AUSTRALIAN POTASH

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 2017

Corporate Information

Directors

Matt Shackleton (Executive Chairman)

Brett Lambert (Non-Executive Director)

Rhett Brans (Non-Executive Director)

Company Secretary

Leigh-Ayn Absolom

Registered Office & Principal Place of Business

31 Ord Street

WEST PERTH WA 6005

Telephone: +61 8 9322 1003

Solicitors

Steinepreis Paganin

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

Stock Exchange Listing

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

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Chairman's Letter

Dear Shareholders,

It is my pleasure to present to you on behalf of the Directors of Australian Potash Limited, the 2017 Annual Report.

Through the financial year, your Company's focus remained the development of the world-class Lake Wells Sulphate of Potash Project. In March 2017, we were able to update you on the results of the Scoping Study, which program was designed around assessing at a high level the various possible options for the development of the Project. It was enormously pleasing to report the very strong findings of the Scoping Study, with a robust financial model and highly capital efficient development program identified.

The last quarter of the financial year was spent both optimising the results obtained in the Scoping Study, and planning the forthcoming feasibility study. In June 2017, Australian Potash's highly-skilled team commenced the formal feasibility study program.

The feasibility study will examine in significantly more detail, and therefore to a lower risk level, the various aspects to the proposed development, including the brine abstraction model and resource estimate, the brine evaporation model and pond network, and the SOP processing plant. I am looking forward to updating you on the outcomes of these more detailed programs of work through the 2018 financial year.

Your Directors are also considering the options the Company has with respect to its Yamarna Gold Project. The Yamarna region of Western Australia's Eastern Goldfields is considered highly prospective for gold and base metals, due both to the estimation of significant gold resources by peer companies working in the area in the last 3 years, and to its relatively under-explored nature.

Once again your Company's progress over the last 12 months has been exciting, and it is with great confidence that I look forward to the coming year and reporting back to you, as valued shareholders of Australian Potash Limited this time next year.

Yours sincerely,

Matt Shackleton.

Operations Report

HIGHLIGHTS

Australian Potash Limited (ASX: APC) is an ASX-listed Sulphate of Potash ('SOP') developer. The Company holds a 100% interest in the Lake Wells Potash Project located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

The Lake Wells Potash Project (the 'Project') is a palaeochannel brine hosted sulphate of potash project. Palaeochannel bore fields supply large volumes of brine to many existing mining operations throughout Western Australia.

Exceptionally Strong Scoping Study

On 23 March 2017, APC completed and released a Scoping Study examining development options for the Project[i]. The Scoping Study confirmed that the Project's economic and technical aspects are all exceptionally strong, and highlights APC's potential to become a significant long-life, low capital and high margin SOP producer.

Overview

- 100% owned Project located in one of the best mining jurisdictions in the world
- Adjustable production rates, low capital, high margin, long mine life
- Project is well understood and development pathways relatively simple
- Consultants to the company include internationally recognised experts in Sulphate of Potash process modelling and plant design Novopro Project Development and Management

Scale

- Stage 1 production rate of **150,000tpa** of high quality sulphate of potash (years 1 – 5)
- Stage 2 production rate of **300,000tpa** of high quality sulphate of potash (years 6 – 20)
- Minor portion of SOP produced through the conversion of imported MOP to SOP using the natural excess sulphate in the brine
- Scoping Study assumes expansion to Stage 2 occurs in Year 5 and the majority of Stage 2 capital expenditure is funded from internal cash flow
- Life of Mine (LOM) is 20 years (inc. Stage 1 & Stage 2) –upside to LOM through continued exploration

Robust financial model[1]

- Approximate pre-tax NPV at 10% discount rate of A$500m/US$386m and an approximate pre-tax IRR of 33.0%
- Operating expenditure of A$368/US$283 tonne SOP in the first 5 years and A$343 tonne SOP over the life of mine
- Under a SOP price of A$795 per tonne SOP, the Project generates LOM annual operating pre-tax cashflow[ii] of A$118m/US$81m
- Pre-production capital expenditure (Stage 1) of A$175m/US$135m and Stage 2 of A$163m/US$125m

Upgraded JORC Resource[i]

In conjunction with the Scoping Study referred to above, APC upgraded the JORC 2012 Mineral Resource Estimate. The upgraded JORC 2012 Mineral Resource Estimate comprises 14.7m tonnes of SOP, including 12.7mt in the Indicated category. APC believe there is a potential for significant upside in the resource model The Scoping Study mine plan extracts only 34% of the Indicated Resource in the Western High Grade Zone and 33% of the Inferred Resource in the Southern Zone, providing opportunities to extend LOM with inclusion of the Eastern Zone (4.6mt SOP Indicated). Refer to page 8 for the Company's Mineral Resource Statement for further information.

1 Based on Stage 2 being developed

5 Pond Pilot Evaporation Program

On 3 October 2017, APC commissioned a 5 pond pilot evaporation program[iii].

The design, construction and commissioning of the pilot solar evaporation pond network is an extension of the Class A evaporation pan trial underway since October 2016. The evaporation pan trial will continue 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.

The pilot ponds have been constructed off the playa in a similar manner to that proposed for the harvest ponds in the full-scale project. At full-scale, the initial concentration and halite crystallisation ponds will be developed on the surface of the playa lakes, taking advantage of the existing near-surface low-permeability clay layer to minimise brine leakage, and save considerable pond construction expenditure associated with lining the bottom of the ponds.

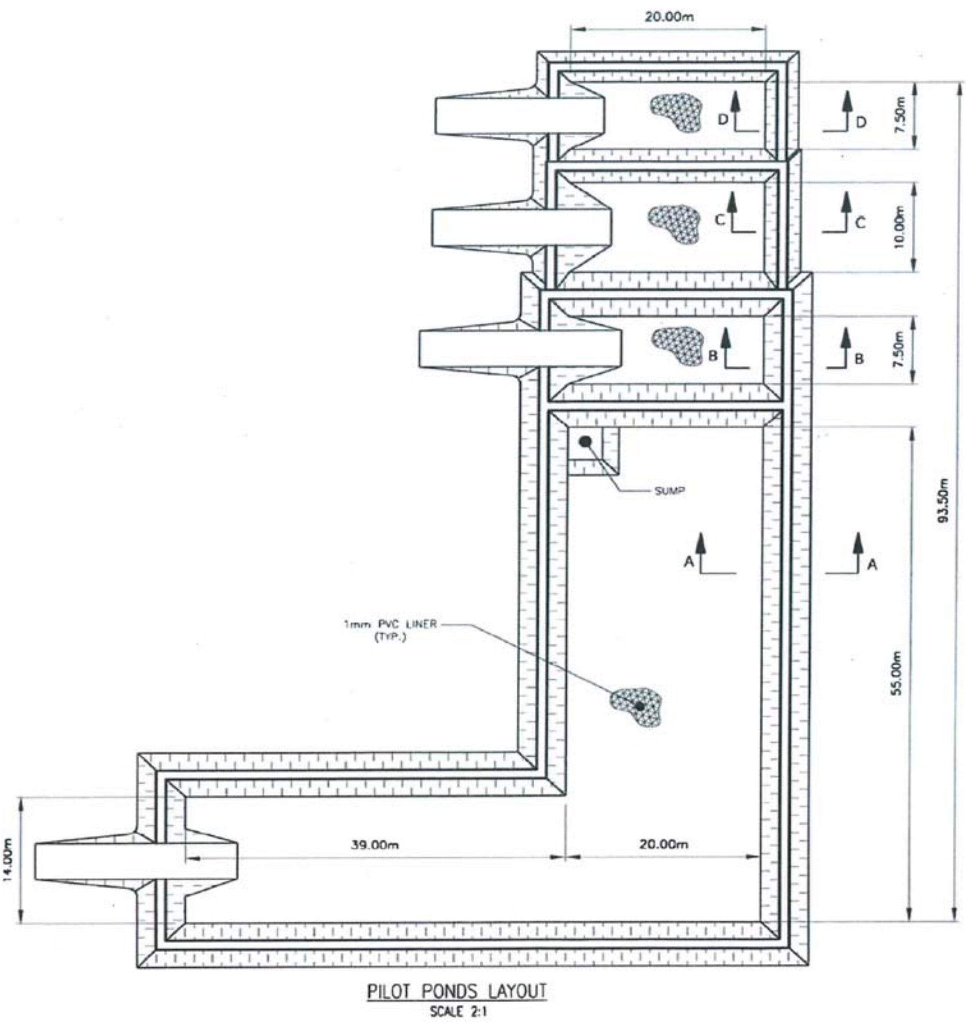

Figure 1: The pilot evaporation ponds will mirror the full-scale evaporation process with the large pre-concentration pond (A) feeding brine into the smaller crystallisation (B & C) and harvest ponds (D)

Off-take MOUs Signed

During the year, APC signed two non-binding Memorandums of Understanding ('MOUs') for the supply of SOP with Sino-Agri Holdings Company Limited[iv] ('Sino-Agri'), and Hubei Agricultural Means of Production Group Co Ltd ('Hubei-Agri')[v] for sales of up to 100ktpa of SOP.

