AUSTRALIAN POTASH

ABN 58 149 390 394

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

TABLE OF CONTENTS

CORPORATE INFORMATION

DIRECTORS

Jim Walker (Non-Executive Chairman)

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Rhett Brans (Non-Executive Director)

COMPANY SECRETARY

Sophie Raven

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

31 Ord Street

WEST PERTH WA 6005

Telephone: +61 8 9322 1003

SOLICITORS

Steinepreis Paganin

Level 4, The Read Building

16 Milligan Street

PERTH WA 6000

SHARE REGISTER

Automic Registry Services

Level 2, 267 St George's Terrace

PERTH WA 6000

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

DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Australian Potash Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

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

Jim Walker (Non-Executive Chairman) Appointed 15 August 2018

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Rhett Brans (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

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

	2018		2017	
	Revenues	**Results**	**Revenues**	**Results**
	$	**$**	**$**	**$**
Australian Potash Limited	**1,253,021**	**(1,562,415)**	**1,872,977**	**(3,018,505)**

LAKE WELLS POTASH PROJECT

Australian Potash Limited (ASX: APC) is an ASX-listed Sulphate of Potash ('SOP') explorer and developer. APC holds a 100% interest in the Lake Wells Potash Project located approximately 500km northeast of Kalgoorlie, in Western Australia's Eastern Goldfields. On development of Stage 1, Lake Wells will comprise a 150,000 tonne per annum (tpa) SOP processing operation, supported by an estimated 35-bore brine abstraction network.

During the half-year, APC continued progressing the feasibility study into the development of the Lake Wells Sulphate of Potash Project. This was achieved through a number of specific programs of work as detailed below.

Grant of Mining Leases

During the period, the Company reported that the Mining Leases have been granted at the Lake Wells SOP Project (Figure 1). The Mining Leases cover an area in excess of 30,000Ha (hectares) of the Lake Wells playa and underlying palaeochannel system.

The Lake Wells SOP Project currently carries a 2012 JORC Compliant Mineral Resource Estimate of 14.7 million tonnes of recoverable SOP, with 12.7Mt in the Indicated category[1], which reflects the long (+55 kilometres), deep (+174m) and wide (+4 kilometres) palaeochannel that APC has delineated at the Project.

The area of the granted Mining Leases covers the proposed brine bore-field, evaporation ponds, processing plant, and associated infrastructure including accommodation village, airstrip and power station.

