources to be quickly delineated with ongoing drill campaigns.

Scoping studies for both K-Max and phosphate resource highlighted encouraging results, suggesting technical and financial viability of the project. The K-Max resource scoping study results show NPV of AU\$808MM and an IRR of 21.0% (at a mining rate of 2.4Mtpa) and the phosphate scoping study results estimate IRR of 26% and NPV of AU\$218MM at 8% discount rate.

The company has tested a flowsheet to extract phosphate using simple screening, magnetic separation and flotation processes. The process uses conventional phosphate technology, in use for many decades at projects throughout the world, and produces commercial grade SSP at a recovery of 70%.

The K-Max process can extract Sulphate of Potash, high magnesium SOP, single superphosphate, iron oxide, and aluminum sulphate from glauconite.

While the 2 projects have been evaluated as independent stand-alone operations, strong synergies will exist between them. The Company plans to develop its phosphate project first, as the development time is shorter, capital cost is lower and there are very low technical risks with the well-established process.

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 2,700 km². Previous exploration indicated glauconite sediments are widespread for more than 150 km along strike and 20 km in width. A drilling program in 2013 also suggested mineralization at Dinner Hill is open to the north and east, and thickening towards the south.
- *Resource Characteristics:* Potash West NL's Dandaragan Trough Project at Perth Basin contains potassium-rich glauconite deposits together with phosphate minerals. The project has a K-Max resource estimate of 122MMT @ 4.6% K₂O within 20% of the Dinner Hill target area and an exploration target of 1.0BT to 1.5BT @ 4.0% to 4.8% K₂O. The tenement is also having 300–600MMT of phosphate mineralization target at a grade of 1.5% to 3% P₂O₅. 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.
- *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 imports which have high delivery costs associated with transport from Canada. The country has a long history of a favorable regulatory environment vis-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, and is in proximity to utility corridors, providing innate advantage to the company. South-east Asia, India and China, are major importers of fertilizer.
- *Considerable knowledge in Greensand processing (K-Max process):* The Company developed a flowsheet to extract products from glauconite within the greensands. The process design, a major

breakthrough for the company, has considerable implications on the overall project viability. The flowsheet, called K-Max process, produces sulphate of potash (SOP) and various co-products from glauconite such as high-magnesium SOP, single superphosphate, iron oxide and aluminium sulphate. The company applied for patent on the K-Max process in December 2012.

Potash West NL’s Portfolio and Company Risks

We believe that the company’s operational risk has reduced, given the JORC-compliant resource estimate on its flagship Dandaragan Trough Project and the project’s strong technical and financial viability (suggested by the initial scoping study). However, currently, the company does not have any operational asset and is planning to conduct a Definitive Feasibility Study on the Dandaragan Trough Project. It is also exposed to financing risk, given the significant capital costs required to advance the Dandaragan project to the production stage. Although the company has raised capital through IPO and private placement, we believe that significant capital infusion will be required to finance future activities. Additionally, Potash West faces other inherent risks such as regulatory risk, commodity price risk, and title risk.

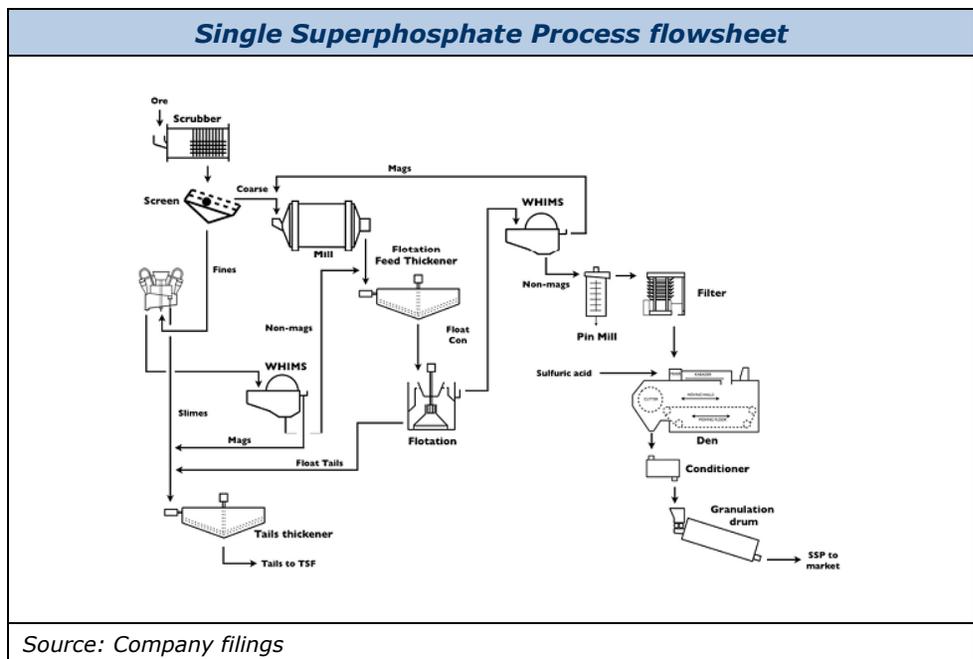
For a detailed risk assessment, please refer to the [Risk profile analysis](#) section.

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 definitive feasibility. The project has ready local market at its doorstep and is close to rail and export ports.

The company has a JORC compliant resource estimate in the Dandaragan Trough Project, and has developed a process flowsheet to extract Sulphate of Potash (SOP), Single Superphosphate and other co-products from glauconite. The flowsheet 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 company plans to conduct a definitive feasibility study on phosphate production by December 2015, followed by construction in December 2017 and production by July 2018.



News

Potash West receives AU\$548K Research and Development Rebate: On December 12, 2013, Potash West announced the receipt of AU\$547,582 refund from the Australian Tax Office under the R&D tax incentive scheme for undertaking the research and development activities for extraction of potash, phosphate and related products from glauconite.