The execution of the MOU's is consistent with the strategy of establishing early customer engagement in parallel with the advancement of Lake Wells.

As the Lake Wells feasibility study is progressed and the technical parameters are optimised APC will maintain an active dialogue with our selected regional off-take partners and identified potential domestic customers. This early engagement will facilitate product trials, optimise product specifications and ultimately seek to progress to a binding commercial agreement.

Under the terms of the two executed MOU's APC intends to proportionally weight sales between stage 1 (150ktpa) and the full 300ktpa production rate[i]. This will allow for potential to capture a significant share of prevailing domestic Australian demand. In the medium term, APC firmly believes the Australian market has significant growth potential as the awareness of the commercial value of a domestic supply of SOP product is increased and a reliable domestic supply source is established. The MOU's are non-binding and as such there is no guarantee of a binding agreement on the proposed terms or at all.

Sino-Agri is one of China's largest fertiliser corporations with 60 years of operating history. Sino-Agri is both a domestic producer, trader and distributor of a range of domestic and imported fertiliser products.

Hubei-Agri is one of the largest provincial fertiliser distributors and importers in China.

Figure 2. Pilot Solar Evaporation Pond at Lake Wells

Acquisition of Tenements

On 26 June 2017, APC acquired three tenements at its LWPP from Anglo Gold Ashanti Australia Ltd ('AGAA'). The acquisition was for 100% of the right, title and interest in tenements E38/2988, E38/3018 and E38/3028;

The acquisition of the Tenements completes and expands APC's landholding to cover the full extent of the defined palaeochannel and links the Western high-grade area with the Eastern resource.

The Tenements provide two potentially material benefits to APC and its development strategy at Lake Wells:

- Access to more SOP resource, which has the potential to increase the Lake Wells life of mine, with an exploration target currently being estimated for the new tenure, and;
- Additional level of flexibility as to where the evaporation ponds can be located.

YAMARNA GOLD PROJECT

In June 2017, adjoining tenement neighbour Gold Road Resources (ASX: GOR) released gold assay results, 2km south-east of APC's tenement holding, including 10m @ 28.76g/t Au and 9m @ 4.56g/t Au at the Ibanez prospect[vi]. Following this, APC commissioned experts in the Yamarna region, CSA Global, to conduct a structural interpretation and targeting exercise for gold mineralisation.

APC tenements cover an estimated 65km of strike, 60km north-west & along strike of the 6-million-ounce Gruyere mine development.[vii]

CSA Global's review of the Yamarna Gold Project, located at the northern end of the Yamarna Greenstone Belt in the Eastern Goldfields Province of Western Australia, shows the Project encompasses an interpreted lateral ramp thrust (LRT), which has offset the Yamarna Shear Zone to the west.The review interpreted a significant dilational zone that opens up through the middle of APC's tenement holding (*Figure 3)* with 18 gold targets identified along a 62km strike length, including 9 areas considered highly prospective. It is anticipated that drill targets will be identified by the current work program.

The architecture of the LRT is favourable for orogenic gold mineralisation, being considered appropriate for hydrothermal fluid flow and in which structural-stratigraphic traps are considered likely to occur.

In general, greenschist facies metamorphic rocks are considered most conducive to orogenic gold mineralisation, however there are examples of major deposits being found in higher-grade metamorphic rocks. More specifically, the grade of metamorphic rocks is difficult to assess on the current data set.

CSA Global have noted that the structural setting interpreted for the Yamarna Gold Project has a number of points of similarity to the architecture and setting of the world-class Timmins district of the southern Abitibi in Canada. Timmins, and the southern Abitibi, hosts a number of world-class Archaean gold deposits, that have been mined since the early 1900s (e.g. the Hollinger-McIntyre and Dome Mines), including several identified during the 1990s (e.g. Hoyle Pond and Pamour, etc).

The recognition of this similar structural configuration at the Lake Wells project, in a prospective, but substantially underexplored, belt containing gold mineralising systems, is considered to represent a significant opportunity.

Given the substantial size of the project area, the lithology and alteration mapping project is intended to define areas of hydrothermal alteration associated with potential mineralisation. This can be used to provide greater focus for exploration drilling.

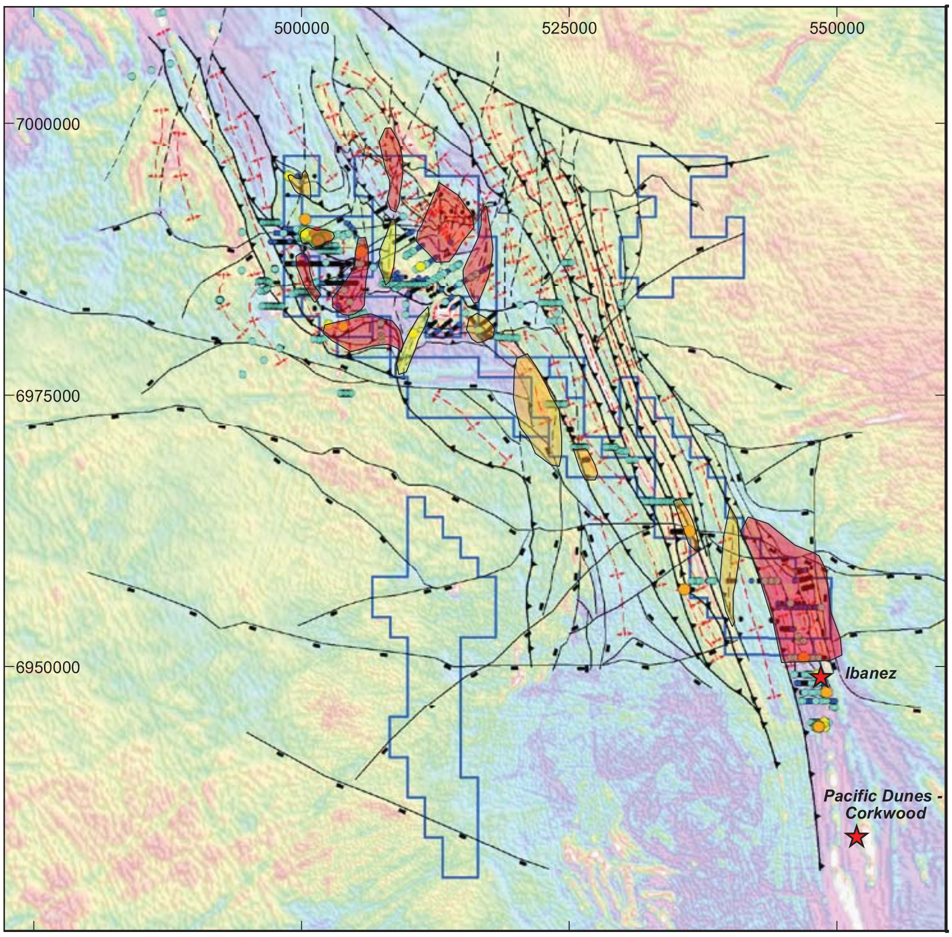

Figure 3: Structural interpretation and priority target areas along the 65km strike of greenstone belts in APC's Yamarna tenure

Corporate

Board Appointments

On 9 May 2017, APC appointed Messrs Rhett Brans and Brett Lambert to the board as non-executive Directors. The evolution of the board is to prepare APC as it progresses through the next stages of project studies, finance and ultimately development. To facilitate the changes Messrs Brenton Siggs and Dean Goodwin tendered their resignations from the board of APC.

Placement

Subsequent to year end, on 14 August 2017, APC announced a share placement of 30,000,000 fully paid ordinary shares at an issue price of 10.0 cents. On 22 August 2017, APC confirmed it had issued a total of 29,598,860 fully paid ordinary shares at an issue price of $0.10 per share. Directors have indicated an intention to subscribe for 400,000 shares, under the placement, however the issue of these shares will be subject to shareholder approval at the Company's next general meeting.

Share Purchase Plan (SPP)

The Company issued 5,420,000 new shares on 19 September 2017, following receipt of valid applications totalling $542,000. The SPP provided registered shareholders as at 5:00pm (WST) on 11 August 2017 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.

Rights Issue Prospectus – Loyalty Options

As announced on 25 August 2017, APC is undertaking a 1:3 pro rata non-renounceable rights issue (''Offer') of approximately 85,491,024 options to acquire fully paid ordinary shares ('Loyalty Options') to raise $854,910.24. The price of Loyalty Options under the Offer is $0.01 each. The Company lodged a prospectus for the Offer with ASIC and ASX on 28 September 2017[viii].