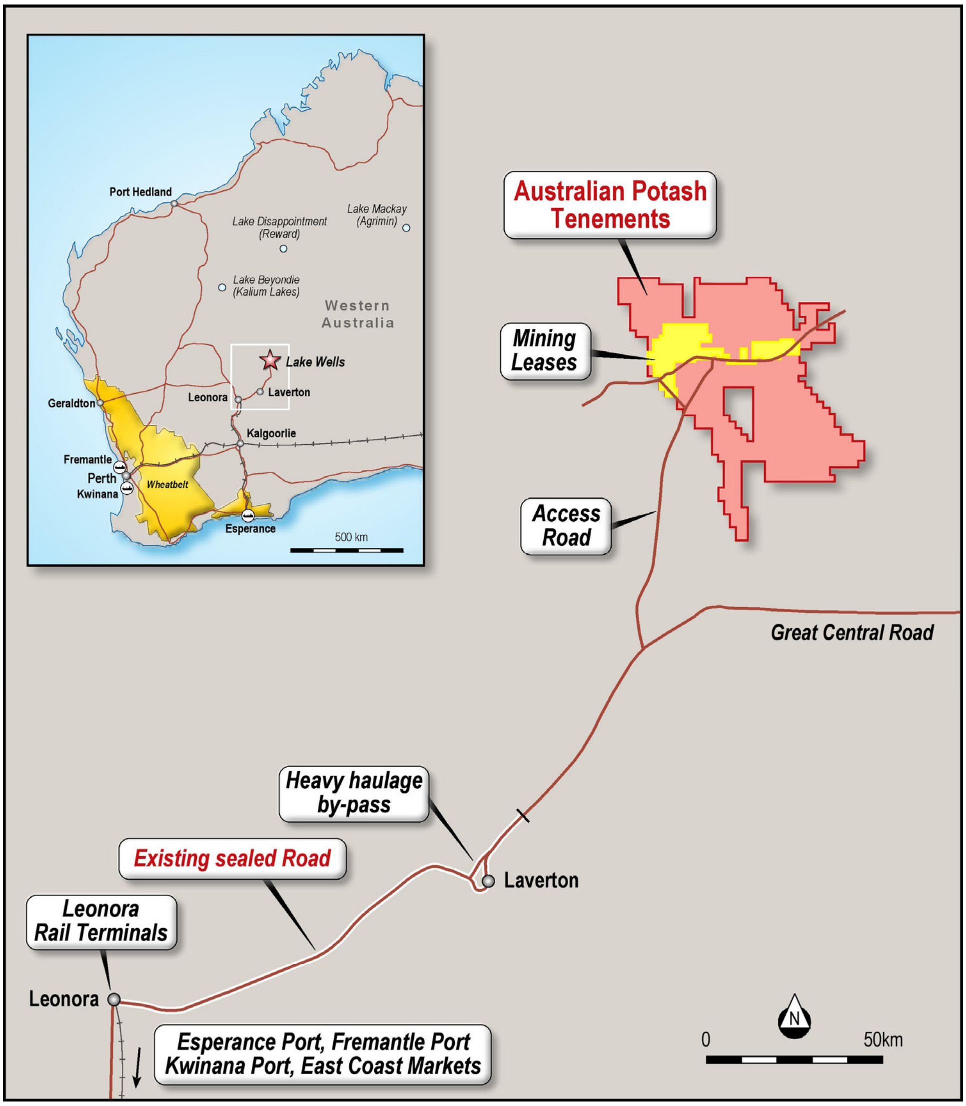

Figure 1: Mining Leases have been granted at Australian Potash's Lake Wells Sulphate of Potash project

Brine Transfers and First Salts Harvested

Following the first successful transfer of brine from the pre-concentration pond into the first harvest pond during August 2018, the Company completed its second successful transfer of approximately 70 tonnes of potassium-saturated brine from the first harvest pond (H1) into the second harvest pond (H2) at its pilot evaporation pond network. This second transfer allowed for the desiccation and collection of potassium (K) and sulphate (SO_4) bearing salts precipitated in H1.

Following the second transfer of brine, the Company completed the final transfer of +40 tonnes of concentrated brine into the third harvest pond (H3).

During the brine transfer program, 11 tonnes of potassium-rich salts were harvested from H1 (*Figure 2*), the first collected from the Lake Wells Sulphate of Potash project, and 13-14 tonnes of potassium-rich salts crystallised in H2.

Figure 2: 11 tonnes of Potassium rich salts from the Lake Wells SOP project's Harvest Pond 1 ready for processing into Lake Wells Sulphate of Potash

Delivery of Salts to Processing Plant

The highlight during the period was the delivery of three tonnes of potassium-rich feeder salts to the Company's pilot processing plant in Canning Vale, Western Australia, positioning the Company to become a high-grade Australian producer of Sulphate of Potash from field evaporated salts.

Subsequent to period end, on 22 January 2019, APC announced that it had successfully produced field evaporated Sulphate of Potash.

The achievement of this significant milestone also saw a potassium oxide equivalent grade of 53% achieved, which exceeded expectations of product purity previously held by APC.

Working to the flow-sheet designed by Novopro, the production process was being managed by one of that firm's senior engineers seconded to APC for the duration. Preliminary analysis from titration indicates a 98% pure SOP equivalent to approximately 53% K_2O.

Infill Drilling Campaign

An 8-hole/1,086m air-core drilling campaign across the project resource area was completed during November 2018 (*Figure 3*).