Potash West raises working capital: On November 12, 2013, Potash West confirmed the completion of placement of 2MM shares and 1MM unlisted option at a price of AU\$0.10 per share to raise AU\$0.2MM before cost. The options, expiring October 25, 2015, are exercisable at AU\$0.13. The proceeds from the placement are planned to be used in the ongoing project development activities at its Dandaragan Trough single superphosphate and potash projects.

Potash West revises phosphate resource at the Dinner Hill Project: On September 23, 2013, Potash West revised the results estimated from preliminary mining optimization studies. The company has now identified indicated mineral resource of 90MMT at 2.65% P₂O₅, 3.6% K₂O and 4.5% CaO at the Dinner Hill Project. The mineralization deposit remains open to the north and to the east in the postulated basin area with the potential for increased tonnage.

Potash West scoping study confirms viability of Dandaragan superphosphate production: On September 17, 2013, Potash West announced that the production of superphosphate from its Dandaragan project has received positive results in the initial scoping study with an estimated average revenue of AU\$131MM per year, NPV of AU\$218MM and IRR of 26.2%. The positive outcome provides the company with confidence to move towards a Definitive Feasibility Study. The production of superphosphate in this project involves a low capital cost of AU\$144MM (inclusive of indirect cost).

Potash West identifies new phosphate mineral resource at the Dinner Hill project: On August 12, 2013, the company announced that it has delineated a new indicated mineral resource of 58MMT @ 3.0% P₂O₅. Preliminary metallurgical studies of the mineralization indicate high recovery using simple screening, magnetic separation, and flotation processes with greater than 30% P₂O₅ grade concentrates produced.

Potash West completes major drilling program at The Dandaragan Trough project: On June 20, 2013, the company announced results from its recent drilling at the Dandaragan project. The program extended the mineralized area at Dinner Hill by around 16km², or 160%. The drilling also confirmed significant phosphate intercepts reported from historical exploration at the Dambadjie and Attunga prospects and identified further shallow potash and phosphate targets. The JORC compliant resource for Dinner Hill Extended area is expected by Q3 2013.

Potash West identifies New Dinner Hill Deposit Exploration Target: On May 07, 2013, Potash West reported that it has identified significant area of fresh greensand mineralization, extending the current resource area. The estimated exploration target is 1BT–1.5BT (including 0.3BT–0.6BT of phosphate mineralization at a grade of 1.5% to 3.0% P₂O₅) of fresh greensand at a grade of 4.0% to 4.8% K₂O, 8.0% to 10.0% Al₂O₃, 12.0% to 14.0% Fe₂O₃, and 2.0% to 2.4% MgO.

Potash West intersects plus 50m of Molecap Greensand: On April 24, 2013, Potash West announced the initial findings from a 100 hole, 5000m aircore drilling program at its Dandaragan fertilizer project. The company drilled thick intersections of Molecap greensand up to 58m, confirming the existence of phosphate-rich horizons. The intersection of nodular phosphate also confirmed the observations of previous explorations. Further, the samples have been transported to Perth for metallurgical testing.

Potash West to raise AU\$3.1MM in equity via a renounceable entitlement issue: On February 18, 2013, Potash West announced plans to raise approximately AU\$3.1MM in equity to fund the feasibility studies of the company's assets in the Dandaragan Trough and the general working capital of the company. The company plans to make a pro rata renounceable offer of one share for every six shares held at AU\$0.22 per share and one free Class A option exercisable at AU\$0.30 per option on or before March 15, 2015, for every new share held. The maximum number of shares to be issued

pursuant to the offer is 13,965,972 shares. The options, if exercised, could raise additional funds of up to AU\$4.2MM.

Potash West scoping study confirms NPV of AU\$808MM at Dandaragan: On January 11, 2013, Potash West confirmed the technical and financial viability of Dandaragan Trough Project based on the scoping study and estimated an annual revenue of AU\$365MM with an annual cash cost of AU\$137MM. The study has produced positive results of the project and projected NPV of AU\$808MM and IRR of 21%. This provides the confidence to the company to progress towards a Definitive Feasibility Project.

Dandaragan project scoping study produces positive results: On January 10, 2013, Potash West announced the results of a scoping study on its wholly owned Dandaragan Trough Project, located 150km north of Perth in Western Australia. The study produced positive results, indicating the potential and viability of the Dandaragan Trough as a long-term project. The scoping study, completed with +/- 35% accuracy, demonstrates the robust nature of Potash West's proprietary processing procedure, K-Max, and boosts the company's confidence to move towards a Definitive Feasibility Study (DFS).

Potash West lodges provisional patent application for processing breakthrough: On December 20, 2012, Potash West announced that it had developed a flowsheet, called the K-Max process, that produces SOP, high-magnesium SOP, single superphosphate, iron oxide, and aluminum sulphate from glauconite that is extracted from the extensive greensand deposits in the Dandaragan Trough. The company applied for a patent on the K-Max process in December 2012.

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.

Potash West Commences ADR trading on the OTCQX market in North America: On October 19, 2012, Potash 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 PWNYY. 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. Mineralization remains open to the north and south as well as to the east.

Listing Information

Potash West NL listed on ASX on May 11, 2011 (Ticker: PWN).

