



ABN 58 149 390 394

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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CORPORATE INFORMATION

DIRECTORS

Matt Shackleton (Executive Chairman)
Brenton Siggs (Non-Executive Director)
Dean Goodwin (Non-Executive Director)

COMPANY SECRETARY

Leigh-Ayn Absolom

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SOLICITORS

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PERTH WA 6000

SHARE REGISTER

Security Transfer Australia
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AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
PERTH WA 6000

WEBSITE

www.australianpotash.com.au

STOCK EXCHANGE LISTING

Australian Potash Limited shares (ASX code APC) are listed on the Australian Securities Exchange.

DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Australian Potash Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the half-year, to the date of this report, are:

Mr Matt Shackleton
Mr Brenton Siggs
Mr Dean Goodwin

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2016		2015	
	Revenues	Results	Revenues	Results
	\$	\$	\$	\$
Australian Potash Limited	430,082	(2,436,978)	7,107	(717,904)

Lake Wells Potash Project

During the half year ending 31 December 2016, the Company continued its exploration of its 100% owned Lake Wells Potash Project.

During the period, the Company's field team commenced the test-production bore installation program, planning bores, or wells, across the high-grade zone of the Project area. The bores were planned to various depths, with the intention of testing the yield potential of the high yielding basal, or lower, aquifer, and the secondary target, the upper aquifer. Three test-production bores had been successfully installed, with airlift development completed on all three. Test-pumping of the bores at the test-production sites was completed.

During the period, the Company commenced the development of a field based evaporation trial, with the intention of generating multi-seasonal evaporation rate data. This data will enable the Company's process consultants to model various evaporation pond designs, as it will give a clear understanding of the evaporation rates of brines of varying concentrations over time and season.

Corporate.

Change of Name

The Company changed its name to Australian Potash Limited in accordance with the special resolution passed by the shareholders at the 28 November 2016 Annual General Meeting. As a result of the name change the ASX ticker code changed from GPH to APC and commenced trading under its new name from 1 December 2016.

Listed Options

During the period, a total of 49,208,667 Options were exercised by option holders resulting in proceeds amounting to \$3,936,693 being received by the Company in advance of the 30 September 2016 expiration date.

DIRECTORS' REPORT

Pursuant to the Option Underwriting Agreement announced on 25 August 2016, the underwriter Hartleys Limited or its sub-underwriters, took up 24,662,270 shares in the Company comprising the Shortfall.

Cash

At the end of the period, the Company had cash balances of \$4.3m.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



Matt Shackleton
Executive Chairman
Perth, 2 March 2017

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Australian Potash Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 2nd day of March 2017

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Six Months ended 31 December 2016 \$	Six Months ended 31 December 2015 \$
REVENUE	430,082	7,107
EXPENDITURE		
Administration expenses	(247,285)	(214,119)
Depreciation expenses	(1,230)	-
Employee benefits expenses	(211,828)	(111,267)
Exploration expenses	(2,335,583)	(283,064)
Share-based payments expense	8(d) (71,134)	(116,561)
LOSS BEFORE INCOME TAX	(2,436,978)	(717,904)
Income tax benefit/(expense)	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED	(2,436,978)	(717,904)
Basic and diluted loss per share (cents)	(1.3)	(0.7)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		4,282,008	495,173
Trade and other receivables		154,451	351,981
TOTAL CURRENT ASSETS		4,436,459	847,154
NON CURRENT ASSETS			
Plant and equipment		43,872	-
TOTAL NON CURRENT ASSETS		43,872	-
TOTAL ASSETS		4,480,331	847,154
CURRENT LIABILITIES			
Trade and other payables		565,273	156,188
Provisions		10,769	-
TOTAL CURRENT LIABILITIES		576,042	156,188
TOTAL LIABILITIES		576,042	156,188
NET ASSETS		3,904,289	690,966
EQUITY			
Issued capital	3	13,025,831	7,446,664
Reserves		1,028,539	957,405
Accumulated losses		(10,150,081)	(7,713,103)
TOTAL EQUITY		3,904,289	690,966

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2015	3,148,896	104,100	(3,085,702)	167,294
Loss for the period	-	-	(717,904)	(717,904)
TOTAL COMPREHENSIVE LOSS	-	-	(717,904)	(717,904)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	944,000	-	-	944,000
Share issue transaction costs	(28,346)	-	-	(28,346)
Issue of employee options	-	116,561	-	116,561
BALANCE AT 31 DECEMBER 2015	4,064,550	220,661	(3,803,606)	481,605
BALANCE AT 1 JULY 2016	7,446,664	957,405	(7,713,103)	690,966
Loss for the period	-	-	(2,436,978)	(2,436,978)
TOTAL COMPREHENSIVE LOSS	-	-	(2,436,978)	(2,436,978)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	5,909,678	-	-	5,909,678
Share issue transaction costs	(330,511)	-	-	(330,511)
Issue of employee options	-	71,134	-	71,134
BALANCE AT 31 DECEMBER 2016	13,025,831	1,028,539	(10,150,081)	3,904,289

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Six Months ended 31 December 2016 \$	Six Months ended 31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on exploration	(1,777,497)	(258,410)
Payments to suppliers and employees	(415,852)	(368,982)
Interest received	4,306	5,598
Research and development refund received	421,715	-
Net cash outflow from operating activities	(1,767,328)	(621,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(45,103)	-
Net cash inflow from investing activities	(45,103)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	5,909,678	944,000
Payments of share issue transaction costs	(330,511)	(64,036)
Net cash inflow from financing activities	5,579,167	879,964
Net increase in cash and cash equivalents	3,766,736	258,170
Cash and cash equivalents at the beginning of the half-year	495,173	284,337
Effect of exchange rate changes on cash and cash equivalents	20,099	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	4,282,008	542,507