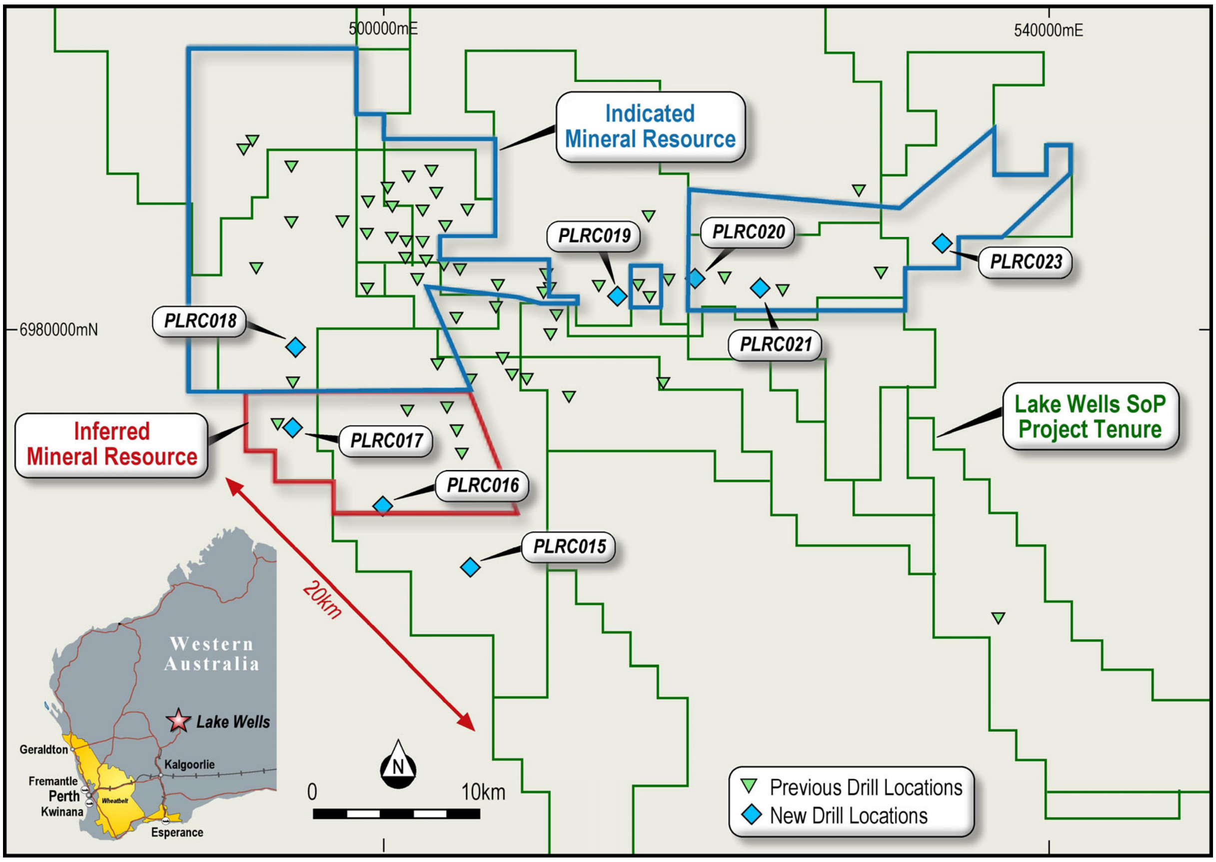

Figure 3: Location of December quarter drilling relative to past brine exploration bores, and the Mineral Resource outlines demonstrating the potential for this drilling to augment the existing Mineral Resource Estimate

To increase the confidence in the Lake Wells Potash project brine resource, additional information was collected and accounted for in the hydrogeological model. Over two weeks during November 2018, eight exploration bores were completed for a total of 1,086m, all planned to answer questions on resource quality and quantity. All bores encountered the surficial aquifer, with six of the eight holes drilled to the basal aquifer.

As demonstrated in Figure 3 above, there is potential for an increase in the Mineral Resource at the Lake Wells Potash project, with the additional data from this infill drilling program. Two areas are likely to add to the current Resource: the central area that was acquired in 2017, and the southern region where no previous drilling had been carried out.

Any increase in the Mineral Resource Estimate could add longevity to the current project plan, and or increase the output from the staged development scenario that has been proposed.

LAKE WELLS GOLD PROJECT

Earn In & Joint Venture Agreement with St Barbara Limited

On 8 October 2018, APC announced that the Company and St Barbara Limited (SBM) entered into an Earn in & Joint Venture Agreement, covering tenure at the Lake Wells Gold Project over the tenements identified below (Figure 4).

