Due Diligence and Valuation Report

Arrowhead Code:	25-02-06
Coverage initiated:	14 December 2011
This document:	10 April 2013
Fair share value bracket:	AU$0.44 to AU$3.08[i]
Share price on date:	AU$0.17[ii]

Analyst Team

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

Market Data

52-Week Range:	AU$0.16 – AU$0.30[iii]
Average Daily Volume:	92,336[iv]
Market Cap. on date:	AU$ 15.60MM[v]

Financial Forecast Data (in AU$)

	'13E	'14E	'15E	16E	'17E	'18E	'19E
High profit/ (loss) MM	(6.0)	(6.7)	(7.9)	(9.0)	(15.8)	(31.0)	122.4
High EPS cents	(4.5)	(3.7)	(3.4)	(3.2)	(4.8)	(7.6)	30.1
Low profit/ (loss) MM	(6.0)	(6.7)	(7.9)	(9.0)	(15.8)	(31.0)	93.3
Low EPS cents	(4.5)	(3.7)	(3.4)	(3.2)	(4.8)	(7.6)	23.0

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, 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.

In October 2012, the Company completed a 3,215m drilling program in the Dinner Hill Prospect, which resulted in a JORC compliant resource estimate of 244MMT @3.0% K_2O. The mineralization displays strong geological continuity, providing scope for additional resources to be delineated with further drilling.

In January 2013, the company announced results of an Initial Scoping Study of the Dandaragan Trough Project. The scoping study was based on the JORC-compliant resource at the Dinner Hill area and considered scenarios of 4.0Mtpa and 2.4Mtpa mining rate. The study suggested technical and financial viability of the project, with an NPV of AU$808MM and an IRR of 21.0% (at mining rate of 2.4Mtpa).

After completion of the Scoping Study, the company aims to increase its resource base by conducting further drilling. Besides, it seeks to define a measured resource estimate over a part of the deposit to support the Bankable Feasibility Study (BFS). The company plans to commence and complete the BFS in 2015, and aims to start production by mid-2018.

The company has also developed a flowsheet, called K-Max, to extract Sulphate of Potash (SOP) and other co-products. In December 2012, the company announced that it had applied for a patent over K-Max. The company plans to further enhance its knowledge in greensand processing, and apply K-Max process to other deposits.

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$0.44 to AU$3.08[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 2,900km^2.

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 km^2) located between 50 and 230km north of Perth. The company was granted 3 exploration licenses in May 2012.

The company 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% K_2O, including 122MMT @4.6% K_2O. The mineralization displays strong geological continuity providing scope for additional resources to be delineated with ongoing drill campaigns. In January 2013, the company released the initial scoping study results of the Dandaragan Trough Project. The study was positive and suggested technical and financial viability of the project, with an NPV of AU$808MM, IRR of 21.0% and payback period of 5.8 years (at 2.4Mtpa mining rate).

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 km^2. Previous exploration indicated glauconite sediments are widespread for more than 150 km along strike and 20 km in width. A drilling program in 2Q 2012 also suggested mineralization 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 JORC-compliant resource of 244MMT @ 3.0% K_2O and 1.6% P_2O_5. 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 Potash and Phosphate.
- *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 it is yet to conduct a Bankable 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.

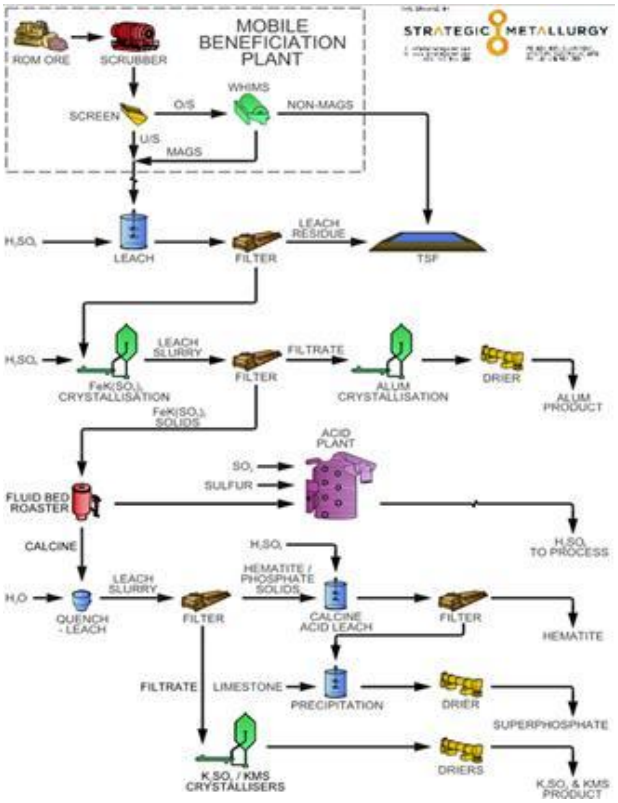
For a detailed risk assessment, please refer to the *Risk profile analysis* section.