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.

ii Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

iii Refer to ASX announcement 3 October 2017 'Pilot Solar Evaporation Ponds Commissioned'.

iv Refer to ASX announcement 9 June 2017 'Off-take MOU signed with Major Chinese Fertiliser Group'.

v Refer to ASX announcement 19 June 2017 'Second off-take broadens regional engagement'.

vi Gold Road Resources Limited, ASX announcement 27 June 2017, 'Yamarna Exploration Update: Significant Intersections Returned Across Tenement Package'.

vii www.goldfields.com.au

viii Refer to ASX announcement 28 September 2017, 'Rights Issue Prospectus – Loyalty Options'

MINERAL RESOURCES STATEMENT AS AT 30 JUNE 2017

This statement details the Mineral Resource Estimate of Australian Potash Limited ("APC") as at 30 June 2017. The Mineral Resource estimates are grouped by deposit which form part of the Lake Wells Project in Western Australia. No Ore Reserves have been reported for these deposits.

Lake Wells Potash Project - Mineral Resource Estimate

In compliance with internationally recognised reporting standards, APC has reported its Resource estimate using **specific yield**[1], or **drainable porosity**.The Company believes this is an accurate estimate of the amount of brine that can be abstracted from the aquifers.

On 29 June 2016, APC announced a Maiden Sulphate of Potash (SOP) JORC compliant Mineral Resource Estimate[2], using specific yield (*drainable* porosity). The maiden resource estimate sat in the Inferred Mineral Resource category and contained 18.4 million tonnes of SOP at 8.05 kg/m^3 including a high-grade zone: 10.5 Mt of SOP at 9.03 kg/m^3.

With additional information and increased confidence in the mineral resource on 23 March 2017, APC announced an updated Sulphate of Potash (SOP) JORC compliant Mineral Resource Estimate[3], with the majority being in the Indicated Category. Using specific yield (*drainable* porosity). the JORC 2012 compliant Mineral Resource Estimate now comprises 14.7m tonnes of SOP, including 12.7mt in the Indicated category. Refer to table 1 below.

The Mineral Resource, which has taken into account potential future economic abstraction, has been classified as Indicated, with the Southern Zone remaining Inferred (Table 1). The Indicated Resource is estimated at 12.7 Mt at 8,267 mg/L (8.267 kg/m^3) SOP. The Southern Zone of the Lake Wells Potash Project (LWPP), has an Inferred estimate of 2.1 Mt at 5,963 mg/L (5.963 kg/m^3) SOP.

The Indicated Mineral Resource is a static estimate. It represents the volume of potentially recoverable brine that is contained within the defined aquifer. It does not take into account modifying factors such as the design of borefields (or other pumping scheme), which will affect both the proportion of the Indicated Mineral Resource that is ultimately recovered and changes in grade associated with mixing between each aquifer unit. The Southern Zone remains a data constrained Inferred Resource, with planned future drilling aiming to bring it into the Indicated category.

1 Specific yield reflects the amount of recoverable Sulphate of Potash, in compliance with NI43-101, the only CRIRSCO reporting code to include a brine standard.

2 Refer to ASX announcement 29 June 2016 'Maiden SOP Resource Estimate'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Goldphyre Resources Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 29 June 2016 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 29 June 2016 announcement continue to apply and have not materially changed.

3 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 all the material assumptions and technical parameters underpinning the production target and the forecast financial information derived from a production target in the 23 March 2017 announcement continue to apply and have not materially changed.

JORC 2012 Mineral Resource Estimate Summary

Hydrogeological Unit	Volume of Aquifer MCM	Specific Yield Mean	Drainable Brine Volume MCM	K Concentration (mg/L) Weighted Mean Value	SOP Grade (mg/L) Weighted Mean Value	SOP Resource MT
Indicated Resources						
Western High Grade Zone						
Surficial Aquifer	5,496	10%	549	3,738	8,336	4.6
Upper Sand	37	25%	9	4,017	8,958	0.1
Clay Aquitard	4,758	6%	308	4,068	9,071	2.8
Basal Sand Aquifer	214	29%	63	4,520	10,080	0.6
Sub Total (MCM / MT)	***10,505***		***919***	***3,904***	***8,706***	***8.1***
Eastern Zone						
Surficial Aquifer	3,596	10%	359	3,416	7,617	2.7
Upper Sand	22	25%	5	3,345	7,459	0.04
Clay Aquitard	2,689	6%	174	3,362	7,497	1.3
Basal Sand Aquifer	237	29%	69	3,352	7,475	0.5
Sub Total (MCM / MT)	***6,545***		***602***	***3,391***	***7,563***	***4.6***
Total Indicated						
Surficial Aquifer	9,092	10%	907	3,610	8,051	7.3
Upper Sand	59	25%	15	3,769	8,404	0.1
Clay Aquitard	7,447	6%	482	3,813	8,503	4.1
Basal Sand Aquifer	452	29%	132	3,906	8,711	1.1
Indicated Resource (MCM / MT)	***17,050***		***1,521***	***3,707***	***8,267***	***12.7***
Inferred Resources						
Southern Zone						
Surficial Aquifer	1,296	16%	207	2,742	6,115	1.3
Clay Aquitard	1,901	6%	114	2,620	5,842	0.7
Basal Sand Aquifer	82	23%	19	2,871	6,401	0.1
Inferred Resources (MCM / MT)	***3,279***		***340***	***2,674***	***5,963***	***2.1***

Indicated Resource based modelled aquifer volume, mean specific yield and weighted mean K concentrations (derived from modelling)

Summary

Indicated Resources	17,050		1,521	3,707	8,267	12.7
Inferred Resources	3,279		340	2,674	5,963	2.1
Total Resources	**20,329**		**1,861**	**3,541**	**7,896**	**14.7**

Resources do not include exploration target at Lake Wells South (tenement areas south of Southern Zone)

Table 1: Indicated and Inferred Mineral Resource estimate measured using Specific Yield (drainable porosity)[4]

Annual Statement of Mineral Resources

The Annual Statement of Mineral Resources as at the 30 June 2017 presented in this Report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and ASX listing Rules.

APC is not aware of any new information or data that materially affects the information included in this Annual Statement and confirms that the all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Mineral Resources Corporate Governance

Due to the nature, stage and size of APC's existing operations, the Board believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring APC's processes for estimating mineral resource and ore reserves and for ensuring that the appropriate internal controls are applied to such estimates. However, APC ensures that any mineral reserve and ore resource estimations are prepared by competent geologists and are reviewed independently and verified including estimation methodology, sampling, analytical and test data. APC reports mineral reserves and resources estimates in accordance with the 2012 JORC Code.

4 Rounding may affect sub-totals and totals in all tables.

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.

The Hydrogeological information in this announcement has been prepared by Mr Carsten Kraut, who is a member of the Australasian Institute of Geoscientists (AIG), and International Association of Hydrogeologists (IAH). Mr Kraut is contracted to the Company through Flux Groundwater Pty Ltd. Mr Kraut 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 Kraut consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Forward looking statements disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Potash Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Matt Shackleton *(Executive Chairman, member of the Audit Committee)*

Mr Shackleton is a Chartered Accountant with over 20 years' experience in senior management and board roles. Previously the Managing Director of ASX listed Western Australian gold developer Mount Magnet South NL, Mr Shackleton was a founding director of ASX listed and West African gold and bauxite explorer Canyon Resources Limited. He has also held senior roles with Bannerman Resources Limited, a uranium developer, Skywest Airlines, iiNet Limited and DRCM Global Investors in London. Mr Shackleton holds an MBA from The University of Western Australia, and is a Fellow of The Institute of Chartered Accountants, Australia and New Zealand and a Member of the Australian Institute of Company Directors.

During the past three years, Mr Shackleton has also served as a director of Canyon Resources Limited (Appointed 19 October 2009 ; Resigned 29 May 2015)

Brett Lambert *(Non-Executive Director, member of the Audit and Remuneration committees)*

Appointed 9 May 2017

Mr Lambert is a mining engineer and experienced company director in the Australian and international mineral resources industry. Over a career spanning 35 years, Mr Lambert has held senior management roles with Western Mining Corporation, Herald Resources, Western Metals, Padaeng Industry, Intrepid Mines, Thundelarra Exploration and Bullabulling Gold. He has successfully managed a number of green-fields resource projects through feasibility study and development and has been involved in numerous facets of financing resource project development. Mr Lambert has experience as a director of companies listed on the Australian Securities Exchange, AIM and the Toronto Stock Exchange and holds a B.App.Sc. (Mining Engineering) degree from Curtin University in Western Australia and is a Member of the Australian Institute of Mining and Metallurgy.

During the past three years, Mr Lambert has also served as a director of the following other listed companies:

Mincor Resources NL
Appointed 1 January 2017

ABM Resources NL
Appointed 8 March 2016
Resigned 9 May 2016

Bullabulling Gold Limited
Appointed 1 May 2012
Resigned 4 August 2014

Rhett Brans *(Non-Executive Director, member of the Audit and Remuneration committees)*

Appointed 9 May 2017

Mr Brans is an experienced director and civil engineer with over 45 years experience in project developments. He is currently a Non-executive Director of Syrah Resources and Carnavale Resources Ltd. Previously, Mr Brans was a founding director of Perseus Mining Limited and served on the boards of Tiger Resources Limited and Monument Mining Limited. Throughout his career, Mr Brans has been involved in the management of feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies.