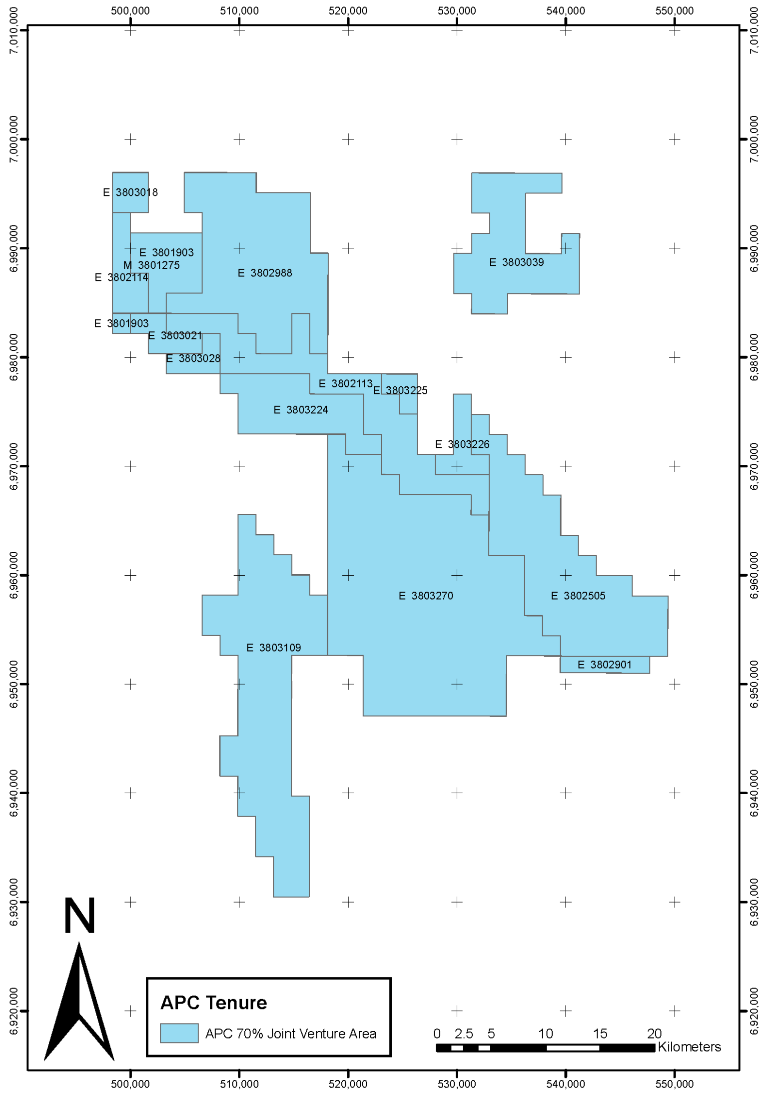

Figure 4: APC/SBM Earn-In and Joint Venture Agreement tenure

Under the terms agreed and previously announced, SBM paid APC $1.25M in cash consideration for entering into the Agreement and has agreed to pay a minimum exploration expenditure of $1.75M in the first year.

During the period, APC and SBM have continued to progress their joint venture by forming a management committee as provided for under the Earn in & Joint Venture Agreement. Work completed includes preparation for access to allow a 500 hole, 23,500 metre Lake Wells aircore drilling program to commence in late Q3 March or early Q4 June FY19.

CORPORATE ACTIVITY

Chairman Appointment

On 18 August 2018, the Company was pleased to appoint experienced mining industry executive and director Jim Walker to the role of Non-Executive Chairman of the Company. Matt Shackleton, formerly Executive Chairman, was appointed Managing Director and Chief Executive Officer.

Given the stage in the development of the Company's Lake Wells SOP Project, the Board was unanimous in the view that it was appropriate for the roles of Chair and Managing Director to be separated, and that an independent, Non-Executive Chairman would provide great value to the Company and its shareholders.

Change of Share Registry

During the period, the Company appointed Automic as its provider for shareholder registry services, enabling shareholders to manage their holdings via Automic's secure and highly accessible online investor portal.

Annual General Meeting

The Company's Annual General Meeting was held on 29 November 2018, at which the requisite majority passed all resolutions presented to shareholders.

