AUSTRALIAN POTASH

The Australian SOP Company

ABN 58 149 390 394

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019 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

Suite 31, 22 Railway Road

Subiaco WA 6008.

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 12 cent options expiring on 8 August 2021 (ASX code APCOB) are listed on the Australian Securities Exchange.

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 2019.

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)
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:

	2019		2018	
	Revenues	**Results**	**Revenues**	**Results**
	$	**$**	**$**	**$**
Australian Potash Limited	**1,424,066**	**122,269**	**1,253,021**	**(1,562,415)**

Lake Wells Sulphate of Potash Project (LSOP) – 100% Owned, Western Australia

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

During the half-year, APC announced the findings of the Definitive Feasibility Study (**DFS**) on developing the Lake Wells Sulphate of Potash Project as one of the state's premier mining/agricultural operations. Since the delivery of the DFS in August, APC has made several high quality consultant and management appointments to the Project Team as the Project moves into FEED optimisation programs and development.

Front End Engineering Design (FEED)

FEED optimisation programs commenced during the half-year with several key consultant appointments made including:

- Lycopodium as lead Engineers across the processing plant, bore-field network and power plant;
- Novopro Projects Inc. as lead Process Engineers managing the optimisation of process flowsheets, evaporation pond design and start-up sequencing;
- AQ2 as lead Hydrogeological Consultants working with APC's Project Team to develop optimised bore field designs and abstraction, and;
- Knight Piesold as lead Geotechnical Engineering Consultants ahead of final optimised pond designs, overseeing detailed design and various civil works programs.

The purpose of the FEED program is to refine to a more detailed level those areas of cost and design considered through the Definitive Feasibility Study to be most important to the eventual financial success of the LSOP.

During the period, the team advanced data collection leading to an optimisation of the bore-field and working towards the final design for the pre-concentration pond network. The outcomes of these programs are focused on reducing capital and pre-production expenditure in addition to compressing the project development schedule.

From a cost optimisation perspective, trade off analysis continued across the power supply, including renewable and hybrid generation options, as well as developing a more detailed model around the trucked LNG option, which forms the base-case in the DFS.

Approvals

The Environmental Review Document (**ERD**) for the LSOP was submitted to the Environmental Protection Authority (**EPA**) in November 2019. Comments on the ERD have been received from the EPA and APC is addressing these comments so that the final ERD can be submitted for approval. The EPA will then assess the Project and prepare a report and recommendation for the Minister for the Environment. When the Minister has considered the EPA's report a Ministerial Approval Statement can then be issued pursuant to s45(5) of the Environmental Protection Act 1986 (WA) which is the final Part IV approval required to commence Project development.

Definitive Feasibility Study

In August 2019, APC announced the completion of an AACE Class 3 DFS (+15%/-5%) on developing the LSOP into a 150,000tpa Sulphate of Potash operation[i]. The DFS was prepared by Lycopodium in conjunction with industry leading consultants Novopro, AQ2, Knight Piésold, and MBS Environmental.

The Project will use a bore-field to abstract brine, mitigating the geotechnical challenges and decline in grade and production over time, evident in trenching systems. The Project has an extremely competitive capital intensity, forecast first quartile operating costs and exceptional returns.

The highlights of the DFS include:

- Compelling economics:
  - Pre-tax NPV_8 of A$665M;
  - Annual pre-tax free cash flows of A$100M and LOM pre-tax free cash flows of A$3.1B;
  - Pre-tax IRR of 25% on robust operational and capital efficiencies, and;
  - 150,000 tonnes per annum (**tpa**) Sulphate of Potash (**SOP**) production rate.
- Long life Project with lowest quartile production costs:
  - 30-year mine life with LOM production of 4.5Mt of premium high-grade SOP, and;
  - LOM cash cost of US$262/t places the LSOP in the first quartile of the SOP cost curve.
- Sector leading CAPEX:
  - Development CAPEX of A$208M, and;
  - Competitive capital intensity of A$1,387/t SOP.
- Resources and Reserves:
  - LOM production is met using maiden 3.6Mt Probable Reserve and draws on the Measured Resource Estimate of 18.1Mt drainable SOP[ii].