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 bankable 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) 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.

Process flowsheet



Source: Company filings

The company plans to concentrate on further drilling of identified areas, with an aim to increase resource base and procurement of results to define bankable feasibility study by December 2015, followed by construction in December 2017 and production by mid-2018.

News

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% K_2O and 1.6% P_2O_5, including 122MMT @4.6% K_2O and 1.8%P_2O_5.

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 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% K_2O and 1.8% P_2O_5 and total resource estimated to be of 244MMT grading 3.0% K_2O and 1.6% P_2O_5. 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.

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 3.6km. 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 620km^2 and consolidate the Company's dominant 2,905km^2 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 concentrates with grade of over 6% K_2O.

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.

Listing Information

Potash West NL listed on ASX on May 11, 2011. On October 19, 2012, the company commenced ADR trading on OTCQX 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	16.32
Elsinore Energy Pty Ltd	14.16	15.40
HSBC Custody Nominees (Australia) Ltd	6.33	6.88
UOB Kay Hian Private Ltd	4.90	5.33
Patrick McManus	1.98	2.16
Citicorp Nominees Pty Ltd	1.77	1.92
Matthew Burford	1.50	1.63
Sept Rouges Pty Ltd	1.40	1.52
National Nominees Ltd	1.14	1.24
Chaoyang Zheng	1.00	1.09

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	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. 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.
Patrick McManus	Managing Director	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. Patrick has worked in operational, technical and corporate roles for RioTinto, RGC Limited and Bemax Resources Limited. He was a founding director and, from January 2007 to March 2010, Managing Director of ASX-listed Corvette Resources Limited.
George Sakalidis	Non-executive Director	George Sakalidis is an exploration geophysicist of more than 20 years standing. His career has encompassed extensive exploration for gold, diamonds, base metals and minerals. He was a director of North Star Resources NL, Image Resources and the unlisted Imperium Minerals Limited. 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.
Gary Johnson	Non-executive Director	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. 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.

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 2,905km^2.

Project location	*Project overview*
	**Dandaragan Trough Potash Project** **Western Australia** •Target Commodity: Sulphate of Potash (SOP) and co-products •Interest - 100% •Tenement Area - 2,905km^2
Source: Company filings	*Source: Company filings*

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 JORC-compliant resource estimate of 244MMT @ 3.0% K_2O and 1.6% P_2O_5, which was announced within 18 months of commencing exploration activities. The company has also developed a process flowsheet, K-Max, to extract Sulphate of Potash and various co-products from glauconite. 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).

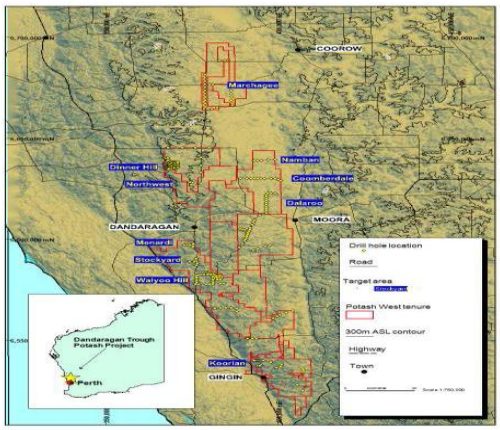
Target Commodity: Sulphate of Potash (SOP), and co-products, including high-magnesium SOP (KMS), high-grade Iron oxide powder, iron-calcium phosphate and aluminium sulphate

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 2,900km^2, 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.

Dandaragan Potash Project



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 2,905km^2. 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 620km^2.

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: 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. Currently, approximately 10km^2 of the Dinner Hill area has been drilled.