Rights Issue

Subsequent to period end, the Company announced it will undertake a pro rata renounceable rights (or entitlements) issue to eligible shareholders to raise up to $5,229,824 (before the costs of the offer), comprising an offer on the basis of three (3) rights shares (**Rights Shares**) for every fourteen (14) existing shares held at an issue price of 8 cents ($0.08) per Rights Share, together with one (1) free attaching listed option (**Rights Option**) exercisable at 12 cents ($0.12) on or before 8 August 2021 for every four (4) Rights Shares subscribed. Shareholders of the Company will be afforded the opportunity to subscribe for Rights Shares in excess of their entitlement to the extent that there is a shortfall. The Rights Issue has been underwritten to $4.2 million by Patersons Securities Limited, who are also acting as Lead Manager to the Rights Issue. The Company's directors intend to participate in the Rights Issue.

Subsequent to 31 December 2018, the Group announced that the pro rata renounceable rights (or entitlements) issue to eligible shareholders closed on 8 March 2019. The Rights Issue has been underwritten to $4,200,000 by Patersons Securities Limited. Funds from shareholders of $1,813,503 have been deposited with the share registry and will be received by the company on issue of the shares. An additional $400,000 has been applied for under the rights issue offer. The remaining $1,986,497 will be underwritten. Capital raising cost of $385,789 is expected to be incurred from the right issue undertaken.

The funds raised from the Rights Issue will be used to complete the definitive feasibility study for the Company's high-grade, low cost Lake Wells Potash Project and for general working capital.

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 9.

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

Matt Shackleton
Managing Director and Chief Executive Officer
Perth, 15 March 2019

About Australian Potash Limited

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 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, and this technique is a well understood and proven method for extracting brine. APC will use this technically low-risk and commonly used brine extraction model to further develop a bore-field into the palaeochannel hosting the Lake Wells SOP resource. A Scoping Study on the Lake Wells Potash Project was completed and released on 23 March 2017[1]. The Scoping Study exceeded expectations and 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 sulphate of potash (SOP) producer.

Key outcomes from the Scoping Study are as follows:

- Stage 1 production rate of **150,000tpa** of premium-priced sulphate of potash (years 1 – 5)
- Stage 2 production rate of **300,000tpa** of premium-priced sulphate of potash (years 6 – 20)
- Upgraded JORC 2012 Mineral Resource Estimate comprising 14.7m tonnes of SOP, including 12.7mt in the Indicated category[1]
- Operating expenditure of A$368/US$283 tonne SOP in the first 5 years and A$343 tonne SOP over the life of mine
- At a SOP price of A$795 per tonne SOP, the Project generates LOM annual operating pre-tax cashflow[2] of A$118m/US$81m
- Pre-production capital expenditure (Stage 1) of A$175m/US$135m and Stage 2 of A$163m/US$125m
- Life of Mine (LOM) is 20 years (inc. Stage 1 & Stage 2) –upside to LOM through continued exploration

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.

Competent persons statement

The information in the announcement that relates to Exploration Targets and Mineral Resources is based on information that was compiled by Mr Duncan Gareth Storey. Mr Storey is a Director and Consulting Hydrogeologist with AQ2, a firm that provides consulting services to the Company. Neither Mr Storey nor AQ2 own either directly or indirectly any securities in the issued capital of the Company. Mr Storey has 30 years of international experience. He is a Chartered Geologist with, and Fellow of, the Geological Society of London (a Recognised Professional Organisation under the JORC Code 2012). My Storey has experience in the assessment and development of paleochannel aquifers, including the development of hypersaline brines in Western Australia. His experience and expertise are such that he qualifies as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves". Mr Storey consents to the inclusion in this report of the matters based on this information in the form and context as it appears.

---

[1] 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.

[2] Operating cashflows include all revenue and operating expenditure, but exclude capital expenditure.