Logistics

In September 2019, APC announced the signing of a Joint Cooperation Agreement with the operator and manager of the Port of Geraldton, the Mid West Ports Authority. The Agreement allows APC to continue to optimise its logistics and port options for the LSOP.

The LSOP is ideally located to transport infrastructure, with options for rail and various road haul routes being available. During the FEED program, these options will be optimised to drive through the best outcome for the project's economics, with the outcome of the current offtake discussions to determine the final haulage model most beneficial to the economic feasibility of the LSOP.

Major Resource Estimate Upgrade

In August 2019, and in conjunction with the DFS referred to above, APC upgraded the JORC 2012 Compliant Mineral Resource Estimate[ii] to 18.1MT of drainable SOP in the measured category.

Lake Wells Gold Project

Earn-in & Joint Venture Agreement with St Barbara Limited

As announced on 8 October 2018, APC and St Barbara Limited (**SBM**) entered into an Earn-in & Joint Venture Agreement (**Agreement**) covering APC's tenure at the Lake Wells Gold Project.

Under the Agreement, SBM paid APC $1,250,000 in cash consideration and has since met the minimum exploration expenditure commitment of $1,750,000 pursuant to the initial 12 month Earn-in period.

During the half-year, SBM completed the following work:

- Initial aircore drill program of 29,337m;
- A detailed ground gravity survey covering approximately 1,273km^2 with 4,040 stations collected on an 800m by 400m grid spacing;
- A targeting study over the entire tenement package using historical data, a recent detailed airborne magnetic survey and results of the first aircore drill program;
- 196 AC drill holes for 9,436m, and;
- Ongoing results assessment and targeting.

SBM have notified the Company that it will proceed to the Second Earn-in Period, requiring the expenditure of an additional $3,500,000 to earn a 70% interest in the Lake Wells Gold Project. SBM also agreed to reimburse APC $318,000 for previously incurred gold exploration expenditure.

Corporate

Completion of $1.6m Placement

In December 2019, the Company completed a placement to sophisticated and professional investors to raise gross proceeds of $1,600,000, through the issue of 22,857,140 fully paid ordinary shares (**New Shares**) at an issue price of 7.0 cents each (**Placement**), to fund ongoing pre-development activities at the LSOP.

21,999,998 New Shares were issued on 24 December 2019 on the same terms as, and rank equally in all respects with, the existing fully paid ordinary shares in the Company. The issue of an additional 857,142 New Shares to the Company's Non-executive Chairman, Jim Walker, remains subject to shareholder approval. The Company expects to schedule a General Meeting of shareholders during H1 2020.

Proceeds from the Placement will be applied towards finalising the LSOP permitting and approvals process and progressing FEED and optimisation activities.

As part consideration for brokerage fees payable in respect of the Placement, 7,500,000 listed options (ASX: APCOB) exercisable at $0.12 each on or before 8 August 2021 were issued by the Company.

R&D Tax Incentives Received

During the half-year, the Company received a total of $2.7M refundable Research and Development (R&D) Tax offset relating to the work performed in the year ended 30 June 2018 and 2019. The R&D Tax incentive recognises the innovative abstraction bore construction and pre-concentration pond test-work trials on the Project undertaken by the Company during the financial years ending 30 June 2018 and 2019.

Issue of Consideration Shares

As agreed under clause 5.1(c) of the Sale of Mining Tenements Agreement dated 11 April 2011, as amended (**Goldphyre Agreement**) and entered into between the Company and Goldphyre WA Pty Ltd (**Goldphyre**), 3,000,000 fully paid ordinary shares were issued by APC during the half-year to Goldphyre as consideration for the acquisition by the Company of the mining tenements and mining information specified in the Goldphyre Agreement.

Change of Registered and Principal Office

During the period, the Company changed its registered and principal office to Suite 31, 22 Railway Road, Subiaco WA 6008.

Annual General Meeting

The Company's Annual General Meeting was held on 18 November 2019, at which the requisite majority passed all resolutions presented to shareholders.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Matt Shackleton
Managing Director and Chief Executive Officer
Perth, 9 March 2020

Forward Looking Statements

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.