Mr Brans holds a Dip.Engineering (Civil), and is a member of the Institution of Engineers, Australia and the Australian Institute of Company Directors.

During the past three years, Mr Brans has also served as a director of the following other listed companies:

Syrah Resources Limited
Appointed 12 June 2013

Carnavale Resources Limited
Appointed 17 September 2013

Monument Mining Limited
Appointed 21 November 2015
Resigned 16 December 2016

RMG Limited
Appointed 19 January 2015
Resigned 13 September 2016

Directors' Report (continued)

***Brenton Siggs,** (Non-Executive Director, member of the Audit and Remuneration committees)*

Resigned 9 May 2017

Mr Siggs is a geologist with over 25 years' experience in the Australian mineral exploration and mining industry and has worked on a range of gold, nickel, petroleum, mineral sands, coal and phosphate projects throughout Australia. He currently operates a successful geological contracting business which was established in Kalgoorlie in 1994 and is now based in Perth, Western Australia. Mr Siggs' exploration successes include senior geology roles in Western Australian gold discoveries at Racetrack, Golden Funnel and Black Lady (Mount Pleasant), Dingo Range, Norseman and Menzies (Lady Irene). Other technical highlights include senior roles in resource upgrades at significant nickel laterite (Ravensthorpe Project and Kalgoorlie Nickel Project, Western Australia) and coal projects (Belvedere Coal Project, Queensland). Mr Siggs holds a Bachelor of Applied Science (Applied Geology) degree from the University of South Australia and is a Member of the Australian Institute of Geoscientists (AIG) and the Society of Economic Geologists (SEG). Mr Siggs is a director of Goldphyre WA Pty Ltd.

***Dean Goodwin,** (Non-Executive Director, Chairman of the Audit and Remuneration Committees)*

Resigned 9 May 2017

Mr Goodwin, BAppSc (Geology), MAIG is a geologist with over 26 years' exploration experience which has included acting as Head of Geology at Focus Minerals Limited and a six-year period as Managing Director of Barra Resources Ltd (2004-2010). Mr Goodwin also spent six years as an exploration geologist with Western Mining Corporation Ltd and was involved with discovering the Intrepid, Redoutable and Santa Anna gold deposits at Lake Lefroy with WMC. Whilst with WMC he worked closely with the nickel exploration team.

In 1994 he joined Resolute Ltd as Senior Exploration Geologist, spending five years in Kalgoorlie managing exploration for the Chalice, Higginsville, Bullabulling and Bulong projects. In 1999 Mr Goodwin was appointed as Senior Exploration Geologist with LionOre Limited and whilst at the Bounty Gold Mine operations he was responsible for the discovery of several small gold deposits. More recently, he has been working as an independent contract geologist exploring for nickel sulphides throughout Western Australia.

Company Secretary

Leigh-Ayn Absolom

Appointed 8 August 2016

Ms Absolom is a Chartered Accountant and Chartered Secretary with 17 years experience in auditing, accounting and company secretarial roles within public practice and the resources industry. She commenced her career with Deloitte, originally in South Africa and then Australia, before moving into the mining sector with Murchison Metals Ltd. Ms Absolom has held positions as Group Financial Controller and Company Secretary with uranium development company Bannerman Resources Limited, and Manager - Corporate with nickel explorer Resource Mining Corporation Limited. Ms Absolom is an Associate Member of the Governance Institute of Australia and the South African Institute of Chartered Accountants. Ms Absolom has not held any former directorships in the last 3 years.

John Ribbons

Resigned 8 August 2016

Mr Ribbons is an accountant who has worked within the resources industry for over 16 years in the capacity of company accountant, group financial controller or company secretary. Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last 3 years.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Australian Potash Limited were:

	Ordinary Shares	Options over Ordinary Shares
Matt Shackleton	5,624,999	6,226,620
Brett Lambert	-	-
Rhett Brans	-	-

Principal Activities

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying potash and other economic mineral deposits.

Dividends

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

Finance Review

The Group began the year with available cash assets of $495,173. The Group raised funds during the year via the conversion of 73,870,937 listed options. Total gross funds raised during the year were $5,909,678. Subsequent to the end of the reporting period, refer to note 18, the Group has issued a total of 29,598,860 fully paid ordinary shares at an issue price of $0.10 per share to raise total gross funds of $2,959,886.

During the year total exploration expenditure incurred by the Group amounted to $5,747,151 (2016: $3,972,210). In line with the Group's accounting policies, all exploration expenditure is written off as incurred. Net administration expenditure incurred amounted to $1,063,175 (2016: $759,291). This has resulted in an operating loss after income tax for the year ended 30 June 2017 of $6,810,326 (2016: $4,731,501).

At 30 June 2017 cash assets available totalled $1,960,557.

Operating Results for the Year

Summarised operating results are as follows:

	2017	
	Revenues $	Results $
Revenues and loss from ordinary activities before income tax expense	459,131	(6,810,326)
Shareholder Returns	**2017**	**2016**
Basic loss per share (cents)	(3.4)	(4.4)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

- The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:
- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.

Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

Significant Changes In The State Of Affairs

Other than as disclosed in this Report, no significant changes in the state of affairs of the Group occurred during the financial year.

Significant Events After The Balance Date

Subsequent to the end of the reporting period the Group issued a total of 29,598,860 fully paid ordinary shares at an issue price of $0.10 per share to raise total gross funds of $2,959,886. The Group also announced a Share Purchase Plan **(SPP)** for eligible shareholders, under which the Group is targeting to raise up to $2,000,000. The SPP closes on 15 September 2017.

No matters or circumstances, besides those disclosed at note 18, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely Developments And Expected Results

The Group expects to maintain the present status and level of operations and will report any further developments in accordance with ASX continuous disclosure requirements.

Environmental Regulation And Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Australian Potash Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific longterm incentives based on key performance areas affecting the Group's financial results. The board of Australian Potash Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives (if any) of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors, was developed by the board. All executives receive a base salary or fee (which is based on factors such as length of service, performance and experience) and the equivalent statutory superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in longterm growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2017 financial year. Some individuals may choose to sacrifice part of their salary or fees to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares issued to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the BlackScholes methodology.

The board policy is to remunerate nonexecutive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the nonexecutive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to nonexecutive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000).

Fees for nonexecutive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

Short Term Incentive

The Group currently has no short term performance based remuneration components built into key management personnel remuneration packages.

*Long Term Incentive (**LTI**)*

The LTI awards are aimed specifically at creating long term shareholder value and the retention of executives. The Group has implemented an Incentive Option Plan (Plan) which enables the provision of options to executives and employees.

During the 2017 financial year, options which will vest subject to pre-defined performance hurdles were allocated to all executives. The grant of options aims to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Refer to page 8 for the number and value of options issued to executives during the year.

Performance measures to determine vesting

The vesting of the options is subject to the attainment of defined individual and group performance criteria, chosen to align the interests of employees with shareholders, representing key drivers for delivering long term value. The performance measures for the 2017 performance rights related to:

- Completion of the Lake Wells Potash Project Scoping Study
- Completion of the Lake Wells Potash Project feasibility study (Class 3)
- Finalisation of a board approved finance package to commence the development of the Lake Wells Potash Project.
- Commissioning of a commercial bore field

Termination and change of control provisions

Where an executive ceases employment prior to the vesting of an award, the incentives are forfeited unless the Board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and the options and rights will vest in full, subject to ultimate Board discretion.

No hedging of LTIs

As part of the Company's Securities Trading Policy, the Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. This includes entering into contracts to hedge exposure to options, performance rights or shares granted as part of their remuneration package.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2017 (2016: Nil).

Voting and comments made at the Company's 2016 Annual General Meeting

The Company received 100% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include the directors as per pages 1 and 2 above.

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments		Total	Performance Related
	Salary & Fees	Non-Monetary	Superan-nuation	Retirement benefits	Shares	Options		
	$	$	$	$	$	$	$	%
Directors								
Matt Shackleton								
2017	**229,167**	**-**	**21,771**	**-**	**-**	**83,086**	**334,024**	**12.3%**
2016	175,200	-	-	-	-	86,104	261,304	-
Brett Lambert								
2017	**6,111**	**-**	**581**	**-**	**-**	**-**	**6,692**	**-**
2016	-	-	-	-	-	-	-	-
Rhett Brans								
2017	**6,111**	**-**	**581**	**-**	**-**	**-**	**6,692**	**-**
2016	-	-	-	-	-	-	-	-
Brenton Siggs(1)								
2017	**153,614**	**-**	**2,214**	**-**	**-**	**21,082**	**176,910**	**-**
2016	170,749	-	1,742	-	-	43,052	215,543	-
Dean Goodwin								
2017	**32,038**	**-**	**-**	**-**	**-**	**21,082**	**53,120**	**-**
2016	21,800	-	-	-	-	43,052	64,852	-
Total key management personnel compensation								
2017	**427,041**	**-**	**25,147**	**-**	**-**	**125,250**	**577,438**	
2016	367,749	-	1,742	-	-	172,208	541,699	

(1) In addition to the remuneration included here, Reefus Geology Services (a business controlled by Brenton Siggs) was paid $8,251 (2016: $4,304) for the provision of other exploration services to the Group.