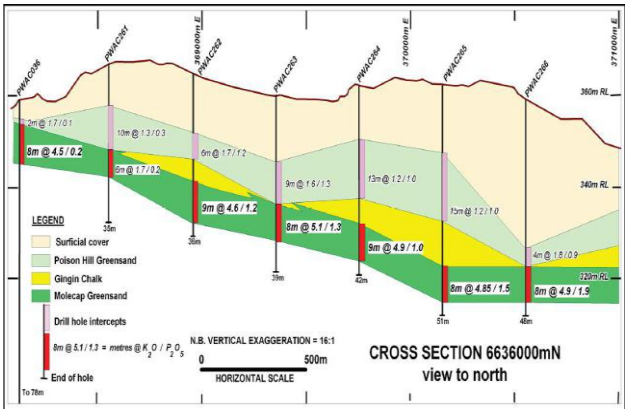
The JORC resource was defined by 83 vertical holes for a total of 3,215m. However, the drilling campaign only targeted ~20% of the prospective Dinner Hill area, with mineralization open to the north, south and east. Potash West now has plans in place for up to 10,000m of additional aircore drilling targeting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

Dinner Hill – Resource estimates

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.

Dinner Hill Deposit – Cross Section



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 K_2O grades and the strong geological continuity with no apparent faulting or disruption. 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.

Recent Developments: In December 2012, 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 company plans to further enhance its knowledge in greensand processing and apply the K-Max process to other deposits.

In January 2013, the company announced the results of its initial scoping study, which indicated positive technical and financial viability of the project.

Scoping Study: The Scoping Study was based on the JORC-compliant resource at Dinner Hill area and considered two production scenarios – with mining rate of 4.0Mtpa and 2.4Mtpa. The scoping study was conducted with an accuracy of +/-35%. Key highlights of the Scoping Study are:

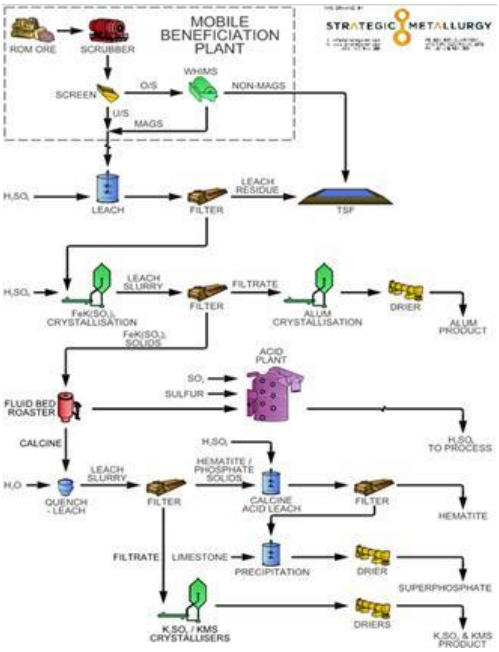
Mining Rate	2.4Mtpa	4.0Mtpa
Mine Life	60+ years	39.5 years
Average annual revenue	AU$365MM	AU$547MM
Operating annual cash costs	AU$167MM	AU$234MM
Payback Period	5.8 years	6.2 years
IRR	21.0%	20.7%
NPV	AU$808MM	AU$1,163MM
Capital Cost	AU$650MM	AU$880MM

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**	**4.0Mtpa**
SOP	85	143
KMS	195	322
Iron Oxide	220	367
Aluminium Sulphate	900	1,506
Phosphate	310	512

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.

Process flowsheet



Source: Company filings

Project Schedule: After the completion of the Scoping Study, the company plans to further drill to the south and east to increase its resource base. The company also aims to target a Measured Resource over a part of the deposit. The company targets to complete pre-feasibility study by Q4-2014.

Activity	Timeline
Phosphate Study	Q3 2013
Pilot Plant	Q2 2014
Pre-Feasibility Study	Q4 2014
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% 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.

Molecap Greensand

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.

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% K_2O, with glauconite contents from 35% to 52%. Recent drilling suggests a lower grade, variably oxidized mineralization.

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.

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% 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.