[1] Refer to ASX Announcement 28 August 2019 'Definitive Feasibility Study Outstanding Financial Outcomes'. 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 28 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 28 August 2019 announcement continue to apply and have not materially changed.

[1] Refer to ASX announcement 5 August 2019 'Major Resource Estimate Upgrade'. 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 5 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 5 August 2019 announcement continue to apply and have not materially changed.

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 9th day of March 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 31 December 2019

	Note	Six Months ended 31 December 2019 $	Six Months ended 31 December 2018 $
REVENUE			
Finance Revenue		**2,497**	410
Other income	3	**1,421,569**	1,252,611
EXPENDITURE			
Administration expenses		**(595,329)**	(449,397)
Depreciation expenses		**(30,855)**	(14,911)
Employee benefits expenses		**(639,605)**	(349,568)
Exploration expenses		**(99,288)**	(1,639,220)
Finance costs		**(4,336)**	-
Research and Development Tax Incentive repayment		**-**	(278,967)
Share-based payments expense	13(e)	**67,616**	(83,373)
PROFIT/(LOSS) BEFORE INCOME TAX		**122,269**	(1,562,415)
Income tax benefit/(expense)		**-**	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		**122,269**	(1,562,415)
Earnings / (loss) per share (cents)			
Basic profit / (loss) per share (cents)		**0.03**	(0.5)
Diluted profit / (loss) per share (cents)		**0.03**	(0.5)

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 2019

	Note	31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		**1,611,238**	1,952,751
Trade and other receivables		**227,012**	1,630,202
TOTAL CURRENT ASSETS		**1,838,250**	3,582,953
NON CURRENT ASSETS			
Plant and equipment		**137,821**	131,152
Right-of-use assets	4	**224,828**	-
Intangibles		**2,884**	3,476
Exploration and evaluation	5	**7,700,716**	5,053,765
TOTAL NON CURRENT ASSETS		**8,066,249**	5,188,393
TOTAL ASSETS		**9,904,499**	8,771,346
CURRENT LIABILITIES			
Trade and other payables	6	**1,777,688**	2,666,143
Lease liabilities	7	**74,091**	-
Provisions		**140,556**	87,731
TOTAL CURRENT LIABILITIES		**1,992,335**	2,753,874
NON CURRENT LIABILITIES			
Lease liabilities	7	**163,333**	-
TOTAL NON CURRENT LIABILITIES		**163,333**	-
TOTAL LIABILITIES		**2,155,668**	2,753,874
NET ASSETS		**7,748,831**	6,017,472
EQUITY			
Issued capital	8	**25,573,144**	23,896,438
Reserves		**1,434,322**	1,501,938
Accumulated losses		**(19,258,635)**	(19,380,904)
TOTAL EQUITY		**7,748,831**	6,017,472

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 2019

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
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
	$	**$**	**$**	**$**
BALANCE AT 1 JULY 2019	**23,896,438**	**1,501,938**	**(19,380,904)**	**6,017,472**
Loss for the period	**-**	**-**	**122,269**	**122,269**
TOTAL COMPREHENSIVE LOSS	**-**	**-**	**122,269**	**122,269**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	**1,979,500**	**-**	**-**	**1,979,500**
Share issue transaction costs	**(302,794)**	**-**	**-**	**(302,794)**
Share based payment	**-**	**(67,616)**	**-**	**(67,616)**
BALANCE AT 31 DECEMBER 2019	**25,573,144**	**1,434,322**	**(19,258,635)**	**7,748,831**