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 (%)
UOB Kay Hian Private Ltd	9.35	9.94
Adrian Christopher Griffin	4.62	4.92
Patrick McManus	2.61	2.78

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 LionOre Mining International to develop the Activox[®] process for treating sulphide concentrates. In 2006, when 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.</p>

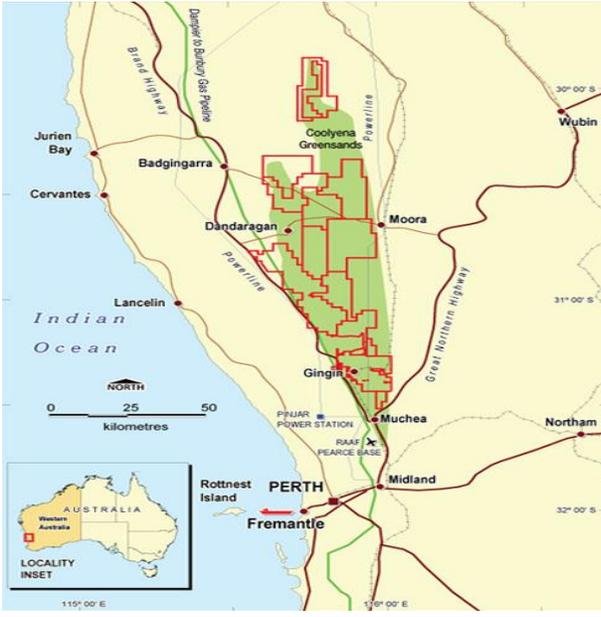
Assets and Projects

Overview

Potash West is a mineral exploration company seeking to make the transition to producer status. The Company's focus 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 2,700km².

Project location	Project overview
	<div style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Dandaragan Trough Potash Project</p> <p style="text-align: right;">Western Australia</p> <ul style="list-style-type: none"> • Target Commodity: Sulphate of Potash (SOP) and co-products • Interest - 100% • Tenement Area - 2,700km² </div>
<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 road/rail routes and export ports, and its proximity to the local markets.

The project has a K-Max resource estimate of 122MMT @ 4.6% K₂O within 20% of the Dinner Hill target area. Dinner Hill has an exploration target of 1.0BT to 1.5BT @ 4.0% to 4.8% K₂O. In the last two quarters, the company identified fresh greensand mineralization, extending its current Dinner Hill Mineral Resource to the south, east, and north. The tenement is having 300–600MMT of phosphate mineralization target at a grade of 1.5% to 3% P₂O₅.

A scoping study released in January 2013 suggested strong technical and financial viability of the project, with an NPV of AU\$808MM and an IRR of 21.0% (at a mining rate of 2.4Mtpa). In September 2013, a second scoping study targeting phosphate resources at Dinner Hill estimates IRR of 26% and NPV of AU\$218MM at 8% discount rate. Dinner Hill is expected to have a low capex of AU\$144MM and a payback period of 4 years.

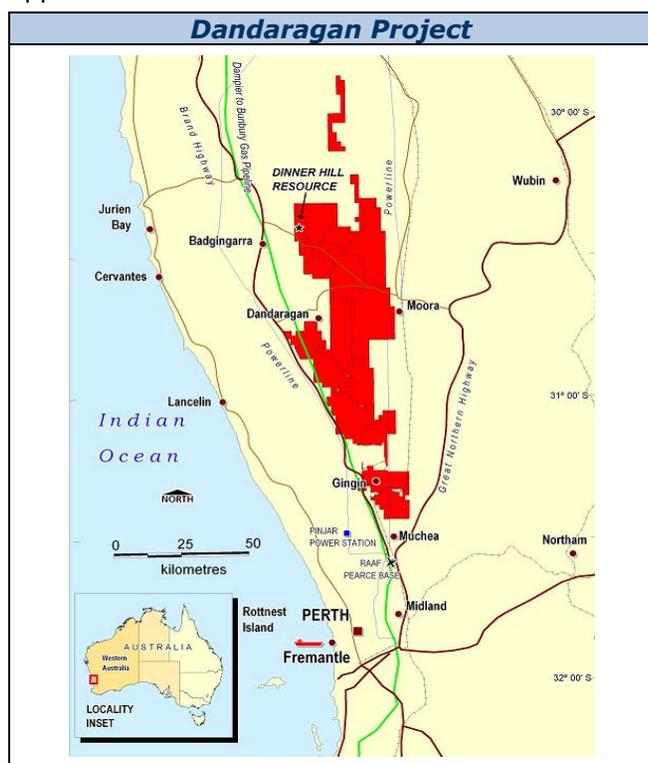
The company has also developed a process flowsheet, K-Max, to extract Sulphate of Potash, high magnesium SOP, single superphosphate, iron oxide and aluminum sulphate from glauconite.

Target Commodity: Sulphate of Potash (SOP), and co-products, including high-magnesium SOP (KMS), high-grade Iron oxide powder, iron-calcium phosphate, aluminium sulphate, and Superphosphate

Project Location: The Project is located approximately 150km north of Perth, in Western Australia.

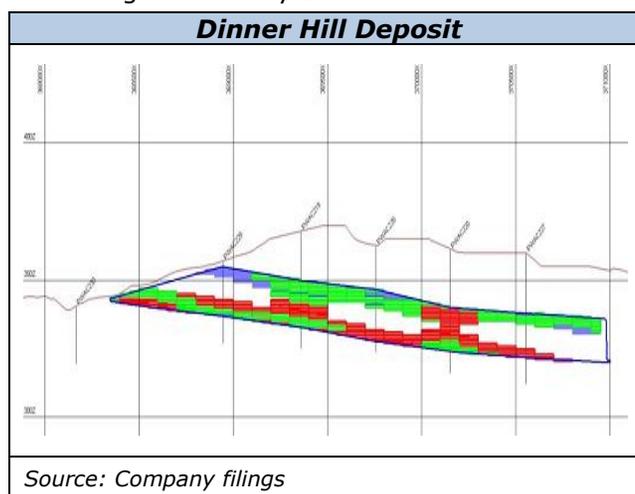
Geology: The project's tenements cover Cretaceous sediments of the Coolyena Group. The Company has obtained the rights for Potash and Phosphate for more than 2,700km², which is more than 80% of the total basin within this geological feature. Greensands in the area are an unconsolidated mixture of silica and glauconite, and share similar physical characteristics to Cataby and Eneabba mineral sand deposits located nearby. The greensands contain significant amounts of potash in the glauconite and phosphate.