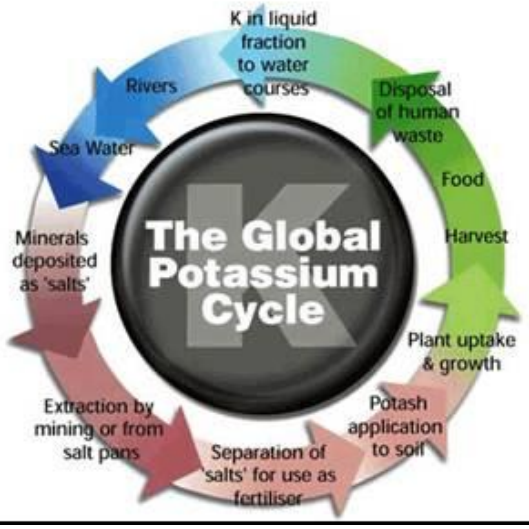
The common forms of potash are Muriate of Potash, MOP (KCI) and Sulphate of Potash, SOP (K_2SO_4). Approximately 90% of potash is extracted by conventional underground mining methods. Solution mining is used when underground deposits are irregular and very deep.

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 (Glauconite): 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.

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

Potash Development Cycle



Where is Glauconite 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 glauconite. Potash is imported by more than 100 countries worldwide as over 80% of world potash production is exported.

Global potash production (K_2O 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 expected to be completed by 2015. The bulk of the new potash capacity will be in the form of MOP.

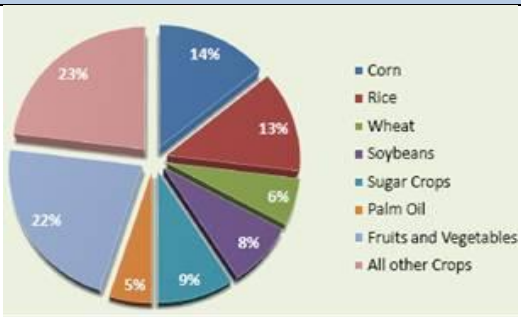
Potash Producers of the world[xiv] (K_2O)

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.

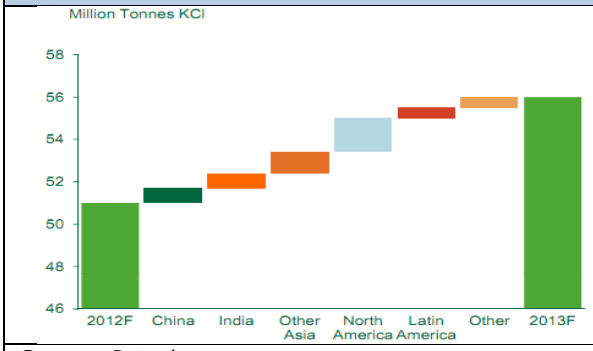
Potash use by crop



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%.

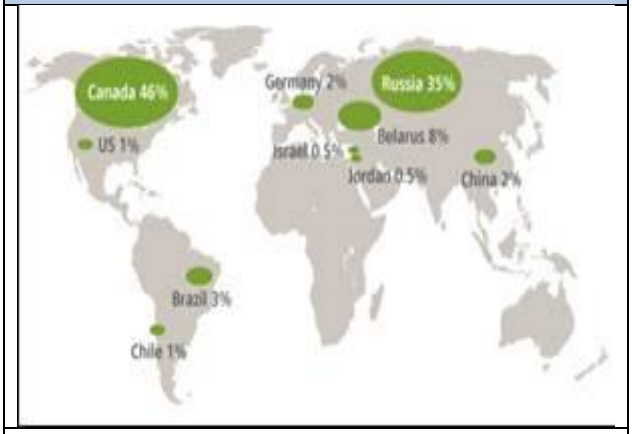
World Potash Production and Demand[xvi]



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.

World Potash reserves

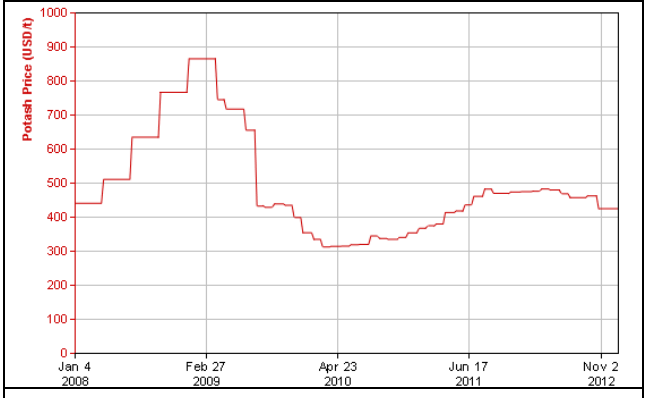


Source: United States Geological service

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[xvii][xviii][xix].

