



ABN 58 149 390 394

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2017**

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 2017 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

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### DIRECTORS

Matt Shackleton (Executive Chairman)

Brett Lambert (Non-Executive Director)

Rhett Brans (Non-Executive Director)

### COMPANY SECRETARY

Sophie Raven

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

31 Ord Street

WEST PERTH WA 6005

Telephone: +61 8 9322 1003

### SOLICITORS

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Level 4, The Read Building

16 Milligan Street

PERTH WA 6000

### SHARE REGISTER

Security Transfer Australia

770 Canning Highway

APPLECROSS WA 6153

### AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

PERTH WA 6000

### WEBSITE

[www.australianpotash.com.au](http://www.australianpotash.com.au)

### STOCK EXCHANGE LISTING

Australian Potash Limited shares (ASX code APC) and 20 cent options expiring on 25 October 2019 (ASX code APCOA) are listed on the Australian Securities Exchange.

## DIRECTORS' REPORT

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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 2017.

### 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 Brett Lambert

Mr Rhett Brans

### REVIEW AND RESULTS OF OPERATIONS

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

	2017		2016	
	Revenues	Results	Revenues	Results
	\$	\$	\$	\$
Australian Potash Limited	<b>1,872,977</b>	<b>(3,018,505)</b>	430,082	(2,436,978)

### PROJECT DEVELOPMENTS

#### *Lake Wells Potash Project – Western Australia*

APC holds a 100% interest in the Lake Wells Potash Project located approximately 500km northeast of Kalgoorlie, in Western Australia's Eastern Goldfields. On development of Stage 1, Lake Wells will comprise a 150,000 tonne per annum (tpa) SOP processing operation, supported by a 35-bore brine abstraction network<sup>(i)</sup>.

During the half year ending 31 December 2017, the Company continued its test-production bore program at Lake Wells. Following the successful installation of three test-production bores ("TPBs") in October 2016, the current program has installed two additional TPBs and five monitoring bores across the high-grade zone hosting the largest Australian Indicated JORC compliant resource of 12.7Mt of contained SOP<sup>(i)</sup>.

A further two TPBs will be developed in this program, representing completion of 20% of the Stage 1 development borefield at Lake Wells.

TPBs installed under the current program are undergoing long-term test pumping which commenced during October 2017. The purpose of this test-pumping program is to measure flow rates and grades, but also to measure the drainage response rate in the mid-level clay layer of the aquifer, as the deeper basal aquifer is pumped from and de-pressurised.

The evaporation pan trial continues to collect data that contributes to the evaporation model under which the commercial ponds will operate and when combined with the outcomes of the pilot solar evaporation pond network, will lead to refining the design of the commercial scale pond network.

On October 27, the Company advised that the recently completed geotechnical survey program at Lake Wells confirmed a continuous layer of low-permeability clay across the lake (or playa) which supports the proposed development of un-lined, on-lake evaporation ponds.

The development of economic un-lined pre-concentration and crystalliser ponds (evaporation ponds) on a lake surface requires a low-permeability layer of clay near surface to control leakage from the pond network back into the aquifer. Lower leakage rates lead to higher potassium recoveries, with a positive flow through to a smaller pond footprint and improved overall project recoveries and economics.

In November, APC received significant new information from its long-term test-pumping program at Lake Wells, with the program confirming key resource estimation and extraction parameters.

Key outcomes and project implications included:

- First results of the long-term test pumping program used to confirm the downward drainage of brine assumption in the JORC Mineral Resource Estimate (MRE), with strongly positive implications for long-term yield and extractable SOP volumes;
- The confirmation of bores as the optimal method of extraction as envisaged in the Scoping Study following an external review by leading hydrogeological consultancy firm AQ2.

A long-term pumping test was commissioned to demonstrate that the Lake Wells project palaeochannel performs in a similar manner to the palaeochannel borefields near Kalgoorlie, in that abstraction from the basal sand aquifer induces downward drainage of the intermediate clay. A successful test outcome is a significant response in the intermediate clay, which indicates brine is recoverable from all sections of the stratigraphic sequence.