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 2,700km². 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.

Potential Mineralization: The maiden 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 mineralization open to the north, south and east. The aircore drilling program in 2013 completed 94 holes covering 4,634m, extending the resource area of Dinner Hill and releasing an updated JORC statement. The revised estimate has indicated resources of 90MMT @ 2.65% P₂O₅, 3.6% K₂O, and 4.5% CaO. The drilling program extended the Dinner Hill resource area by 16km²; increasing the area by 160%.



Source: Company filings

The Dinner Hill deposit covers two major greensand formations – the Poison Hill Greensand and the Molecap Greensand. The Molecap Greensand (dark green in the above image) has been the primary target due to its high contained K₂O grades and the strong geological continuity with no apparent faulting or disruption. Molecap Greensand thickness varies around 10m to 17m, averaging to 12m; this compares with an average thickness of 8m in the resource area. The drilling program shows that Molecap is up to 58m thick, coupled with low overburden ratio.

In the 2013 drilling program, Potash West covered the Dandaragan, Attunga and Dambadjie prospects within the Dandaragan Trough Project area, confirming existence of phosphate-rich horizons. The company carried out drilling for 10 holes 4km traverse through the Dambadjie and Attunga prospects. The best mineralization at Attunga intersected at 10m @ 3.07% P₂O₅ and Dambadjie at 8m @ 4.02% P₂O₅ from 40m.

Recent Developments: The company announced that it had applied for a patent over K-Max, a flowsheet to produce Sulphate of Potash (SOP) and various co-products from glauconite. The K-Max process will enable one plant for

potash and phosphate (newly identified resource at Dinner Hill), thus reducing the capital cost.

The scoping study conducted by the company indicates positive technical and financial viability of the project. The company plans to develop the phosphate resource quickly and is moving on to conduct the definitive feasibility study on the resource.

Scoping Study: The revised scoping study was done for the single superphosphate (SSP) production at the Dandaragan Trough Project. The study highlighted an IRR of 26% and NPV of AU\$218MM at an 8% discount rate. It also highlighted average revenues of AU\$131MM with capital costs of AU\$144MM for a production of 340KTpa of SSP. The scoping study was conducted with an accuracy of +/-35%. Key highlights of the scoping study are

Phosphate Scoping Study	
Mining Rate	3.8Mtpa
Mine life	20 years
Average annual revenue	AU\$131.0MM
Operating annual cash costs	AU\$97.6MM
Payback period	4.0 years
IRR	26.2%
NPV	AU\$218MM
Capital cost	AU\$144MM

The scoping study for K-Max resource at Dinner Hill at a mining rate of 2.4Mtpa highlighted:

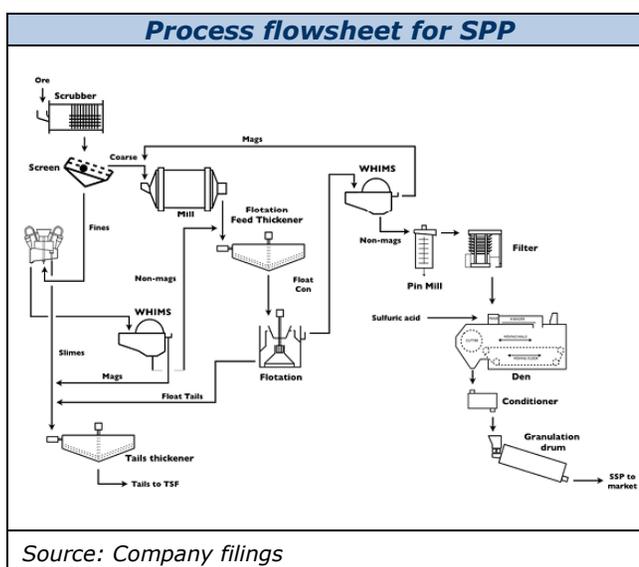
K-Max Scoping Study	
Mining Rate	2.4Mtpa
Mine life	60+ years
Revenue, \$/tonne of feed	AU\$150
Operating, \$/tonne of feed	AU\$55
IRR	21.0%
NPV	AU\$808MM
Capital cost	AU\$650MM

Beneficiation and Processing: The scoping study suggested ore mining through an in-pit slurry unit and concentrator. The screened material (<1mm) will then be fed to wet magnetic separators to recover glauconite. The concentrated glauconite-rich ore will be then treated in the chemical plant to recover elements (K, P, Mg, Fe and Al) which will be converted into saleable products. The annual production of saleable products as estimated by the Scoping study is as follows:

Processing Output (ktpa)	
Mining Rate	2.4Mtpa
SOP	85
KMS	195
Iron Oxide	220
Aluminium Sulphate	900
Phosphate	310

The scoping study assumes the processing facility to be located between Moora and Dandaragan in Western Australia, which is well positioned in terms of road and rail access, and proximity to natural gas and electricity corridors.

The revised scoping study highlighted the easy adoption of the process flowsheet to the newly identified Phosphate resource with a recovery of 70% to only 36% of the mass. The feed will use phosphate with average grade 2.65% P₂O₅ to approximately 5.2% P₂O₅.



Project Schedule: Potash West, until now, has been on track with its project plans and carried out drilling and scoping study for the Dinner Hill target area in the specified timelines. The company is now looking to fast track the definitive feasibility study at the Dinner Hill phosphate resource. The company targets to complete feasibility study on the phosphate project by Q4 2015.

Activity, Phosphate Project	Timeline
Feasibility study	Q4 2015
Construction	Q4 2017
Full-scale production	Mid 2018

Molecap Greensand

The Molecap Greensand is a major unit primarily composed of coarse 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. Geological modelling of the resource and surrounding area suggest that the Molecap becomes shallower and thickens to the south and east. Potash West will primarily target this area with the planned follow-up drill.