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

Potash price[xx] trend in the last 5 years



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 an initial 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. The company's successful IPO of AU$6MM and a placement of AU$1.65MM, is expected to mitigate its otherwise risky prospects. However, significant capital infusion will be required in the future to advance the project to production.

Operational Risk – Medium

The company has established a JORC-compliant resource estimate of 244MMT @ 3.0% K_2O and 1.6% P_2O_5 in the Dandaragan Trough Project, within 18 months after commencing exploration. The scoping study released in January 2013 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 mining rate of 2.4Mtpa). Further, the company has also developed a flowsheet (K-Max) which enables it to produce sulphate of potash (SOP) and various co-products from glauconite. However, the company currently has no operational assets and is yet to conduct a Bankable Feasibility Study (BFS) on the Dandaragan Trough Project. We believe that a positive outcome of the BFS will significantly reduce the operational risk.

Exploration Cost Estimates Risk – Medium

Following the completion of the Scoping Study on the Dandaragan Trough Project, the company plans to conduct further drilling to increase its resource base in the project. Arrowhead believes that the company will commercially explore for glauconite until 2018, leading to higher-than-estimated exploration costs. We believe that 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

On June 20, 2012, the company raised AU$1.65MM from placement of 7,333,334 shares at 22.5 cents per share. However, the significant capital costs for the Dandaragan Trough project estimated in the initial scoping study (AU$650MM at 2.4Mtpa mining rate, AU$880MM at 4.0Mtpa mining rate) indicate that the company will require additional capital infusion to advance the project to production 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.

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.

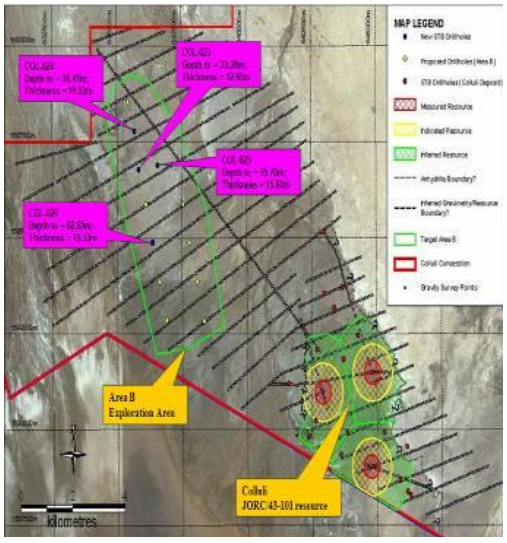
Title Risks – Low

The company has the mineral rights to 14 exploration licenses, while one license is under application. The company could lose title to or interest in these 15 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.

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.



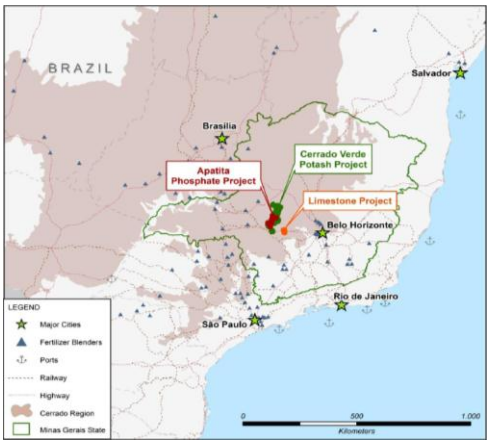
The company is currently conducting a Definitive Feasibility Study (DFS) which is expected to be completed by 2013. In June 2012, the company released preliminary DFS findings, which suggested processing of Carnallite along with Sylvinite.

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.[xxii]

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

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"). Verde Potash is awaiting a decision on the licença prévia (License) from state environmental agency after the public hearing which was in November 2012. Meanwhile, the company is in negotiations for signing an off-take agreement, for its granular KCl product, in 2013.