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit partner for the review of the financial statements of Australian Potash Limited for the period ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

Mark Delaurentis

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Six Months ended 31 December 2018 $	Six Months ended 31 December 2017 $
REVENUE			
Finance Revenue		**410**	1,234
Research and Development Tax Incentive		**-**	1,821,743
Sale of Tenements		**-**	50,000
Other income	3	**1,252,611**	-
EXPENDITURE			
Administration expenses		**(449,397)**	(377,609)
Depreciation expenses		**(14,911)**	(8,691)
Employee benefits expenses		**(349,568)**	(316,771)
Exploration expenses		**(1,639,220)**	(4,098,476)
Research and Development Tax Incentive repayment	4	**(278,967)**	-
Share-based payments expense	10(d)	**(83,373)**	(89,935)
LOSS BEFORE INCOME TAX		**(1,562,415)**	(3,018,505)
Income tax benefit/(expense)		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		**(1,562,415)**	(3,018,505)
Basic and diluted loss per share (cents)		**(0.5)**	(1.2)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		**1,165,810**	2,201,681
Trade and other receivables		**104,327**	143,246
TOTAL CURRENT ASSETS		**1,270,137**	2,344,927
NON CURRENT ASSETS			
Plant and equipment		**107,986**	119,993
Intangibles		**11,652**	13,557
TOTAL NON CURRENT ASSETS		**119,638**	133,550
TOTAL ASSETS		**1,389,775**	2,478,477
CURRENT LIABILITIES			
Trade and other payables	4	**909,115**	575,518
Provisions		**72,590**	63,824
TOTAL CURRENT LIABILITIES		**981,705**	639,342
TOTAL LIABILITIES		**981,705**	639,342
NET ASSETS		**408,070**	1,839,135
EQUITY			
Issued capital	5	**20,011,364**	19,963,387
Reserves		**1,482,471**	1,399,098
Accumulated losses		**(21,085,765)**	(19,523,350)
TOTAL EQUITY		**408,070**	1,839,135

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
	$	$	$	$
BALANCE AT 1 JULY 2017	**13,025,831**	**1,202,086**	**(14,523,429)**	**(295,512)**
Loss for the period	-	-	(3,018,505)	(3,018,505)
TOTAL COMPREHENSIVE LOSS	-	-	(3,018,505)	(3,018,505)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	4,417,835	-	-	4,417,835
Share issue transaction costs	(227,780)	-	-	(227,780)
Issue of employee options	-	89,935	-	89,935
BALANCE AT 31 DECEMBER 2017	17,215,886	1,292,021	(17,541,934)	965,973
BALANCE AT 1 JULY 2018	**19,963,387**	**1,399,098**	**(19,523,350)**	**1,839,135**
Loss for the period	-	-	(1,562,415)	(1,562,415)
TOTAL COMPREHENSIVE LOSS	-	-	(1,562,415)	(1,562,415)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	50,050	-	-	50,050
Share issue transaction costs	(2,073)	-	-	(2,073)
Issue of employee options	-	83,373	-	83,373
BALANCE AT 31 DECEMBER 2018	20,011,364	1,482,471	(21,085,765)	408,070

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Six Months ended 31 December 2018 $	Six Months ended 31 December 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Expenditure on exploration		**(1,562,129)**	(5,361,331)
Payments to suppliers and employees		**(784,247)**	(232,796)
Interest received		**530**	3,740
Research and development refund received		**-**	1,821,743
Payments for tenements		**-**	(150,000)
Proceeds on sale of tenements		**-**	50,000
Joint venture agreement participation fee	3	**1,250,000**	-
Net cash outflow from operating activities		**(1,095,846)**	(3,868,644)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(1,000)**	(4,544)
Net cash outflow from investing activities		**(1,000)**	(4,544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		**50,050**	3,917,835
Payments of share issue transaction costs		**(2,073)**	(209,308)
Net cash inflow from financing activities		**47,977**	3,708,527
Net increase/(decrease) in cash and cash equivalents		**(1,048,869)**	(164,661)
Cash and cash equivalents at the beginning of the half-year		**2,201,681**	1,960,557
Effect of exchange rate changes on cash and cash equivalents		**12,998**	1,060
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		**1,165,810**	1,796,956

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

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2018 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Going Concern

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

The Group incurred a loss for the period of $1,562,415 (2017: $3,018,505) and net cash outflows of $1,048,869 (2017: $164,661). 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.