The Company has identified 122MMT of higher grade mineralization at 4.6% K₂O and 1.8% P₂O₅, at an average thickness ranging from 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.

In April 2013, initial findings from a 100-hole, 5000m aircore drilling program identified thick intersections of Molecap greensand up to 58m, confirming the existence of phosphate-rich horizons. The intersection of nodular phosphate also confirmed the observations of previous explorations. The samples have been transported to Perth for further metallurgical testing.

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 40m thick at its type locality; Poison Hill, which is located within the E70/3636 tenement. 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% K₂O, with glauconite contents from 35% to 52%. Recent drilling suggests a lower grade, variably oxidized mineralization.

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.

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). 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% K₂O. 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.

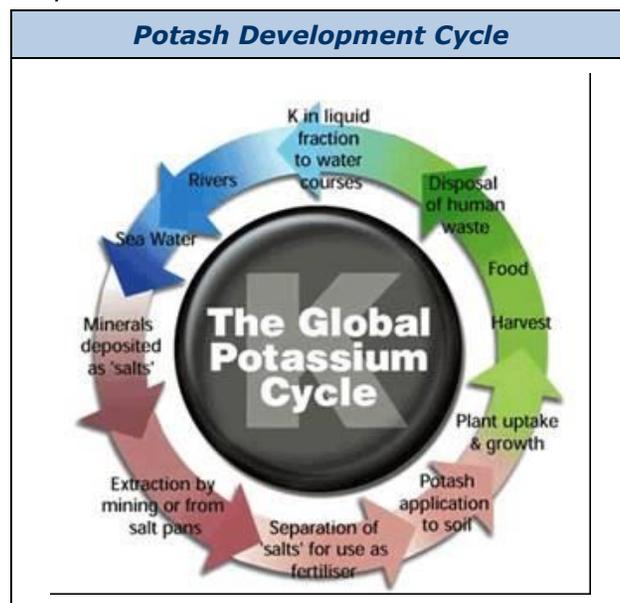
The common forms of potash are Muriate of Potash, MOP (KCl) and Sulphate of Potash, SOP (K₂SO₄). Approximately 90% of potash is extracted by conventional underground mining methods. Solution mining is used when underground deposits are irregular and very deep.

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 glaucanite. Greensands are characterized by their high total

iron content (Fe₂O₃) and high K₂O content, with glaucanite typically containing ~6% K₂O.

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}.

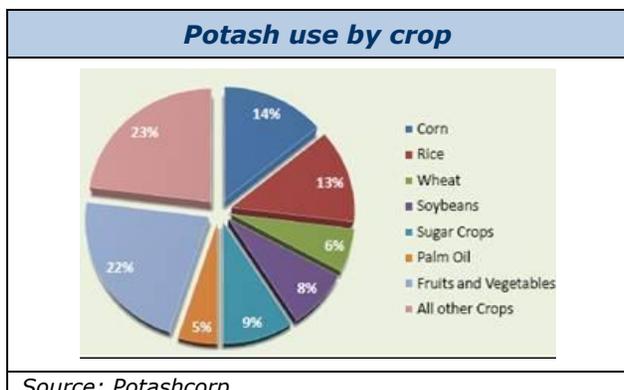
Production^{xii}: Potash production is limited to only 12 countries, of which Canada (26%), Russia (19%) and Belarus (16%) contribute ~62% to total global production, according to the U.S. Geological Survey (2012e). None of this production comes from the processing of glaucanite. Potash is imported by more than 100 countries worldwide as over 80% of world potash production is exported.

Global potash production (K₂O equivalent) is estimated to be 34.0MMT in 2012 compared with 36.4MMT in 2011, and is expected to rise to 45.9MMT by 2014.^{xiii}

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 under investigation. The bulk of the new potash capacity will be in the form of MOP.

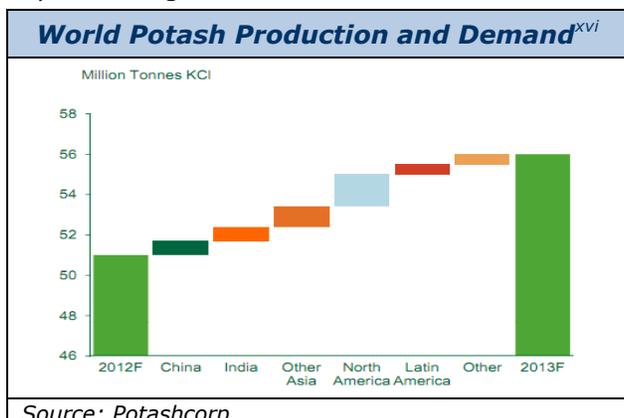
Potash Producers of the world^{xiv} (K₂O)	
Country	Production (KT)
Canada	9,000
Russia	6,500
Belarus	5,650
Germany	3,000
China	3,900
Israel	1,900
Jordan	1,400
United States	900
Chile	900
United Kingdom	430

Potash: 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. Potash is a core part of soil nutrition and cannot be replaced by other sources.



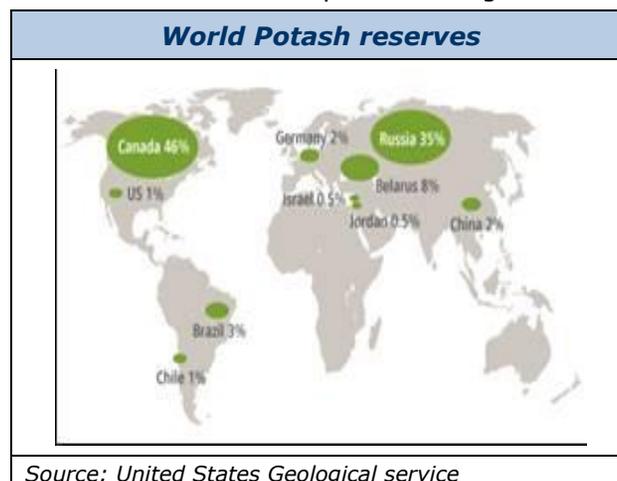
Source: Potashcorp

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 34.0MMT in 2012 to 35.8MMT in 2014. In the long term, potash demand is expected to grow at a rate of 3-5%.