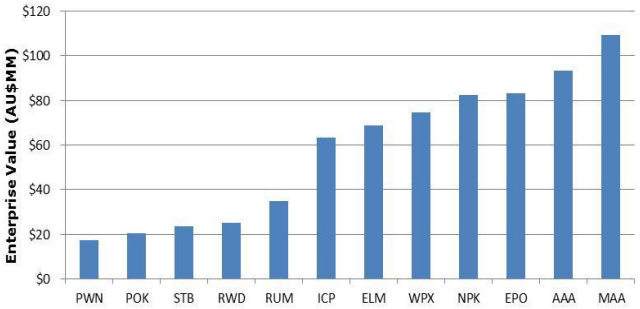
As of April 2012, the company had total indicated mineral resource of 71.08MMt at 9.22% and total inferred mineral resource of 2,763.80MMT at 8.91% K_2O. Verde Potash has completed the preliminary economic assessment with base case scenario of 0.6mtpa – 1.4mtpa from phase-1 to phase-3 and capex of US$2,338MM. The upside case scenario had production estimates of 1mtpa – 1.5mtpa from phase 1 to phase 3 with capex of US$3,095MM. [xxiii]

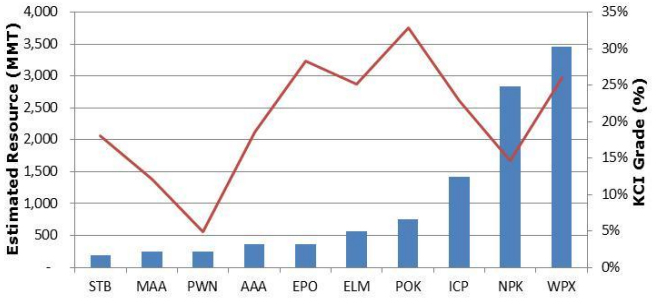
Comparable Potash Peers[xxiv]

Ticker	Company	EV AU$MM	Capacity (mtpa)	EV/ Capacity (AU$/T)	Measured & Indicated Resource (MMT)	Inferred Resource (MMT)	KCl Grade (%)[xxv]	Estimated Resource M+I+I (MMT)	EV/Resource (AU$/T)
MAA	MagIndustries Corp	$109	0.6	182	33	209	12.1%	242	$0.45
AAA	Allana Potash	$93	1.0	93	251	109	18.6%	360	$0.26
EPO	Encanto Potash	$83	2.5	33	131	235	28.3%	365	$0.23
NPK	Verde Potash	$83	1.1	75	71	2,764	14.6%	2,835	$0.03
WPX	Western Potash Corp	$75	2.8	27	758	2,700	26.0%	3,458	$0.02
ELM	Elemental Minerals	$69	1.2	57	326	243	25.1%	569	$0.12
ICP	IC Potash	$63	0.8	79	984	440	22.8%	1,424	$0.04
RUM	Rum Jungle Resources	$35	NA	NA	1	1	NA	2	$22.06
RWD	Reward Minerals	$25	NA	NA	NA	21	NA	21	$1.23
STB	South Boulder Mines	$24	1.5	16	168	26	18.0%	194	$0.12
POK	Potash Minerals	$21	NA	NA	NA	754	32.8%	754	$0.03
PWN	Potash West NL	$17	2.4	7	241	2	5.9%	243	$0.07