Abstraction commenced from the basal sand aquifer (TPB003) on 20 October at a constant rate of 15 L/s. Contrary to the conservative analytical calculations of overlying aquifer response times, measurable responses in the clay monitoring bore (LWDRM006) occurred in the first day of testing.

After 25 days of testing, 31 metres of drawdown was recorded in the intermediate clay monitoring bore, and 0.35 metres of drawdown in the upper sand aquifer monitoring bore. Groundwater analysis was conducted using a logarithmic time scale, with a 25 day-test therefore representing a confident forecast of life-of-mine sustainability.

The magnitude of response indicates the intermediate clay overlying the basal sand aquifer is relatively hydraulically conductive and brine hosted within the strata overlying the basal sand is accessible and recoverable by abstraction from the basal aquifer alone.

### Environmental Protection Authority (EPA): Level of Assessment – Environmental Review (No Public Comment)

In December 2017, the Company referred its proposed project development to the EPA. The purpose of the referral was to understand at what level of assessment the EPA would consider the development proposal. The assessment options range from the lowest 'No Assessment' to the most stringent 'Environmental Review with Public Comment'.

Subsequent to period end, on 6 February 2018, the EPA advised that it will assess the project development based upon the submission of an Environmental Review Document (No Public Comment), which is the second lowest level of assessment. That is, the EPA requires APC to submit sufficient information in order for it to understand how the project will be developed, and what impacts the development will have on the surrounding environment.

The level of assessment required will not require formal public environmental review, therefore reducing the timeframes required for completion of assessment.

### ***Yamarna Gold Project – Western Australia***

The Yamarna Gold project is situated 130km north-east of Laverton in Western Australia's Eastern Goldfields. APC's tenements cover approximately 1,400km<sup>2</sup>, contiguous to Gold Road Resources Ltd's North Yamarna gold project, and 60km north-west of the 6-million ounce Gruyere mine development.

During 2017, the Company commissioned CSA Global to conduct a structural interpretation and targeting exercise at the Yamarna Gold project. This initial review identified that the Yamarna Gold project area was conducive to Archaean Lode/orogenic gold type mineralisation, with a structural analogy to the southern Abitibi/Timmins in Canada.

The initial review concluded that an additional lithological and geochemical interpretation would provide further insight into the identified targets. This additional review confirmed the priority drill targets identified in the structural review.

Significantly, the analysis identified that mineralisation within the project area has a magmatic association and presents intrusion related mineralisation targets, examples of which globally typically contain greater than 3Moz of gold.

Significantly, the analysis identified that mineralisation within the project area has a magmatic association and presents intrusion related mineralisation targets, examples of which globally typically contain greater than 3Moz of gold.

The Lake Wells area considered in the reviews comprises over 1,400km<sup>2</sup> of granted and pending tenure across 16 exploration licenses, encompassing the majority of the northern third of the Yamarna Greenstone Belt.

### **CORPORATE**

#### ***Placement, SPP and Options Issue***

On 14 August 2017, the Company completed a bookbuild for a placement to institutional, sophisticated and professional investors to raise up to \$3 million through an oversubscribed placement of 30,000,000 fully paid ordinary shares at an issue price of \$0.10 per share (Placement).

The funds will be used to continue the advancement of the Feasibility Study at Lake Wells and to commence exploration at the Yamarna Gold project.

In addition, APC issued 5,420,000 new shares under a Share Purchase Plan ("**SPP**") on 19 September 2017, following receipt of valid applications totalling \$542,000. The SPP provided eligible shareholders the opportunity to subscribe for up to \$15,000 worth of shares at an offer price of \$0.10 per share without having to pay brokerage or other transaction costs.

APC announced on 28 September 2017 a non-renounceable entitlement issue of one (1) Option for every three (3) Shares held by Shareholders at an issue price \$0.01 per Option to raise up to \$854,910 before expenses ("**Loyalty Option Issue**").

The Loyalty Option Issue closed on 18 October 2017, with valid applications for entitlements received totalling \$358,268 for the application of 35,826,763 options with an exercise price of 20c expiring 25 October 2019. The Company also received oversubscriptions totalling \$17,681 for 1,768,143 Options from unrelated parties.