Source: Potashcorp

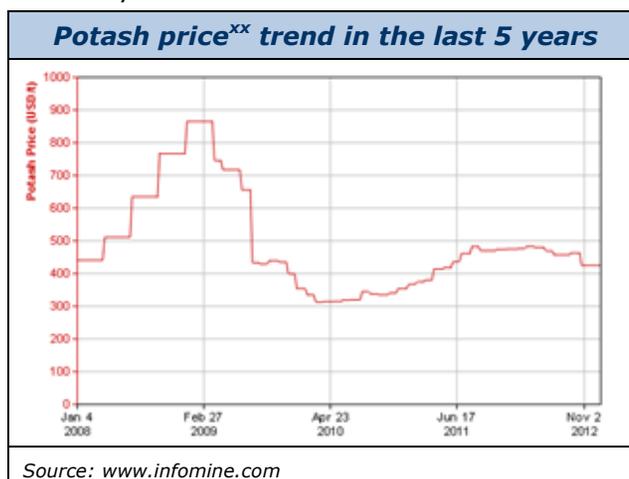
Supply: Supply is constrained by old mines with limited shaft capacity and a lack of capital for new mines. Over the next five years, 12MMT of additional global capability is expected to be added. Even with all announced brownfield projects coming on stream, it is believed that the fundamentals are in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



Source: United States Geological service

Price outlook: During the commodity rally of 2003-2008, potash prices rose sharply from US\$200/T to US\$1000/T in June 2008. 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. 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 increased in 1Q 2012 to ~US\$484/T, and settled at around US\$425/T by the end of 2012^{xviiixviiiixix}.

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



Source: www.infomine.com

Sulphate of Potash (SOP)^{xxi}

Potassium sulfate (K_2SO_4) is a non-flammable crystalline salt which is soluble in water. It is also called as sulphate of potash, arcanite, or potash of sulfur.

Potassium is relatively an abundant element. However, K_2SO_4 is rarely found in its pure form in nature. Usually it is found mixed with salts containing Magnesium (Mg), Sodium (Na), and Chloride (Cl).

K_2SO_4 is mainly used in farming, as it activates enzyme reactions, synthesizes proteins, forms starch and sugars, and regulates water flow in cells and leaves. K_2SO_4 is used where the soils and crops require sulphur and where they have excess Cl or where Cl needs to be avoided. The most common source for potassium is potassium chloride (KCl).

The salt is occasionally used to make glass and artillery, and as a reagent in analytical chemistry.

Potassium Magnesium Sulphate (KMS)

Potassium Magnesium Sulphate (KMS) has three essential plant nutrients – Potassium (K), Magnesium (Mg), and Sulphur (S).

KMS has neutral pH and does not change the soil acidity or alkalinity. Also, in some countries KMS is certified for use in organic crop production; from specific sources. Some sources are also sold as feed grade for animals and poultry as it is a dietary source of K, Mg, and S.

KMS has a unique combination and is majorly used in cases where the soils have excess Cl or the crops for which Cl needs to be avoided.

Iron Oxide (Fe_2O_3)

Iron (III) oxide (Fe_2O_3) is one of the three main oxides of iron, along with iron (II) oxide (FeO),

and iron (II, III) oxide (Fe_3O_4). Fe_2O_3 occurs naturally as the mineral hematite.

Fe_2O_3 is a main input to the production of iron, steel and many other alloys. Ferric oxide is used as polish on metallic jewelry and lenses as it gives a superior finish. Fe_2O_3 is also used as pigments, majorly in dental composites alongside titanium oxides. The pigments, Pigment Brown 6, Pigment Brown 7, and Pigment Red 101, are approved by the Food and Drug Administration for use in cosmetics.

Aluminum Sulfate ($Al_2(SO_4)_3$)

Aluminium sulfate, a type of alum, is mainly used to purify drinking water, treat waste water, and make paper.

Aluminium sulfate is also used in dyeing and printing of textiles as it helps the dye adhere to the clothing fibers by making the pigment insoluble. It is also used as water proofing agent and accelerator in concrete by the construction industry.

Superphosphate

Superphosphate is primarily used as a fertilizer, produced from phosphate rock or naturally found in guano.

It is produced by the reaction of concentrated sulphuric acid or phosphoric acid with phosphate rock. It is also found naturally in deposits around seabird colonies by the buildup of guano.

Superphosphate is of two variants - single superphosphate when treated with sulphuric acid, and triple superphosphate when treated with phosphorus acid.

Aside from being a fertilizer, superphosphate is widely used as an animal feed, and is used by the construction, food and drug industries.

Risk Profile Analysis

We consider Potash West NL to have a low-to-medium risk profile. The company has established a JORC-compliant resource estimate on its flagship Dandaragan Trough Project, and has recently completed a scoping study suggesting technical and financial viability of the project. The company's position is further enhanced by the K-Max process to extract products from glauconite processing. However, significant capital infusion will be required in the future to advance the project to production.

Operational Risk – Medium

The company has a K-Max resource estimate of 122MMT @ 4.6% K₂O in the Dandaragan Trough Project, within 20% of the Dinner Hill target area and phosphate mineral resource of 90MMT at 2.65% P₂O₅, 3.6% K₂O, and 4.5% CaO at the Dinner Hill Project. The scoping study for the K-Max resource suggested strong financial viability of the Dandaragan Trough project – with an NPV of AU\$808MM, IRR of 21.0% and payback period of 5.8 years (at a mining rate of 2.4Mtpa). The scoping study for the phosphate resource highlights NPV of AU\$218MM at a discount rate of 8% and IRR of 26.2%.