Sources: Arrowhead estimates, Company Websites, Bloomberg as on March 28, 2013

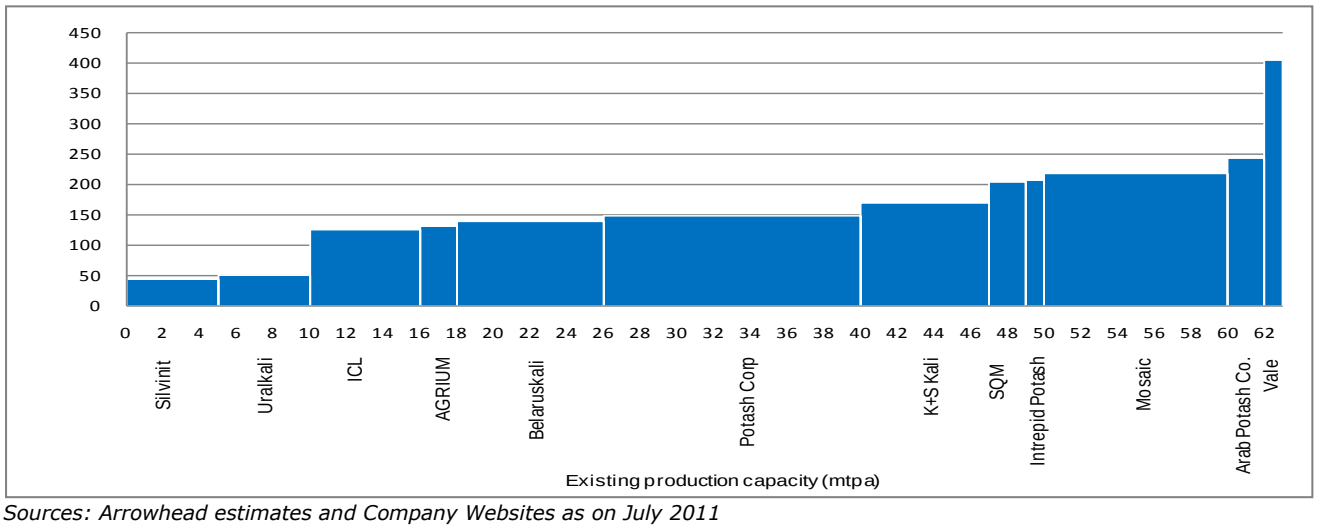
Enterprise Value, Grade and Estimated Resource of Peers





Sources: Arrowhead estimates, Company Websites, Bloomberg as on March 28, 2013

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's shares stands between AU$40.8MM and AU$283.3MM.

The Fair Market Value for Potash West NL's publicly traded share stands between AU$0.44 to AU$3.08.

Potash West NL Limited Balance Sheet Forecast

CONSOLIDATED BALANCE SHEET

all figures in '000 AU$, unless stated differently

Low bracket estimates

year ending June 30th	***2013E***	***2014E***	***2015E***	***2016E***	***2017E***	***2018E***	***2019E***	***2020E***
Total Current Assets	9,952	2,982	5,618	3,959	8,812	18,732	16,376	13,201
Total Non-Current Assets	4,135	31,744	94,417	228,137	357,869	532,559	670,789	740,659
TOTAL ASSETS	**14,087**	**34,726**	**100,035**	**232,097**	**366,680**	**551,291**	**687,165**	**753,859**
Total Current Liabilities	481	577	692	831	-	-	7,226	7,293
Total Non-current Liabilities	-	13,244	44,145	110,363	176,580	264,870	300,186	300,186
TOTAL LIABILITIES	**481**	**13,820**	**44,837**	**111,193**	**176,580**	**264,870**	**307,412**	**307,479**
Total Shareholder's Equity	13,606	20,905	55,198	120,903	190,100	286,421	379,753	446,380
TOTAL LIABILITIES and EQUITY	**14,087**	**34,726**	**100,035**	**232,097**	**366,680**	**551,291**	**687,165**	**753,859**

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 ~183 months (2013E-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.

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 have been evaluated taking into consideration the JORC-compliant resource estimates scoping study results at the Dandaragan Trough Project. However, the company currently has no operational assets, and 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.

Terminal Value: Terminal Value is estimated to depend on a terminal growth rate of 0%, representing the maturity, technology change and prospective competiveness 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 initial scoping study results to determine the mining rate. We have assumed that the production would commence by 2018. We expect mining rate of 2.4-2.5Mtpa till 2020, post which we expect it to increase to 3.5-4.0Mtpa.

	FY 2019-2020	FY 2021-2028
Low	2.4 Mtpa	3.5 Mtpa
High	2.5 Mtpa	4.0 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 (2018E)	KMS (2018E)	Aluminium Sulphate (2018E)	Phosphate (2018E)	Iron Oxide (2018E)
Low	US$530/T	US$250/T	US$160/T	US$200/T	US$90/T
High	US$550/T	US$270/T	US$170/T	US$250/T	US$100/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

See important disclosures on page 22 of this report.

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.