Subsequent to 31 December 2018, refer to note 9, the Group announced that the pro rata renounceable rights (or entitlements) issue to eligible shareholders closed on 8 March 2019. The Rights Issue has been underwritten to $4,200,000 by Patersons Securities Limited. Funds from shareholders of $1,813,503 have been deposited with the share registry and will be received by the company on issue of the shares. An additional $400,000 has been applied for under the rights issue offer. The remaining $1,986,497 will be underwritten. Capital raising cost of $385,789 is expected to be incurred from the right issue undertaken.

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

Based on the cash flow forecasts the directors are satisfied that the going concern basis of preparation is appropriate, in particular given the Company's ability to manage cash flows in line with available funds and reduce discretionary expenditure as required.

Adoption of new and revised Accounting Standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

Critical accounting judgements, estimates and assumptions

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

Environmental Issues

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

Taxation

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

Share-based payments

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

2. SEGMENT INFORMATION

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

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

3. OTHER INCOME

		31 Dec 2018	31 Dec 2017
		$	**$**
Proceeds from Joint Venture Farm-In Agreement	(i)	**1,250,000**	-
Other		**2,611**	-
		1,252,611	-

(i) The Company and St Barbara Limited (SBM) entered into an Earn in & Joint Venture Agreement, covering tenure at the Lake Wells Gold Project over various tenements. Under the terms agreed, SBM paid APC $1.25M in cash consideration for entering into the Agreement and has agreed to pay a minimum exploration expenditure of $1.75M in the first year.

4. TRADE AND OTHER PAYABLES

		31 Dec 2018	30 Jun 2018
		$	**$**
Trade payables		**568,706**	412,678
Other payables and accruals	(i)	**340,409**	162,840
		909,115	575,518

(i) On 13 March 2018, the Company received a notice from AusIndustry Business Services with respect to the Company's Research & Development ("R&D") application for an advance/overseas finding which has brought into question the ability of the Company to claim aspects of the R&D Incentive. The expenditure relating to the overseas finding is $649k, which relates to a tax offset of $279k. The tax offset has been accrued for and is therefore included in the 31 December 2018 financial report. In the prior year the amount was disclosed in Contingent Liabilities.

5. ISSUED CAPITAL

	31 December 2018		30 June 2018	
	Number	**$**	**Number**	**$**
(a) Share capital				
Ordinary shares fully paid	**305,073,073**	**19,658,069**	304,358,073	19,610,092
(b) Other equity securities				
Options	**54,505,576**	**353,295**	**54,505,576**	**353,295**
		20,011,364		19,963,387

5. ISSUED CAPITAL (continued)

(c) Movements in ordinary share capital	2018 Shares	2018 $	2017 Shares	2017 $
As at 1 July	**304,358,073**	**19,610,092**	221,454,213	13,008,920
Issues of ordinary shares during the half-year				
Issued for cash at 7 cents per share	**715,000**	**50,050**	-	-
Issued for cash at 10 cents per share	**-**	**-**	35,418,860	3,541,886
Issued for services rendered at 10 cents per share	**-**	**-**	5,000,000	500,000
Share issue transaction costs	**-**	**(2,073)**	-	(190,062)
As at 31 December	**305,073,073**	**19,658,069**	261,873,073	16,860,744

(d) Movements in other equity securities	2018 Listed Options	2018 $	2017 Listed Options	2017 $
As at 1 July	**54,505,576**	**353,295**	16,910,670	16,911
Issues of listed options during the half-year				
Issued for cash at 1 cents per option	**-**	**-**	37,594,906	375,949
Share options transaction costs	**-**	**-**	-	(37,718)
As at 31 December	**54,505,576**	**353,295**	54,505,576	355,142

(e) Movements in options on issue	Number of options 2018	Number of options 2017
As at 1 July	**71,667,429**	30,072,523
Movements of options during the half-year		
Unlisted options issued, exercisable at 12.0 cents, expiring 8 August 2021	**21,600,000**	-
Unlisted options issued, exercisable at 22.5 cents, expiring 27 December 2021	**1,277,500**	-
Unlisted options issued, exercisable at 22.5 cents, expiring 9 May 2020	**-**	1,500,000
Unlisted options issued, exercisable at 16.0 cents, expiring 30 November 2020	**-**	1,250,000
Unlisted options issued, exercisable at 20.0 cents, expiring 30 November 2020	**-**	1,250,000
Listed options issued, exercisable at 20.0 cents, expriring 25 October 2019	**-**	37,594,906
As at 31 December	**94,544,929**	71,667,429