Further, the company has also developed a flowsheet (K-Max) which enables it to produce sulphate of potash (SOP) and phosphate from the same plant. However, the company currently has no operational assets and is planning for the Definitive Feasibility Study (DFS) on the Dandaragan Trough Project. We believe that a positive outcome of the DFS will significantly reduce the operational risk.

Financing Risk – Medium

In 2012 and 2013, the company raised significant capital through placement of shares and is expected to raise through debt or equity as it moves through to development/construction stage. Any additional equity financing is expected to dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. Hence, we consider the company to have a Medium Financing Risk Profile.

However, it has to be noted that in 2013, Potash West received refund from the Australian Tax Office under the R&D tax incentive scheme for undertaking research and development activities for the extraction of potash, phosphate, and related products from glauconite.

Regulatory Risk – Low

We believe Potash West to have a low regulatory risk, backed by senior management's sound geological background and rich operating experience in Australian projects. However, 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.

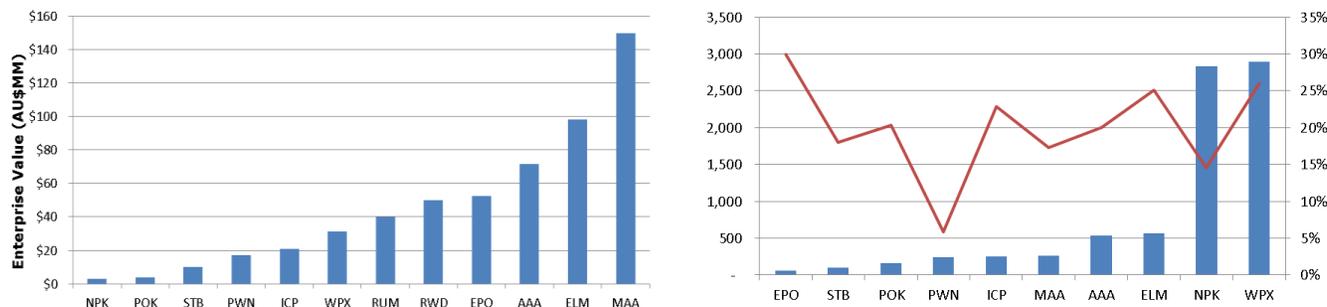
Peer Comparison

Comparable Potash Peers^{xxii}

Ticker	Company	EV AU\$MM	Capacity (mtpa)	EV/Capacity (AU\$/T)	Measured & Indicated Resource (MMT)	Inferred Resource (MMT)	KCI Grade (%) ^{xxiii}	Estimated Resource M+I+I (MMT)	EV/Resource (AU\$/T)
MAA	MagIndustries Corp	\$150	1.2	125	38.5	225.4	17.3%	264	\$0.57
ELM	Elemental Minerals	\$98	1.2	82	326	243	25.1%	569	\$0.17
AAA	Allana Potash	\$72	1.0	72	387	150	20.0%	536	\$0.13
EPO	Encanto Potash	\$52	2.8	19	10	50	30.0%	60	\$0.88
RWD	Reward Minerals	\$50	NA	NA	NA	21	NA	21	\$2.42
RUM	Rum Jungle Resources	\$40	NA	NA	NA	3.4	NA	3	\$11.92
WPX	Western Potash Corp	\$31	2.8	11	163	2,729	26.0%	2,892	\$0.01
ICP	IC Potash	\$21	0.8	25	191	62	22.9%	253	\$0.08
PWN	Potash West NL	\$17	2.4	7	241	2	5.9%	243	\$0.07
STB	South Boulder Mines	\$10	1.0	10	84	13	18.0%	97	\$0.10
POK	Potash Minerals	\$4	1.8	NA	20	160	20.3%	160	\$0.03
NPK	Verde Potash	\$3	1.1	3	71	2,764	14.6%	2,835	\$0.00

Sources: Arrowhead estimates, Company Websites, Bloomberg as on December 24, 2013

Enterprise Value, Grade and Estimated Resource of Peers



Sources: Arrowhead estimates, Company Websites, Bloomberg as on December 24, 2013

Value

The Fair Market Value for Potash West NL's shares stands between AU\$36.4MM and AU\$226.4MM.

The Fair Market Value for Potash West NL's publicly traded share stands between AU\$0.39 to AU\$2.41.

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>	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	
Total Current Assets	1,009	1,140	1,905	3,988	3,800	48,712	121,234	189,081	
Total Non-Current Assets	27,261	81,171	200,051	318,857	482,074	619,532	658,437	719,847	
TOTAL ASSETS	28,270	82,311	201,956	322,845	485,874	668,244	779,671	908,928	
Total Current Liabilities	611	727	865	34	34	4,560	9,170	14,521	
Total Non-current Liabilities	11,910	39,700	99,250	158,800	238,200	317,600	317,600	317,600	
TOTAL LIABILITIES	12,521	40,427	100,115	158,834	238,234	322,160	326,770	332,121	
Total Shareholder's Equity	15,749	41,884	101,841	164,010	247,639	346,085	452,901	576,807	
TOTAL LIABILITIES and EQUITY	28,270	82,311	201,956	322,845	485,874	668,244	779,671	908,928	

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 21 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 ~174 months (2014E-2028E). While revenue is expected to ramp up significantly during 2018-2028, 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.

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)

We have considered the company's scoping study results to determine the mining rate. We have assumed that the production would commence by 2019.

Dinner Hill (K-Max)	FY 2019-2020	FY 2021-2028
Low	2.4 Mtpa	3.5 Mtpa
High	2.5 Mtpa	4.0 Mtpa

Dinner Hill (Phosphate)	FY 2019-2020	FY 2021-2028
Low	3.0 Mtpa	3.5 Mtpa
High	3.5 Mtpa	3.8 Mtpa

Variable 2 – Commodity Prices

We have based the price estimates of the products based on the current market conditions, and have applied a premium/discount to the company's estimates in its initial scoping study results. We have assumed the prices to grow at a conservative CAGR of 1.0%.