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 2019

	Note	Six Months ended 31 December 2019 $	Six Months ended 31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**283,970**	-
Expenditure on exploration		**(119,753)**	(1,562,129)
Payments to suppliers and employees		**(1,462,321)**	(784,247)
Interest received		**2,538**	530
Research and development refund received		**2,734,534**	-
Joint venture agreement participation fee	3	**-**	1,250,000
Net cash inflow/(outflow) from operating activities		**1,438,968**	(1,095,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(23,707)**	(1,000)
Payments for evaluation and exploration		**(3,252,103)**	-
Net cash outflow from investing activities		**(3,275,810)**	(1,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		**1,519,000**	50,050
Payments of share issue transaction costs		**(22,642)**	(2,073)
Repayment of lease liabilities		**(3,801)**	-
Net cash inflow from financing activities		**1,492,557**	47,977
Net decrease in cash and cash equivalents		**(344,285)**	(1,048,869)
Cash and cash equivalents at the beginning of the half-year		**1,952,751**	2,201,681
Effect of exchange rate changes on cash and cash equivalents		**2,772**	12,998
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		**1,611,238**	1,165,810

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 2019 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 2019 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 and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the accounting policy on leases described below which has changed as a result of the adoption of AASB 16 *Leases*. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 profit for the period of $122,269 (2018: Loss $1,562,415) and net cash outflows of $344,285 (2018: $1,048,869). The ability of the Group to continue as a going concern is reliant on the Group securing 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 31 December 2019, refer to note 12, the Group announced that it has entered into a Controlled Placement Agreement (**CPA**) with Acuity Capital. The CPA provides APC with up to $5 million of standby equity capital over the coming 23 months. APC retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, APC has agreed to place 18.5 million shares using the Company's existing capacity under ASX Listing Rule 7.1 at nil consideration to Acuity Capital (**Collateral Shares**) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

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

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

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

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy (as outlined in the financial report for the annual reporting period.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 2019.

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.

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

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 2019 $	31 Dec 2018 $
Research and development tax incentive		**1,406,955**	-
Other		**14,614**	2,611
Proceeds from Joint Venture Farm-In Agreement	(i)	**-**	1,250,000
		1,421,569	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.

4. LEASES (GROUP AS LESSEE)

	31 Dec 2019	30 Jun 2019
OFFICE LEASE	**$**	**$**
COST		
Beginning of the period	**-**	-
Additions	**238,053**	-
End of the period	**238,053**	-
ACCUMULATED DEPRECIATION		
Beginning of the period	**-**	-
Charge for the period	**13,225**	-
End of the period	**13,225**	-
CARRYING AMOUNT	**224,828**	**-**

The Group entered into leases for office space during the half-year. The average lease term is 3 years (30 June 2019: nil years).

The maturity analysis of lease liabilities is presented in note 7.

Amounts recognised in profit and loss

	31 Dec 2019 $	31 Dec 2018 $
Depreciation expense on right-of-use assets	**13,225**	-
Interest expense on lease liabilities	**3,172**	-
Expense relating to short-term leases	**20,835**	50,004
Expense relating to leases of low value assets	**1,797**	1,797

At 31 December 2019, the Group has $nil short-term leases (2018: $nil).

5. EXPLORATION AND EVALUATION

	31 Dec 2019 $	30 Jun 2019 $
Beginning of the period	**5,053,765**	-
Additions	**2,646,951**	5,053,765
End of the period	**7,700,716**	5,053,765

The value of the Company's interest in exploration expenditure is dependent upon:

- The continuance of the Company's rights to tenure of the areas of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest or, alternatively, by their sale.

6. TRADE AND OTHER PAYABLES

	31 Dec 2019 $	30 Jun 2019 $
Trade payables	**1,061,260**	1,954,692
Other payables and accruals	**716,428**	711,451
	1,777,688	2,666,143

7. LEASE LIABILITIES

Maturity analysis:		
Year 1	**89,966**	-
Year 2	**89,966**	-
Year 3	**86,167**	-
	266,099	-
Less Unearned interest	**(28,675)**	-
	237,424	-
Analysed as:		
Non current	**163,333**	-
Current	**74,091**	-
	237,424	-

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

8. ISSUED CAPITAL

	31 December 2019		30 June 2019	
	Number	$	Number	$
(a) Share capital				
Ordinary shares fully paid	**382,573,073**	**25,032,349**	357,573,073	23,543,143
(b) Other equity securities				
Options	**72,260,805**	**540,795**	102,355,711	353,295
		25,573,144		23,896,438