#### ***Research and Development Tax Incentive***

On 23 November 2017, the Company advised that it received a A\$1.8 million Research and Development Tax Incentive. The incentive recognised the innovative test work activities undertaken by the Company during the financial year ending 30 June 2017, in progressing the Lake Wells project.

## DIRECTORS' REPORT

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The funds were used to continue the test work programmes currently underway aimed at advancing the Lake Wells Sulphate of Potash Project towards development.

The cash position of APC at the end of the period was A\$1.8 million.

Subsequent to period end, on 31 January 2018, the Company announced that Ms Sophie Raven was appointed as the Company Secretary.

### 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 6.

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



**Matt Shackleton**  
Executive Chairman  
Perth, 15 March 2018

### Competent persons statement

The information in this announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Jeffery Lennox Jolly. Mr Jolly is a principal hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Jolly nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Jolly has over 30 years of international experience. He is a member of the Australian Institute of Geoscientists (AIG) and the International Association of Hydrogeologists (IAH). Mr Jolly has experience in the assessment and development of palaeochannel groundwater resources, including the development of water supplies in hypersaline palaeochannels in Western Australia. His experience and expertise is such that he qualifies as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jolly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

- (i) Refer to ASX announcement 23 March 2017 'Scoping Study Confirms Exceptional Economics of APC's 100% Owned Lake Wells Potash Project In WA'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 23 March 2017 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 23 March 2017 announcement continue to apply and have not materially changed.

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 period ended 31 December 2017, 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 15<sup>th</sup> day of March 2018



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Six Months ended 31 December 2017 \$	Six Months ended 31 December 2016 \$
<b>REVENUE</b>		
Finance Revenue	1,234	4,306
Research and Development Tax Incentive	1,821,743	421,715
Other income	50,000	4,061
<b>EXPENDITURE</b>		
Administration expenses	(377,609)	(247,285)
Depreciation expenses	(8,691)	(1,230)
Employee benefits expenses	(316,771)	(211,828)
Exploration expenses	(4,098,476)	(2,335,583)
Share-based payments expense	9(d) (89,935)	(71,134)
<b>LOSS BEFORE INCOME TAX</b>	<b>(3,018,505)</b>	<b>(2,436,978)</b>
Income tax benefit/(expense)	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED</b>	<b>(3,018,505)</b>	<b>(2,436,978)</b>
Basic and diluted loss per share (cents)	<b>(1.2)</b>	<b>(1.3)</b>

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 2017

	Note	31 December 2017 \$	30 June 2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,796,956	1,960,557
Trade and other receivables		168,942	231,049
<b>TOTAL CURRENT ASSETS</b>		<b>1,965,898</b>	<b>2,191,606</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment		73,886	76,129
Intangibles		15,429	17,333
<b>TOTAL NON CURRENT ASSETS</b>		<b>89,315</b>	<b>93,462</b>
<b>TOTAL ASSETS</b>		<b>2,055,213</b>	<b>2,285,068</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	3	1,044,998	2,554,736
Provisions		44,242	25,844
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,089,240</b>	<b>2,580,580</b>
<b>TOTAL LIABILITIES</b>		<b>1,089,240</b>	<b>2,580,580</b>
<b>NET ASSETS</b>		<b>965,973</b>	<b>(295,512)</b>
<b>EQUITY</b>			
Issued capital	4	17,215,886	13,025,831
Reserves		1,292,021	1,202,086
Accumulated losses		(17,541,934)	(14,523,429)
<b>TOTAL EQUITY</b>		<b>965,973</b>	<b>(295,512)</b>

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 2017

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2016</b>	7,446,664	957,405	(7,713,103)	690,966
Loss for the period	-	-	(2,436,978)	(2,436,978)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(2,436,978)	(2,436,978)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>				
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
<b>BALANCE AT 31 DECEMBER 2016</b>	13,025,831	1,028,539	(10,150,081)	3,904,289
<b>BALANCE AT 1 JULY 2017</b>	<b>13,025,831</b>	<b>1,202,086</b>	<b>(14,523,429)</b>	<b>(295,512)</b>
Loss for the period	-	-	(3,018,505)	(3,018,505)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(3,018,505)	(3,018,505)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>				
Shares and options issued during the period	4,417,835	-	-	4,417,835
Share issue transaction costs	(227,780)	-	-	(227,780)
Issue of employee options	-	89,935	-	89,935
<b>BALANCE AT 31 DECEMBER 2017</b>	17,215,886	1,292,021	(17,541,934)	965,973