	SOP (2019E)	KMS (2019E)	Aluminium Sulphate (2019E)	Phosphate (2019E)	Iron Oxide (2019E)
Low	US\$450/T	US\$280/T	US\$150/T	US\$200/T	US\$80/T
High	US\$460/T	US\$300/T	US\$160/T	US\$225/T	US\$90/T

Variable 3 – Exchange rate

We have estimated the AU\$/US\$ exchange rate based on current and expected economic conditions.

AU\$/US\$ Exchange Rate	
Low	0.93
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 2011-13 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	4.2%	xxiv
Beta	0.86	xxv
Risk premium	7.6%	xxvi
Additional Risk Premium	3.0%	xxvii
Cost of Equity	15.1%	
Terminal Growth Rate	0%	xxviii

KEY VARIABLES

	Production rate	Commodity Price	Exchange rate
Max value	Please refer to the Key Variable Section		
Min value			

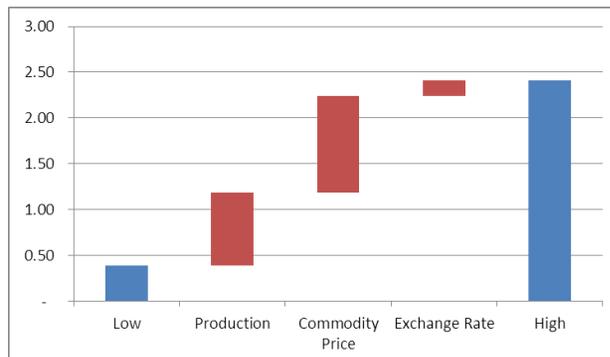
FCFE (High) Time Period -->	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net cash from operating activities	(9,793)	(10,006)	(12,285)	(21,040)	(52,093)	44,577	133,335	139,220	142,734
Capital Expenditure	(23,820)	(55,580)	(119,100)	(119,100)	(158,800)	(158,800)	(79,400)	(79,400)	-
Net Debt Addition	11,910	27,790	59,550	59,550	79,400	79,400	-	-	-
Free Cash Flow to Equity	(21,703)	(37,796)	(71,835)	(80,590)	(131,493)	(34,823)	53,935	59,820	142,734
Discount Factor	0.94	0.83	0.73	0.64	0.57	0.50	0.44	0.39	0.34
Present Value of FCF	(20,384)	(31,317)	(52,508)	(51,967)	(74,800)	(17,475)	23,877	23,362	49,175
FCFE (Low) Time Period -->	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net cash from operating activities	(9,793)	(10,006)	(12,285)	(21,040)	(52,093)	23,953	104,052	106,449	92,128
Capital Expenditure	(23,820)	(55,580)	(119,100)	(119,100)	(158,800)	(158,800)	(79,400)	(79,400)	-
Net Debt Addition	11,910	27,790	59,550	59,550	79,400	79,400	-	-	-
Free Cash Flow to Equity	(21,703)	(37,796)	(71,835)	(80,590)	(131,493)	(55,447)	24,652	27,049	92,128
Discount Factor	0.94	0.83	0.73	0.64	0.57	0.50	0.44	0.39	0.34
Present Value of FCF	(20,384)	(31,317)	(52,508)	(51,967)	(74,800)	(27,825)	10,914	10,564	31,740

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)	1,110,028	708,119
Present Value of TV	180,255	114,990
Present Value of FCF + TV	226,093	36,099
+ Cash	269	269
Equity Value Bracket	226,362	36,368
Shares Outstanding (in '000)	94,000	94,000
Fair Value Bracket	AUD 2.41	AUD 0.39
Current Market Price	AUD 0.094	AUD 0.094
Current Market Capital	8.8	8.8
Target Market Capital	226.4	36.4

\$ Value Contribution by Key Variables



Notes and References

- i Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 18-22 of this report and important disclosures on page 21 of this report.
- ii Source: Bloomberg as on 6 January 2014
- iii 52 weeks to 6 January 2014. Source: Bloomberg as on 6 January 2014
- iv 3 months to 6 January 2014. Source: Bloomberg as on 6 January 2014
- v Source: Bloomberg as on 6 January 2014
- vi Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 18-22 of this report and important disclosures on page 21 of this report.
- vii Source: Bloomberg as on 24 December 2013, Company disclosures
- 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 U.S. Geological Survey ; <http://www.proactiveinvestors.com.au/companies/news/37750/potash-plays-draw-broker-attention--37750.html>
- xiv <http://minerals.usgs.gov/minerals/pubs/mcs/2013/mcs2013.pdf>
- xv Source: <http://www.thehindubusinessline.com/features/investment-world/macro-view/article3387746.ece>
- xvi Source: www.potashcorp.com/industry_overview/2011
- xvii Source: <http://www.infomine.com/chartsanddata/chartbuilder.aspx?z=f&g=127651&dr=3y>
- xviii Source: <http://www.magindustries.com/cmsdocs/Presentations/MagIndustries-on-Potash.pdf>
- xix Source: <http://www.potash1.ca/s/Fundamentals.asp>
- xx Source: <http://www.infomine.com/chartsanddata/chartbuilder.aspx?z=f&g=127651&dr=3y>
- xxi International Plant Nutrition Institute
- xxii EV as on 24 December 2013. Source: Bloomberg
- xxiii For comparison purposes the silicates, sulphates and oxides are converted to equivalent KCl.
- xxiv Source: Bloomberg as on 24 December 2013
- xxv Source: Bloomberg as on 24 December 2013
- xxvi Source: Bloomberg as on 24 December 2013
- xxvii Source: Arrowhead estimate
- xxviii Source: Arrowhead estimate