Service agreements

Matt Shackleton Executive Chairman, appointed 23 July 2014:

- Paid annual salary of $250,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice to the Executive.
- The Executive shall be entitled to a payment equal to three calendar months at the base salary in the event of demotion from his position as Executive Chairman or if he is requested to assume responsibilities or perform tasks not reasonably consistent with his position as Executive Chairman.
- In the event the Executive Chairman is terminated as a result of one of the following circumstances the Company will make a three calendar months Redundancy Payment to the Executive at the base salary:
  - the Executive's position is made redundant by the Board;
  - there is a material diminution in the responsibilities or powers assigned to the Executive by the Board; or
  - there is a material reduction in the remuneration payable to the Executive as determined by the Board.

Reefus Geology Services (a business controlled by Brenton Siggs) provides technical geological management services to the Group at a daily rate of $850 for field work and $650 for office based work, plus a four-wheel drive vehicle daily rate of $85 (excluding GST) with all fuel and oil costs invoiced directly to the Group.

Share-based compensation

Options

The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number
Directors							
Matt Shackleton	28/11/2016	1,063,830	(1)	28/11/2019	17.5	4.7	-
Matt Shackleton	28/11/2016	1,162,790	(1)	28/11/2019	22.5	4.3	-
Brenton Siggs	28/11/2016	797,872	(2)	28/11/2019	17.5	4.7	-
Brenton Siggs	28/11/2016	872,093	(2)	28/11/2019	22.5	4.3	-

(1) Vesting of the options granted is dependent on the following performance criteria being met:

- one third will vest upon the completion of a feasibility program (Class 3) into the Lake Wells Potash Project
- one third will vest on listed ordinary shares in the Company trading at $0.25 or above for 5 consecutive trading days; and
- one third will vest upon finalisation of board approved finance package to commence development of the Lake Wells Potash Project.

(2) Vesting of the options granted is dependent on the following performance criteria being met:

- one third will vest upon the completion of a feasibility program (Class 3) into the Lake Wells Potash Project
- one third will vest on 250,000 ounces at not less than 1.5g/t JORC compliant inferred resource gold equivalent on a spot value basis of gold, base metals, PGE and cobalt while not exceeding a maximum of 200 blocks of exploration tenure outside of Lake Wells; and
- one third will vest upon150,000 ounces at not less than 1.5g/t JORC compliant indicated resource gold equivalent on a spot value basis of gold, base metals, PGE and cobalt while not exceeding a maximum of 200 blocks of exploration tenure outside of Lake Wells.

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the company held during the financial year by each director of Australian Potash Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2017	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Australian Potash Limited				
Ordinary shares				
Matt Shackleton	**3,948,863**	**1,676,136**	**-**	**5,624,999**
Brett Lambert	-	-	-	-
Rhett Brans	-	-	-	-
Brenton Siggs[(1)]	**7,562,500**	**687,500**	**(8,250,000)**	-
Dean Goodwin[(1)]	**1,696,136**	**1,000,000**	**(2,696,136)**	-

[(1)] Messrs Siggs and Goodwin resigned on 9 May 2017. This adjustment reflects the balance at date of resignation.

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Australian Potash Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2017	Balance at start of the year	Granted as compensa-tion	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Australian Potash Limited							
Matt Shackleton	**5,676,136**	**2,226,620**	**(1,676,136)**	**-**	**6,226,620**	**2,666,666**	**3,559,954**
Brett Lambert	-	-	-	-	-	-	-
Rhett Brans	-	-	-	-	-	-	-
Brenton Siggs[(1)]	**4,729,167**	**1,669,965**	**(687,500)**	**(5,711,632)**	-	-	-
Dean Goodwin[(1)]	**3,676,136**	**-**	**(1,000,000)**	**(2,676,136)**	-	-	-

Messrs Siggs and Goodwin resigned on 9 May 2017. This adjustment reflects the balance at date of resignation.

Loans to key management personnel

There were no loans to key management personnel during the year.

Other transactions with key management personnel

Services

Reefus Geology Services, a business controlled by Mr Brenton Siggs, is engaged through an executive service agreement to provide technical geological management services to the Group during the year. The amounts paid were at arms' length and are included as part of Mr Siggs' compensation. In addition to the remuneration for Mr Siggs' services, Reefus Geology Services was paid $8,251 (2016: $4,304) for the provision of other exploration services to the Group.

Acquisitions

Goldphyre WA Pty Ltd and the Company entered into a Tenement Sale Agreement dated on or about 13 June 2013 under which the Company would acquire a 100% interest in one tenement for the sum of $1,100 (GST inclusive).

Mr Brenton Siggs is a director of Goldphyre WA Pty Ltd and ultimately controls a 60% interest in Goldphyre WA Pty Ltd.

Goldphyre WA Pty Ltd and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 under which the Company acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents that expired on 30 June 2015) during the 2011 financial period. The Company will potentially issue further ordinary shares to the Vendor, refer to note 15.

End of audited Remuneration Report

Directors' Meetings

During the year the Company held eight meetings of directors. The attendance of directors at meetings of the board and committees were:

	Directors Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Matt Shackleton	8	8	2	2
Brett Lambert	-	-	-	-
Rhett Brans	-	-	-	-
Brenton Siggs	8	8	2	1
Dean Goodwin	8	6	2	2

Notes

A – Number of meetings held during the time the director held office during the year.

B – Number of meetings attended.

Shares Under Option

Unissued ordinary shares of Australian Potash Limited under option at the date of this report are as follows:

Date options issued	Expiry date	Exercise price (cents)	Number of options
30 November 2015	30 November 2018	12.5 Unlisted	4,000,000
30 November 2015	30 November 2018	17.5 Unlisted	4,000,000
2 May 2016	2 May 2019	12.5 Unlisted	5,000,000
22 April 2016	21 April 2021	10.0 Unlisted	3,430,000
22 April 2016	21 April 2021	15.0 Unlisted	3,430,000
28 November 2016	28 November 2019	17.5 Unlisted	1,861,702
28 November 2016	28 November 2019	22.5 Unlisted	2,034,883
22 December 2016	14 December 2019	17.5 Unlisted	2,559,526
22 December 2016	14 December 2019	22.5 Unlisted	2,756,412
Total number of options outstanding at the date of this report			**29,072,523**

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Insurance Of Directors And Officers

During the financial year, Australian Potash Limited paid a premium of $6,340 to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NonAudit Services

There were no nonaudit services provided by the entity's auditor, Bentleys, or associated entities.

Proceedings On Behalf Of The Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

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 21.

Signed in accordance with a resolution of the directors.

Matt Shackleton

Executive Chairman

Perth, 14 September 2017

Auditor's Independence Declaration

Bentleys
THINKING AHEAD

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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 audit of the financial statements of Australian Potash Limited for the financial year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue	4(a)	**16,281**	16,893
Other Income	4(b)	**442,850**	86,693
EXPENDITURE			
Administration expenses		**(786,376)**	(448,368)
Depreciation and amortisation expenses		**(7,374)**	-
Employee benefits expenses		**(483,875)**	(220,775)
Exploration expenses		**(5,747,151)**	(3,972,210)
Share-based payments expense	21(f)	**(244,681)**	(193,734)
LOSS BEFORE INCOME TAX		**(6,810,326)**	(4,731,501)
Income tax benefit/(expense)	6	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		**(6,810,326)**	(4,731,501)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	20	**(3.4)**	(4.4)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,960,557**	495,173
Trade and other receivables	8	**231,049**	351,981
TOTAL CURRENT ASSETS		**2,191,606**	847,154
NON CURRENT ASSETS			
Plant and equipment	9	**76,129**	-
Intangibles		**17,333**	-
TOTAL NON CURRENT ASSETS		**93,462**	-
TOTAL ASSETS		**2,285,068**	847,154
CURRENT LIABILITIES			
Trade and other payables	10	**2,554,736**	156,188
Provisions		**25,844**	-
TOTAL CURRENT LIABILITIES		**2,580,580**	156,188
TOTAL LIABILITIES		**2,580,580**	156,188
NET ASSETS		**(295,512)**	690,966
EQUITY			
Issued capital	11	**13,025,831**	7,446,664
Reserves		**1,202,086**	957,405
Accumulated losses		**(14,523,429)**	(7,713,103)
TOTAL EQUITY		**(295,512)**	690,966