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2016 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also performed a preliminary review of all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is unlikely to be a material impact, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

NOTE 2: SEGMENT INFORMATION

For management purposes, the Company has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

NOTE 3: ISSUED CAPITAL

	2016 Number	2016 \$	2015 Number	2015 \$
(a) Share capital				
Ordinary shares fully paid	221,454,213	13,008,920	147,583,276	7,429,753
(b) Other equity securities				
Options	16,910,670	16,911	16,910,670	16,911
		<u>13,025,831</u>		<u>7,446,664</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 3: ISSUED CAPITAL (continued)

(c) Movements in ordinary share capital

	2016 Shares	2016 \$	2015 Shares	2015 \$
As at 1 July	147,583,276	7,429,753	68,415,004	3,131,985
Issues of ordinary shares during the half-year				
Issued for cash at 8 cents per share upon exercise of listed options	73,870,937	5,909,678	-	-
Issued for cash at 3.2 cents per share	-	-	31,250,000	944,000
Share issue transaction costs	-	(330,511)	-	(28,346)
As at 31 December	221,454,213	13,008,920	99,665,004	4,047,639

(d) Movements in options on issue

	Number of options	
	2016	2015
As at 1 July	94,730,937	45,320,937
Movements of options during the half-year		
Listed options issued, exercisable at 8 cents, expiring 30 September 2016	-	31,250,000
Unlisted options issued, exercisable at 12.5 cents, expiring 30 November 2018	-	4,500,000
Unlisted options issued, exercisable at 17.5 cents, expiring 30 November 2018	-	4,500,000
Unlisted options issued, exercisable at 17.5 cents, expiring 28 November 2019	1,861,702	-
Unlisted options issued, exercisable at 22.5 cents, expiring 28 November 2019	2,034,883	-
Unlisted options issued, exercisable at 17.5 cents, expiring 14 December 2019	2,559,526	-
Unlisted options issued, exercisable at 22.5 cents, expiring 14 December 2018	2,756,412	-
Exercised at 8 cents, expiry 30 September 2016 (Listed)	(73,870,937)	-
As at 31 December	30,072,523	85,570,937

NOTE 4: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: DIVIDENDS

No dividends were paid during the half-year. No recommendation for payment of dividends has been made.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 6: FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

NOTE 7: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

NOTE 8: SHARE-BASED PAYMENTS

(a) Director Options

The Group has provided benefits to directors of the Company in the form of options as approved at a General Meeting of the Company, constituting a share-based payment transaction. The exercise prices of the options granted ranges from 17.5 to 22.5 cents per option (31 December 2015: 12.5 to 17.5 cents). All options granted have an expiry date of 28 November 2019 (31 December 2015: 30 November 2018.)

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 4.49 cents (31 December 2015: 3.45 cents). The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted. A Monte Carlo simulation is applied to fair value the TSR element.

	Six Months ended 31 December 2016	Six Months ended 31 December 2015
Weighted average exercise price (cents)	20.1	15.0
Weighted average life of the option (years)	3.0	3.0
Weighted average underlying share price (cents)	8.6	5.8
Expected share price volatility	111.04%	126.44%
Risk free interest rate	2.75%	2.05%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Incentive Option Plan

The Group has provided benefits to employees and contractors of the Company in the form of options under the Company's Incentive Option Plan as approved at the Annual General Meeting on 28 November 2016, constituting a share-based payment transaction. The exercise prices of the options granted ranges from 17.5 to 22.5 cents per option (31 December 2015: nil cents).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 8: SHARE-BASED PAYMENTS (continued)

All options granted have an expiry date of 14 December 2019 (31 December 2015: nil)

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 4.04 cents (31 December 2015: nil cents). The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted:

	Six Months ended 31 December 2016	Six Months ended 31 December 2015
Weighted average exercise price (cents)	20.1	-
Weighted average life of the option (years)	3.0	-
Weighted average underlying share price (cents)	7.9	-
Expected share price volatility	111.04%	-
Risk free interest rate	2.75%	-

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(c) Summary of Share-Based Payment Options Incentive Option Plan

Set out below are summaries of the share-based payment options granted per (a) and (b):

	2016		2015	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
Outstanding as at 1 July	20,860,000	13.6		
Granted	9,212,523	20.1	9,000,000	15.0
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding as at 31 December	30,072,523	15.6	9,000,000	15.0
Exercisable as at 31 December	17,526,666	13.3	3,000,000	15.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.9 years (31 December 2015: 2.9 years), and the exercise prices range from 10 to 22.5 cents (31 December 2015: 12.5 to 17.5 cents).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 8: SHARE-BASED PAYMENTS (continued)

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Six Months ended 31 December 2016 \$	Six Months ended 31 December 2015 \$
Shares and options included in share-based payments expense	71,134	116,561

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Australian Potash Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Matt Shackleton
Executive Chairman
Perth, 2 March 2017

Independent Auditor's Review Report

To the Members of Australian Potash Limited

We have reviewed the accompanying half-year financial report of Australian Potash Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Australian Potash Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Potash Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 2nd day of March 2017