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Valuation

WACC

Risk-free rate	3.42%	xxvi
Beta	0.75	xxvii
Risk premium	7.4%	xxviii
Additional Risk Premium	5.0%	xxix
Cost of Equity	12.69%	
Terminal Growth Rate	0%	xxx

KEY VARIABLES

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

FCFE (High) Time Period -->	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25
	2013E	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Net cash from operating activities	(7,439)	(7,758)	(8,680)	(10,173)	(13,726)	(29,149)	156,486	114,367	172,869
Capital Expenditure	-	(26,487)	(61,803)	(132,435)	(132,435)	(176,580)	(176,580)	(88,290)	(88,290)
Net Debt Addition	-	13,244	30,902	66,218	66,218	88,290	35,316	-	-
Free Cash Flow to Equity	**(7,439)**	**(21,001)**	**(39,581)**	**(76,391)**	**(79,943)**	**(117,439)**	**15,222**	**26,077**	**84,579**
Discount Factor	0.97	0.86	0.76	0.68	0.60	0.53	0.47	0.42	0.37
Present Value of FCF	**(7,220)**	**(18,088)**	**(30,252)**	**(51,810)**	**(48,114)**	**(62,721)**	**7,214**	**10,967**	**31,565**

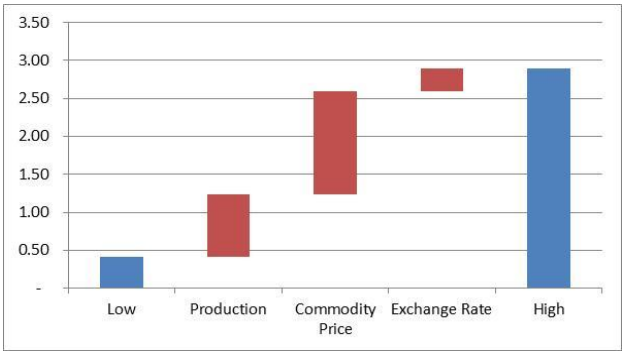
FCFE (Low) Time Period -->	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25
	2013E	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Net cash from operating activities	(7,439)	(7,758)	(8,680)	(10,173)	(13,726)	(29,149)	128,068	85,014	111,878
Capital Expenditure	-	(26,487)	(61,803)	(132,435)	(132,435)	(176,580)	(176,580)	(88,290)	(88,290)
Net Debt Addition	-	13,244	30,902	66,218	66,218	88,290	35,316	-	-
Free Cash Flow to Equity	**(7,439)**	**(21,001)**	**(39,581)**	**(76,391)**	**(79,943)**	**(117,439)**	**(13,196)**	**(3,276)**	**23,588**
Discount Factor	0.97	0.86	0.76	0.68	0.60	0.53	0.47	0.42	0.37
Present Value of FCF	**(7,220)**	**(18,088)**	**(30,252)**	**(51,810)**	**(48,114)**	**(62,721)**	**(6,254)**	**(1,378)**	**8,803**

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)	1,455,299	922,656
Present Value of TV	235,342	149,206
Present Value of FCF + TV	**282,282**	**39,737**
+ Cash	1,068	1,068
Equity Value Bracket	**283,350**	**40,805**
Shares Outstanding (in '000)	91,934	91,934
Fair Value Bracket	**AUD 3.08**	**AUD 0.44**
Current Market Price	**AUD 0.17**	**AUD 0.17**
Current Market Capital	**15.6**	**15.6**
Target Market Capital	**283.3**	**40.8**

$ Value Contribution by Key Variables



Notes and References

i *Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 19-23 of this report and important disclosures on page 22 of this report.*

ii *Source: Bloomberg as on 10 April 2013*

iii *52 weeks to 10 April 2013. Source: Bloomberg as on 10 April 2013*

iv *3 months to 10 April 2013. Source: Bloomberg as on 10 April 2013*

v *Source: Bloomberg as on 10 April 2013*

[vi] *vi* *Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 19-23 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/glauconitenz/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 *Source: http://www.southbouldermines.com.au/projects/colluli-potash-project/*

xxiii *Source: http://www.amazonplc.com/Theme/AmazonMining/files/Verde%20Potash%20Corporate%20Presentation%20April%202012_v001_z5dh61.pdf*

xxiv *EV as on 28 March 2013. Source: Bloomberg*

xxv *For comparison purposes the silicates, sulphates and oxides are converted to equivalent KCl.*

xxvi *Source: Bloomberg as on 28 March 2013*

xxvii *Source: Bloomberg as on 28 March 2013*

xxviii *Source: Bloomberg as on 28 March 2013*

xxix *Source: Arrowhead estimate*

xxx *Source: Arrowhead estimate*