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 2017

	Six Months ended 31 December 2017 \$	Six Months ended 31 December 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on exploration	(5,361,331)	(1,777,497)
Payments to suppliers and employees	(232,796)	(415,852)
Interest received	3,740	4,306
Research and development refund received	1,821,743	421,715
Payments for tenements	(150,000)	-
Proceeds on sale of tenements	50,000	-
<b>Net cash outflow from operating activities</b>	<b>(3,868,644)</b>	<b>(1,767,328)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(4,544)	(45,103)
<b>Net cash inflow from investing activities</b>	<b>(4,544)</b>	<b>(45,103)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	3,917,835	5,909,678
Payments of share issue transaction costs	(209,308)	(330,511)
<b>Net cash inflow from financing activities</b>	<b>3,708,527</b>	<b>5,579,167</b>
Net increase in cash and cash equivalents	(164,661)	3,766,736
Cash and cash equivalents at the beginning of the half-year	1,960,557	495,173
Effect of exchange rate changes on cash and cash equivalents	1,060	20,099
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>1,796,956</b>	<b>4,282,008</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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### 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 2017 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 2017 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.

#### Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of \$3,018,505 (2016: \$2,436,978) and net cash outflows of \$164,661 (2016: \$3,766,736 inflows). The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

#### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2017, 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 2017.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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### NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

#### Adoption of new and revised Accounting Standards (continued)

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 2017. 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.

#### Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

##### *Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

##### *Taxation*

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office. With regards to the research and development incentive, AusIndustry reserves the right to review claims made under the R&D legislation.

##### *Share-based payments*

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option pricing model. A Monte Carlo simulation is applied to fair value the market related element of the shares or rights. Both models use assumptions and estimates as inputs.

### 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2017

#### NOTE 3: TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
Trade payables	868,053	2,236,163
Other payables and accruals	176,945	318,573
	<u>1,044,998</u>	<u>2,554,736</u>

#### NOTE 4: ISSUED CAPITAL

	2017	2017	2016	2016
	Number	\$	Number	\$
<b>(a) Share capital</b>				
Ordinary shares fully paid	261,873,073	16,860,744	221,454,213	13,008,920
<b>(b) Other equity securities</b>				
Options	54,505,576	355,142	16,910,670	16,911
		<u>17,215,886</u>		<u>13,025,831</u>

#### (c) Movements in ordinary share capital

	2017	2017	2016	2016
	Shares	\$	Shares	\$
<b>As at 1 July</b>	<b>221,454,213</b>	<b>13,008,920</b>	147,583,276	7,429,753
<b>Issues of ordinary shares during the half-year</b>				
Issued for cash at 10 cents per share	35,418,860	3,541,886	-	-
Issued for services rendered at 10 cents per share	5,000,000	500,000	-	-
Issued for cash at 8 cents per share upon exercise of listed options	-	-	73,870,937	5,909,678
Share issue transaction costs	-	(190,062)	-	(330,511)
<b>As at 31 December</b>	<b>261,873,073</b>	<b>16,860,744</b>	221,454,213	13,008,920

#### (d) Movements in other equity securities

	2017	2017	2016	2016
	Listed Options	\$	Listed Options	\$
<b>As at 1 July</b>	<b>16,910,670</b>	<b>16,911</b>	16,910,670	16,911
<b>Issues of listed options during the half-year</b>				
Issued for cash at 1 cents per option	37,594,906	375,949	-	-
Share options transaction costs	-	(37,718)	-	-
<b>As at 31 December</b>	<b>54,505,576</b>	<b>355,142</b>	16,910,670	16,911