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	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	-	-	(4,731,501)	(4,731,501)
TOTAL COMPREHENSIVE LOSS	-	-	(4,731,501)	(4,731,501)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	4,676,646	-	-	4,676,646
Share issue transaction costs	(378,878)	-	-	(378,878)
Issue of employee and supplier options	-	957,405	-	957,405
Transfer on expiry of options	-	(104,100)	104,100	-
BALANCE AT 30 JUNE 2016	7,446,664	957,405	(7,713,103)	690,966
BALANCE AT 1 JULY 2016	**7,446,664**	**957,405**	**(7,713,103)**	**690,966**
Loss for the period	**-**	**-**	**(6,810,326)**	**(6,810,326)**
TOTAL COMPREHENSIVE LOSS	**-**	**-**	**(6,810,326)**	**(6,810,326)**
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	**-**	**244,681**	**-**	**244,681**
BALANCE AT 30 JUNE 2017	**13,025,831**	**1,202,086**	**(14,523,429)**	**(295,512)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Expenditure on exploration		**(3,147,988)**	(1,265,971)
Payments to suppliers and employees		**(1,300,542)**	(670,357)
Interest received		**15,509**	15,983
Research and development refund received		**421,715**	86,693
Payment of security deposit		**-**	(5,444)
Net cash outflow from operating activities	**19**	**(4,011,306)**	(1,839,096)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(81,952)**	-
Payments for intangibles		**(18,884)**	-
Net cash outflow from investing activities		**(100,836)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		**5,909,678**	2,180,000
Payments of share issue transaction costs		**(330,511)**	(130,068)
Net cash inflow from financing activities		**5,579,167**	2,049,932
Net increase in cash and cash equivalents		**1,467,025**	210,836
Cash and cash equivalents at the beginning of the year		**495,173**	284,337
Effect of exchange rate changes on cash and cash equivalents		**(1,641)**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7**	**1,960,557**	495,173

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for Australian Potash Limited. The financial statements are presented in the Australian currency. Australian Potash Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 14 September 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Australian Potash Limited is a for-profit entity for the purpose of preparing the financial statements. All amounts are presented in Australian dollars unless otherwise stated.

(i) Compliance with IFRS

The financial statements of Australian Potash Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(iii) Early adoption of standards

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(v) 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 year of $6,810,326 (2016: $4,731,501) and net cash inflows of $1,467,025 (2016: $210,836 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.

Subsequent to year end, refer to note 18, the Group issued 29,598,860 fully paid ordinary shares to raise $2,959,886 before costs. The Group also announced a Share Purchase Plan (SPP) for eligible shareholders, under which the Group is targeting to raise up to $2,000,000.

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. Included in the cashflow forecast are expected net funds raised of $2,000,000 from the SPP which is scheduled to close on 15 September 2017. Should the funds not be raised through the SPP, the Company will be required to raise capital and manage discretionary expenditure according to available funds.

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.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Australian Potash Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's

subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other shortterm highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(i) Exploration and evaluation costs

Exploration and evaluation costs for each area of interest in the early stages of project life are expensed as they are incurred.

(j) Investments and financial instruments

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit or loss as gains and losses from investment securities.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Profit or loss.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(l) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(m) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares **(equity-settled transactions)**, refer to note 21.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. A Monte Carlo simulation is applied to fair value the market related options.

The cost of equity-settled transactions is recognised, together with a corresponding increase

in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award **(vesting date)**.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services.

These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

(n) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) New accounting standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 : Financial Instruments and associated Amending Standards

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

AASB 15 : Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements in the future, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 : Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(r) 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.

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.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Executive Chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market Risk

(i) Foreign exchange risk

As all operations are currently within Australia, the Group is not exposed to any material foreign exchange risk.

(ii) Commodity price risk

Given the current level of operations the Group is not exposed to commodity price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $1,960,557 (2016: $495,173) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 2.5% (2016: 2.2%).

Sensitivity analysis

At 30 June 2017, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $20,420 lower/higher (2016: $7,667 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit Risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity Risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date. Financial assets mature within 3 months of balance date.

(d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amount of all financial assets and financial liabilities of the Group at the balance date approximate their fair value due to their short term nature.

3. SEGMENT INFORMATION

For management purposes, the Group 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 Group'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 Group's accounting policies.

4. REVENUE AND OTHER INCOME

	2017 $	2016 $
(a) Revenue from continuing operations		
Other revenue		
Interest	**16,281**	16,893
(b) Other income		
Research and development grant refund	**421,715**	86,693
Other	**21,135**	-
	442,850	86,693

5. EXPENSES

	2017 $	2016 $
Loss before income tax includes the following specific expenses:		
Minimum lease payments relating to operating leases	**45,669**	10,888
Defined contribution superannuation expense	**38,839**	1,742
Depreciation of plant and equipment	**5,823**	-
Amortisation of intangibles	**1,551**	-

6. INCOME TAX

	2017 $	2016 $
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(6,810,326)**	(4,731,501)
Prima facie tax benefit at the Australian tax rate of 27.5% (2016: 30%)	**(1,872,840)**	(1,419,450)
Tax effect of entertainment not deductible in calculating taxable income	**700**	254
Movements in unrecognised temporary differences	**34,835**	887,268
Tax effect of current period tax losses for which no deferred tax asset has been recognised	**1,837,305**	531,928
Income tax expense	**-**	-

6 INCOME TAX (continued)

(c) Unrecognised temporary differences

	2017 $	2016 $
Deferred Tax Assets (at 27.5% (2016: 30%))		
On Income Tax Account		
Accruals	**52,147**	27,594
Depreciation variances	**239**	139
Capital raising costs	**96,084**	36,522
Carry forward tax losses	**2,289,740**	1,664,103
	2,438,210	1,728,358
Set off of deferred tax liabilities	**(900,848)**	(937,744)
Net deferred tax assets	**1,537,362**	790,614
Less deferred tax assets not recognised	**(1,537,362)**	(790,614)
	-	-
Deferred Tax Liabilities (at 27.5% (2016: 30%))		
Tenement acquisition costs	**900,848**	937,744
	900,848	937,744
Set off against deferred tax assets	**(900,848)**	(937,744)
	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

7. CASH AND CASH EQUIVALENTS

	2017	2016
Cash at bank and in hand	**1,426,298**	219,695
Short-term deposits	**534,259**	275,478
	1,960,557	495,173

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
GST receivable	**195,279**	344,686
Other receivables	**35,770**	7,295
	231,049	351,981

9. PLANT AND EQUIPMENT

	Computer Equipment $	Plant and Equipment $	Total $
Cost			
Balance at 1 July 2015	4,000	-	4,000
Balance at 30 June 2016	**4,000**	**-**	**4,000**
Additions	3,823	78,129	81,952
Disposals	(4,000)	-	(4,000)
Balance at 30 June 2017	**3,823**	**78,129**	**81,952**
Accumulated Depreciation			
Balance at 1 July 2015	4,000	-	4,000
Balance at 30 June 2016	**4,000**	**-**	**4,000**
Additions	787	5,036	5,823
Disposals	(4,000)	-	(4,000)
Balance at 30 June 2017	**787**	**5,036**	**5,823**
Net Book Value			
Balance at 30 June 2016	4,000	-	4,000
Balance at 30 June 2017	**3,036**	**73,093**	**76,129**

10. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables	**2,236,163**	54,565
Other payables and accruals	**318,573**	101,623
	2,554,736	156,188

11. ISSUED CAPITAL

	Notes	2017 Number of securities	2017 $	2016 Number of securities	2016 $
(a) Share capital					
Ordinary shares fully paid	11(c), 11(e)	**221,454,213**	**13,008,920**	147,583,276	7,429,753
(b) Other equity securities					
Options	11(f)	**16,910,670**	**16,911**	16,910,670	16,911
Total issued capital			**13,025,831**		7,446,664

11. ISSUED CAPITAL (continued)

(c) Movements in ordinary share capital	2017 Number of securities	2017 $	2016 Number of securities	2016 $
Beginning of the financial year	**147,583,276**	**7,429,753**	68,415,004	3,131,985
Issued during the year:				
– Issued as part consideration for tenement acquisition	**-**	**-**	29,030,772	2,496,646
– Issued for cash at 8 cents per share upon exercise of listed options	**73,870,937**	**5,909,678**	1,700,000	136,000
– Issued for cash at 6.4 cents per share	**-**	**-**	17,187,500	1,100,000
– Issued for cash at 3.2 cents per share(1)	**-**	**-**	31,250,000	944,000
Transaction costs	**-**	**(330,511)**	-	(378,878)
End of the financial year	**221,454,213**	**13,008,920**	147,583,276	7,429,753

(1) Funds were received in the 2015 financial year in advance of share placement, with shares issued on 3 July 2015.