6. CONTINGENCIES

On 13 March 2018, the Company received a notice from AusIndustry Business Services with respect to the Company's Research & Development ("R&D") application for an advance/overseas finding which has brought into question the ability of the Company to claim aspects of the R&D Incentive. The expenditure relating to the overseas finding is $649k, which relates to a tax offset of $279k. The tax offset has been accrued for and is therefore included in the 31 December 2018 financial report. In the 2018 Annual Report the amount was disclosed as a Contingent Liability. Refer to Note 4.

Other than the item disclosed above, there have been no change in contingent liabilities or contingent assets since the last annual reporting date.

7. DIVIDENDS

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

8. FINANCIAL INSTRUMENTS

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

9. SUBSEQUENT EVENTS

Subsequent to 31 December 2018, the Group announced that the pro rata renounceable rights (or entitlements) issue to eligible shareholders closed on 8 March 2019. The Rights Issue has been underwritten to $4,200,000 by Patersons Securities Limited. Funds from shareholders of $1,813,503 have been deposited with the share registry and will be received by the company on issue of the shares. An additional $400,000 has been applied for under the rights issue offer. The remaining $1,986,497 will be underwritten. Capital raising cost of $385,789 is expected to be incurred from the right issue undertaken.

No matter other matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

10. SHARE-BASED PAYMENTS

(a) Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. The exercise price of the options granted was 22.5 cents per option (31 December 2017: 16.0 to 22.5 cents). The contractual term for the options is three years (31 December 2017: three years.)

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

Fair value of options granted

The weighted average fair value of the options granted during the period was 0.8 cents (31 December 2017: 6.42 cents). The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted. A Monte Carlo simulation is applied to fair value the TSR element, if applicable.

10. SHARE-BASED PAYMENTS (continued)

	Six Months ended 31 December 2018	Six Months ended 31 December 2017
Weighted average exercise price (cents)	**22.5**	19.7
Weighted average life of the option (years)	**3.0**	2.8
Weighted average underlying share price (cents)	**6.8**	11.5
Expected share price volatility	**60.00%**	111.80%
Risk free interest rate	**2.06%**	2.06%

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

(b) Incentive Option Plan

The Group has provided benefits to employees and contractors of the Company in the form of options under the Company's Incentive Option Plan as approved at the Annual General Meeting on 28 November 2016, constituting a share-based payment transaction. No options were issued in the current period. No options were granted in the current or comparative periods.

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

Fair value of options granted

No options were issued during the current or comparative period.

(c) Summary of Share-Based Payment

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

	2018		2017	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
Outstanding as at 1 July	**34,072,523**	**16.1**	**30,072,523**	**15.6**
Granted	**1,277,496**	**22.5**	4,000,000	19.7
Forfeited	**-**	**-**	-	-
Expired	**(9,000,000)**	**15.0**	-	-
Exercised	**-**	**-**	-	-
Outstanding as at 31 December	**26,350,019**	**16.7**	**34,072,523**	**16.1**
Exercisable as at 31 December	**16,409,477**	**15.0**	**22,631,981**	**14.1**

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.0 years (31 December 2017: 2.1 years), and the exercise prices range from 10 to 22.5 cents (31 December 2017: 10.0 to 22.5 cents).

10. SHARE-BASED PAYMENTS (continued)

(d) Expenses arising from share-based payment transactions

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

	Six Months ended 31 December 2018 $	Six Months ended 31 December 2017 $
Shares and options included in share-based payments expense	**83,373**	89,935

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 10 to 20 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Australian Potash Limited will be able to pay its debts as and when they become due and payable.

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

Matt Shackleton
Managing Director and Chief Executive Officer
Perth, 15 March 2019

Bentleys
THINKING AHEAD

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Review Report

To the Members of Australian Potash Limited

We have reviewed the accompanying financial report of Australian Potash Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Group, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Bentleys
THINKING AHEAD

Independence

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

Conclusion

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

a. Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Bentleys

Mark Delaurentis

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March 2019