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2017

#### NOTE 4: ISSUED CAPITAL (continued)

(e) Movements in options on issue	Number of options	
	2017	2016
<b>As at 1 July</b>	<b>30,072,523</b>	94,730,937
<b>Movements of options during the half-year</b>		
Unlisted options issued, exercisable at 22.5 cents, expiring 9 May 2020	<b>1,500,000</b>	-
Unlisted options issued, exercisable at 16.0 cents, expiring 30 November 2020	<b>1,250,000</b>	-
Unlisted options issued, exercisable at 20.0 cents, expiring 30 November 2020	<b>1,250,000</b>	-
Listed options issued, exercisable at 20.0 cents, expiring 25 October 2019	<b>37,594,906</b>	-
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)
<b>As at 31 December</b>	<b>71,667,429</b>	30,072,523

#### NOTE 5: CONTINGENCIES

Other than the below there has been no change in contingent liabilities or contingent assets since the last annual reporting date.

On 13 March 2018, the Company received a notice from AusIndustry Business Services with respect to the Company's Research & Development ("R&D") application for an advance/overseas finding which has brought into question the ability of the Company to claim aspects of the R&D Incentive. On advice, the Board are of the opinion that based on the facts to hand, the costs incurred meet the definition of a core R&D Activity and will be exercising its rights to appeal the notice. Accordingly no adjustment has been made to the financial report with respect to this matter.

#### NOTE 6: DIVIDENDS

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

#### NOTE 7: 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### NOTE 8: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2017, 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 9: SHARE-BASED PAYMENTS

#### (a) Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. The exercise prices of the options granted ranges from 16.0 to 22.5 cents per option (31 December 2016: 17.5 to 22.5 cents). The contractual term for the options is three years (31 December 2016: three years.)

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 period was 6.42 cents (31 December 2016: 4.49 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, if applicable.

	<b>Six Months ended 31 December 2017</b>	<b>Six Months ended 31 December 2016</b>
Weighted average exercise price (cents)	<b>19.7</b>	20.1
Weighted average life of the option (years)	<b>2.8</b>	3.0
Weighted average underlying share price (cents)	<b>11.5</b>	8.6
Expected share price volatility	<b>111.80%</b>	111.04%
Risk free interest rate	<b>2.06%</b>	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.

#### (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. No options were issued in the current period. The exercise prices of the options granted for the period ended 31 December 2016 range from 17.5 to 22.5 cents per option and all options granted have an expiry date of 14 December 2019.

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*

No options were issued during the period. The weighted average fair value of the options granted during the prior period 4.04 cents. The price for the prior period was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted.:

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2017

#### NOTE 9: SHARE-BASED PAYMENTS (continued)

##### (b) Incentive Option Plan (continued)

	Six Months ended 31 December 2017	Six Months ended 31 December 2016
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

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

	2017		2016	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
<b>Outstanding as at 1 July</b>	<b>30,072,523</b>	<b>15.6</b>	<b>20,860,000</b>	<b>13.6</b>
Granted	4,000,000	19.7	9,212,523	20.1
Forfeited	-	-	-	-
Exercised	-	-	-	-
<b>Outstanding as at 31 December</b>	<b>34,072,523</b>	<b>16.1</b>	<b>30,072,523</b>	<b>15.6</b>
<b>Exercisable as at 31 December</b>	<b>22,631,981</b>	<b>14.1</b>	<b>17,526,666</b>	<b>13.3</b>

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.1 years (31 December 2016: 2.9 years), and the exercise prices range from 10 to 22.5 cents (31 December 2016: 10.0 to 22.5 cents).

##### (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 2017	Six Months ended 31 December 2016
	\$	\$
Shares and options included in share-based payments expense	<b>89,935</b>	71,134

## DIRECTORS' DECLARATION

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In the directors' opinion:

1. the financial statements and notes set out on pages 7 to 16 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 2017 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, 15 March 2018

## Independent Auditor's Review Report

### To the Members of Australian Potash Limited

We have reviewed the accompanying 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 2017, 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 period.

#### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 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 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 2017 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 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 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 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$3,018,505 during the half year ended 31 December 2017. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Director

Dated at Perth this 15<sup>th</sup> day of March 2018