(d) Movements in options on issue	Number of options 2017	Number of options 2016
Beginning of the financial year	**94,730,937**	45,320,937
Issued, exercisable at 8 cents, on or before 30 September 2016 (listed)	**-**	31,250,000
Issued, exercisable at 10 cents, on or before 21 April 2021 (unlisted)	**-**	3,430,000
Issued, exercisable at 12.5 cents, on or before 30 November 2018 (unlisted)	**-**	4,500,000
Issued, exercisable at 12.5 cents, on or before 2 May 2019 (unlisted)	**-**	5,000,000
Issued, exercisable at 15 cents, on or before 21 April 2021 (unlisted)	**-**	3,430,000
Issued, exercisable at 17.5 cents, on or before 30 November 2018 (unlisted)	**-**	4,500,000
Exercised at 8 cents, expiry 30 September 2016 (listed)	**(73,870,937)**	(1,700,000)
Expired on 29 May 2016, exercisable at 19.5 cents	**-**	(1,000,000)
Issued, exercisable at 17.5 cents, on or before 28 November 2019 (unlisted)	**1,861,702**	-
Issued, exercisable at 22.5 cents, on or before 28 November 2019 (unlisted)	**2,034,883**	-
Issued, exercisable at 17.5 cents, on or before 14 December 2019 (unlisted)	**2,559,526**	-
Issued, exercisable at 22.5 cents, on or before 14 December 2019 (unlisted)	**2,759,412**	-
End of the financial year	**30,075,523**	94,730,937

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(f) Paid options

During December 2013 a total of 16,910,670 options were issued at 0.1 cents each.

(g) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2017 and 30 June 2016 are as follows:

	2017	2016
	$	$
Cash and cash equivalents	**1,960,557**	495,173
Trade and other receivables	**231,049**	351,981
Trade and other payables	**(2,554,736)**	(156,188)
Provisions	**(25,844)**	-
Working capital position	**(388,974)**	690,966

12. DIVIDENDS

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

13. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Australian Potash Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 14.

	2017	2016
(c) Key management personnel compensation	**$**	$
Short-term benefits	**427,041**	367,749
Post-employment benefits	**25,147**	1,742
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**125,250**	172,208
	577,438	541,699

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 18.

(d) Transactions and balances with other related parties

Services

Reefus Geology Services, a business controlled by Mr Brenton Siggs, is engaged via a letter agreement to provide technical geological management services to the Group during the year. The amounts paid were at arms' length and are included as part of Mr Siggs' compensation. In addition to the remuneration for Mr Siggs' services, Reefus Geology Services was paid $8,251 (2016: $4,304) for the provision of other exploration services to the Group.

Acquisitions

Goldphyre WA Pty Ltd and the Company entered into a Tenement Sale Agreement dated on or about 13 June 2013 under which the Company would acquire a 100% interest in one tenement for the sum of $1,100 (GST inclusive).

Mr Brenton Siggs is a director of Goldphyre WA Pty Ltd and ultimately controls a 60% interest in Goldphyre WA Pty Ltd.

Goldphyre WA Pty Ltd and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 under which the Company acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents that expired on 30 June 2015) during the 2011 financial period. The Company will potentially issue further ordinary shares to the Vendor, refer to note 16.

(e) Loans to related parties

There were no loans to related parties, including key management personnel, during the year.

14. SUBSDIARIES

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

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding[1]	
			2017	2016
			%	%
Lake Wells Potash Pty Ltd	Australia	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

15. REMUNERATION OF AUDITORS	2017 $	2016 $
During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:		
Audit services		
Bentleys Audit & Corporate (WA) Pty Ltd – audit and review of financial reports	26,903	18,909
Total remuneration for audit services	26,903	18,909

16. CONTINGENCIES

Tenement Acquisition Agreements

Goldphyre WA Pty Ltd

Goldphyre WA Pty Ltd and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 under which the Company acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents that expired on 30 June 2015) during the 2011 financial period. The Company will also issue the Vendor with further ordinary shares in the following circumstances, subject to any necessary regulatory or shareholder approvals:

(a) 2,000,000 ordinary shares upon the Company delineating 250,000 ounces of JORC measured gold or equivalent (as a single commodity) that can be verified as an economic deposit by an independent expert, on a tenement acquired from the Vendor;

(b) 2,000,000 ordinary shares upon the Company delineating a further 250,000 ounces of JORC measured gold or equivalent (as a single commodity) that can be verified as an economic deposit by an independent expert, on a tenement acquired from the Vendor; and

(c) 3,000,000 ordinary shares upon the Company completing a bankable feasibility study in any of the tenements acquired from the Vendor.

Subject to the grant of a waiver in writing from ASX from Condition 10 of Chapter 1 of the Listing Rules the Company agrees to pay the Vendor a 2% net smelter royalty on any mineral won from the tenements acquired from the Vendor.

AngloGold Ashanti Australia Limited

AngloGold Ashanti Australia Limited and the Company are parties to a Sale and Purchase Agreement dated on or about 9 June 2017 under which the Company acquired a 100% interest in 3 tenements. As part of the agreement the Company agrees to pay to the Vendor a royalty equal to 5% of the Net Profit generated from the sale of any product from the tenement area.

	2017	2016
17. COMMITMENTS	**$**	**$**
(a) Exploration commitments		
The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
within one year	**1,057,907**	895,500
later than one year but not later than five years	**1,059,814**	1,507,000
	2,117,721	2,402,500
(b) Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	37,503	21,776
	37,503	21,776

The Company has entered into a non-cancellable property lease with a 12-month term, with rent payable monthly in advance.

18. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the end of the reporting period the Group issued a total of 29,598,860 fully paid ordinary shares at an issue price of $0.10 per share to raise total gross funds of $2,959,886. The Group also announced a Share Purchase Plan (SPP) for eligible shareholders, under which the Group is targeting to raise up to $2,000,000. The SPP closes on 15 September 2017.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

19. CASH FLOW INFORMATION

	2017	2016
	$	$
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(6,810,326)**	(4,731,501)
NonCash Items		
Depreciation and amortisation of non-current assets	**7,374**	-
Shares and options issued as consideration for tenement acquisition	**-**	2,975,817
Share-based payments expense	**244,681**	193,734
Other	**1,641**	-
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**120,932**	(341,155)
Increase in trade and other payables	**2,398,548**	64,009
Increase in provisions	**25,844**	
Net cash outflow from operating activities	**(4,011,306)**	(1,839,096)

(b) Non-cash investing and financing activities

No non-cash investing or financing activities occurred in 2017. On 22 April 2016 the Company issued 29,030,772 ordinary shares at a deemed cost of $2,496,646, and 6,860,000 options with a deemed cost of $479,171, to Yandal Investments as part consideration for tenement acquisition. This amount was included in 'Exploration expenses' on the statement of profit or loss and other comprehensive income of the Group.

On 3 May 2016 the Company issued 5,000,000 options with a deemed cost of $284,500 to Hartleys Limited as part consideration for capital raising fees. This amount was included in 'Share issue transaction costs' on the statement of changes in equity of the Group

20. LOSS PER SHARE

	2017	2016
	$	$
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(6,810,326)**	(4,731,501)

	Number of shares	
(b) Weighted average number of ordinary shares used in calculating loss per share	**2017**	**2016**
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**203,097,066**	108,333,561

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2017, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

21. 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 (2016: 12.5 to 17.5 cents). All options granted during the year have an expiry date of 28 November 2019 (2016: 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.

Vesting of the options granted is dependent on specific performance criteria being met. These include:

- the completion of a feasibility program (Class 3) into the Lake Wells Potash Project;
- on the listed ordinary shares in the Company trading at $0.25 or above for 5 consecutive trading days;
- finalisation of board approved finance package to commence development of the Lake Wells Potash Project;
- one third will vest on 250,000 ounces at not less than 1.5g/t JORC compliant inferred resource gold equivalent on a spot value basis of gold, base metals, PGE and cobalt while not exceeding a maximum of 200 blocks of exploration tenure outside of Lake Wells; and
- one third will vest upon150,000 ounces at not less than 1.5g/t JORC compliant indicated resource gold equivalent on a spot value basis of gold, base metals, PGE and cobalt while not exceeding a maximum of 200 blocks of exploration tenure outside of Lake Wells.

Fair value of options granted

The weighted average fair value of the options granted during the year was 4.49 cents (2016: 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.

	2017	2016
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) Supplier Options

No options were issued to suppliers during 2017 (other than contractors referred to in Note 21(c)). In the prior year, the Group has granted options to suppliers in accordance with the terms of a tenement acquisition agreement and a corporate advice and capital raising agreement. The exercise prices of the options granted ranges from 10 to 15 cents, with expiry dates ranging from 2 May 2019 to 21 April 2021.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital 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 2016 was 6.44 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Weighted average exercise price (cents)	-	12.5
Weighted average life of the option (years)	-	4.2
Weighted average underlying share price (cents)	-	8.6
Expected share price volatility	-	122.85%
Risk free interest rate	-	2.14%

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) 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 (2016: nil). All options granted have an expiry date of 14 December 2019 (2016: n/a)

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.

Vesting of the options granted is dependent on specific performance criteria being met. These include:

- the completion of a scoping study into the Lake Wells Potash Project;
- the completion of a feasibility program (Class 3) into the Lake Wells Potash Project;
- finalisation of board approved finance package to commence development of the Lake Wells Potash Project; and
- commissioning of a commercial bore field.

Fair value of options granted

The weighted average fair value of the options granted during the year was 4.04 cents (2016: 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.:

	2017	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.

(d) Summary of Share-Based Payment Options

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

	2017		2016	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**20,860,000**	**13.6**	1,000,000	19.5
Granted	**9,212,523**	**20.1**	20,860,000	13.6
Forfeited	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	(1,000,000)	19.5
Outstanding at year-end	**30,072,523**	**15.6**	20,860,000	13.6
Exercisable at year-end	**19,298,647**	**13.9**	14,860,000	13.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.4 years (2016: 3.3 years), and the exercise prices range from 10 to 22.5 cents (2016: 10 to 17.5 cents).

(e) Shares issued to suppliers

On 22 April 2016, the Company issued 29,030,772 ordinary shares to Yandal Investments as part consideration for tenement acquisition, as approved by shareholders at a General Meeting held on 22 April 2016. The shares were valued at the closing price on the date of issue, being 8.6 cents each, for a total expense of $2,496,646.

(f) Expenses arising from share-based payment transactions

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

	2017 $	2016 $
Shares and options included in exploration expenses	**-**	2,975,817
Options included as share issue transaction costs	**-**	284,500
Shares and options included in share-based payments expense	**244,681**	193,734
	244,681	3,454,051

22. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Australian Potash Limited, at 30 June 2017. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2017 $	2016 $
Current assets	**2,191,606**	847,154
Non-current assets	**93,562**	100
Total assets	**2,285,168**	847,254
Current liabilities	**2,580,580**	156,188
Total liabilities	**2,580,580**	156,188
Issued capital	**13,025,831**	7,446,664
Reserves	**1,202,086**	957,405
Accumulated losses	**(14,523,329)**	(7,713,003)
Total equity	**(295,412)**	691,066
Loss for the year	**(6,810,326)**	(4,731,501)
Total comprehensive loss for the year	**(6,810,326)**	(4,731,501)

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 22 to 44 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the financial period ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporation Act 2001*.

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

Matt Shackleton

Executive Chairman

Perth, 14 September 2017

AUDIT REPORT

Independent Auditor's Report

To the Members of Australian Potash Limited

Bentleys
THINKING AHEAD

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Potash Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDIT REPORT

Independent Auditor's Report

To the Members of Australian Potash Limited *(Continued)*

Bentleys THINKING AHEAD

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(a)(v) in the financial report which indicates that the Consolidated Entity incurred a net loss of $6,810,326 during the year ended 30 June 2017. This condition, along with other matters as set forth in Note 1(a)(v), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration Expenditure During the year the Consolidated Entity incurred exploration expenses of $5,747,151. Exploration expenditure is a key audit matter due to: › The significance to the Consolidated Entity's statement of profit or loss and other comprehensive income; and › The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge.	Our procedures included, amongst others: › Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Consolidated Entity holds an interest and the exploration programs planned for those tenements. › For a sample of tenements, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries; and › We tested exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6.
Accounting for the issue of equity instruments During the year ended 30 June 2017 the Consolidated Entity incurred share based payments expense totaling $244,681 (as disclosed in note 21) and raised $5,909,678 before costs via the issue of ordinary shares from the exercising of options (as disclosed in note 11).	Our procedures amongst others included: › Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments; › Evaluating management's valuation models and assessing the assumptions and inputs used;

AUDIT REPORT

Independent Auditor's Report

To the Members of Australian Potash Limited *(Continued)*

Key audit matter	How our audit addressed the key audit matter
The issue of shares and share based payments are considered to be a key audit matter due to : • the complexities involved in the recognition and measurement of share based payments; • the judgement involved in determining the inputs used in the valuation of share based payments; and • the value of the transactions. Management used the Black-Scholes option valuation model to determine the fair value of the options granted, and a Monte Carlo Simulation was applied to fair value the market performance vesting conditions. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.	• Assessing the share based payment expense recognised during the year in accordance with the vesting conditions of the agreements; • For the exercise of options, traced funds raised to bank statements and other relevant supporting documentation; and • Assessing the adequacy of the disclosures included in Notes 11 and 21 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 internal 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. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

AUDIT REPORT

Independent Auditor's Report

To the Members of Australian Potash Limited *(Continued)*

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

AUDIT REPORT

Independent Auditor's Report

To the Members of Australian Potash Limited *(Continued)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of September 2017

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 October 2017.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary Shares	
		Number of holders	Number of shares
1	- 1,000	**14**	**3,294**
1,001	- 5,000	**24**	**98,340**
5,001	- 10,000	**160**	**1,500,692**
10,001	- 100,000	**382**	**19,023,904**
100,001	and over	**281**	**235,846,843**
		861	**256,473,073**
The number of equity security holders holding less than a marketable parcel of securities are:		**38**	**101,634**

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Yandal Investments Pty Ltd	29,040,772	11.32%
2	Perth Select Seafoods Pty Ltd	14,000,000	5.46%
3	Goldphyre WA Pty Ltd	7,013,807	2.73%
4	Jemaya Pty Ltd	6,400,000	2.50%
5	Coultas Geoffrey Donald	6,000,000	2.34%
6	Surtees Norman	5,000,000	1.95%
7	Oceanic Cap Pty Ltd	4,550,000	1.77%
8	Cen Pty Ltd	4,150,000	1.62%
9	Trade Holdings Pty Ltd	4,000,000	1.56%
10	Shackleton M W + N J <Harryshack Family A/C>	3,636,363	1.42%
11	AWD Consolidated Pty Ltd	3,150,000	1.23%
12	Global Dor Pty Ltd	3,000,000	1.17%
13	Kevan Rodney James	3,000,000	1.17%
14	Tangee Pty Ltd	3,000,000	1.17%
15	Lido Trading Ltd	2,672,609	1.04%
16	Yundie Holdings Pty Ltd	2,500,000	0.97%
17	Texas Gold Pty Ltd	2,500,000	0.97%
18	Meredith Michael Owen	2,250,000	0.88%
19	Jost Paul Leslie	2,200,000	0.86%
20	RLS Engineering Pty Ltd	2,018,448	0.79%
		110,081,999	42.92%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Yandal Investments Pty Ltd	29,040,772

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Project	Tenement	Percentage Interest Held
Lake Wells Potash Project	E38/1903	100%
	E38/2901	100%
	E38/2505	100%
	E38/3021	100%
	E38/3039	100%
	E38/2113	100%
	E38/2114	100%
	E38/2744[1]	100%
	E38/2742[2]	100%
	E38/2988	100%
	E38/3018	100%
	E38/3028	100%
	E38/3109	100%
	EL38/3224	100%
	EL38/3225	100%
	EL38/3226	100%
	ELA38/3270	0%
	ELA38/3271	0%
Laverton Downs	E38/2724	100%
	E38/3014	100%
Hack Well	E38/2945	100%

1 Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

2 Australian Potash Limited holds the rights to explore for and extract all potash minerals contained within brine from the tenement. Lake Wells Exploration Pty Ltd remains the holder of the tenement.

(f) Unquoted Securities

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted 12.5 cent Options, Expiry 30 November 2018	4,000,000	4	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	2,000,000
			Brenton Siggs	1,000,000
			Reliant Resources Pty Ltd	1,000,000
Unlisted 17.5 cent Options, Expiry 30 November 2018	4,000,000	4	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	2,000,000
			Brenton Siggs	1,000,000
			Reliant Resources Pty Ltd	1,000,000
Unlisted 12.5 cent Options, Expiry 2 May 2019	5,000,000	1	Zenix Nominees Pty Ltd	5,000,000
Unlisted 17.5 cent Options, Expiry 28 November 2019	1,861,702	2	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,063,830
			Brenton Siggs	797,872
Unlisted 22.5 cent Options, Expiry 28 November 2019	2,034,883	2	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,162,790
			Brenton Siggs	872,093
Unlisted 17.5 cent Options, Expiry 14 December 2019	2,559,526	3	Alonso Rubio	892,858
			Flux Groundwater Pty Ltd as trustee for the Kraut Family Trust	892,858
			Leigh-Ayn Absolom	773,810
Unlisted 22.5 cent Options, Expiry 14 December 2019	2,756,412	3	Alonso Rubio	961,539
			Flux Groundwater Pty Ltd as trustee for the Kraut Family Trust	961,539
			Leigh-Ayn Absolom	833,334
Unlisted 10 cent Options, Expiry 21 April 2021	3,430,000	1	Yandal Investments Pty Ltd	3,430,000
Unlisted 15 cent Options, Expiry 21 April 2021	3,430,000	1	Zenix Nominees Pty Ltd	3,430,000

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