8. ISSUED CAPITAL (continued)

(c) Movements in ordinary share capital	2019 Shares	2019 $	2018 Shares	2018 $
As at 1 July	**357,573,073**	**23,543,143**	304,358,073	19,610,092
Issues of ordinary shares during the half-year				
Issued for cash at 7 cents per share	**22,000,000**	**1,540,000**	715,000	50,050
Issued as compenstation	**3,000,000**	**252,000**	-	-
Share issue transaction costs	**-**	**(302,794)**	-	(2,073)
As at 31 December	**382,573,073**	**25,032,349**	305,073,073	19,658,069

(d) Movements in other equity securities	2019 No.	2019 $	2018 No.	2018 $
As at 1 July	**102,355,711**	**353,295**	54,505,576	353,295
Issues of listed options during the half-year				
Options issued as compensation	**7,500,000**	**187,500**	-	-
Expiry of listed options	**(37,594,906)**	**-**	-	-
As at 31 December	**72,260,805**	**540,795**	54,505,576	353,295

(e) Movements in options on issue	Number of options 2019	Number of options 2018
As at 1 July	**106,795,060**	71,667,429
Movements of options during the half-year		
Unlisted options issued, exercisable at 12.0 cents, expiring 8 August 2021	**7,500,000**	21,600,000
Unlisted options issued, exercisable at 22.5 cents, expiring 27 December 2021	**-**	1,277,500
Expired during the half-year	**(46,807,429)**	-
As at 31 December	**67,487,631**	94,544,929

9. CONTINGENCIES

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

10. DIVIDENDS

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

11. 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.

12. SUBSEQUENT EVENTS

Subsequent to 31 December 2019, the Group announced that it has entered into a Controlled Placement Agreement (**CPA**) with Acuity Capital. The CPA provides APC with up to $5 million of standby equity capital over the coming 23 months. APC retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, APC has agreed to place 18.5 million shares using the Company's existing capacity under ASX Listing Rule 7.1 at nil consideration to Acuity Capital (**Collateral Shares**) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Other than matters above, no other matter or circumstance has arisen since 31 December 2019, 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.

13. 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. No options were granted during the period ended 31 December 2019. Options granted in the prior period had an exercise price of 22.5 cents per option and a contractual term for the options is 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 prior period was 0.8 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.

	Six Months ended 31 December 2019	**Six Months ended 31 December 2018**
Weighted average exercise price (cents)	-	22.5
Weighted average life of the option (years)	-	3.0
Weighted average underlying share price (cents)	-	6.8
Expected share price volatility	-	60.00%
Risk free interest rate	-	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.

13. SHARE-BASED PAYMENTS (continued)

(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 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) Incentive Performance Rights Plan

The Group provides benefits to employees and contractors of the Company in the form of performance rights under the Company's Incentive Performance Rights Plan as approved at the Annual General Meeting on 18 November 2019, constituting a share-based payment transaction. Shareholders approved the granting of 3,550,906 performance rights with a $nil exercise price and expiry of 4 years. The fair value of the performance rights approved during the period is 9.5 cents (31 December 2018: nil). These performance rights will be issued subsequent to half-year end.

Performance rights granted carry no dividend or voting rights. When vested, each performance right is convertible into one ordinary share of the Company with full dividend and voting rights.

(d) Summary of Share-Based Payment

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

	2019		2018	
	Number of options	**Weighted average exercise price (Cents)**	**Number of options**	**Weighted average exercise price (Cents)**
Outstanding as at 1 July	**21,350,019**	**17.7**	34,072,523	16.1
Granted	**-**	**-**	1,277,496	22.5
Forfeited	**-**	**-**	-	-
Expired	**(9,212,523)**	**20.1**	(9,000,000)	15.0
Exercised	**-**	**-**	-	-
Outstanding as at 31 December	**12,137,496**	**15.9**	26,350,019	16.7
Exercisable as at 31 December	**9,637,496**	**15.4**	16,409,477	15.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.5 years (31 December 2018: 2.0 years), and the exercise prices range from 10 to 22.5 cents (31 December 2018: 10.0 to 22.5 cents).

13. SHARE-BASED PAYMENTS (continued)

(e) 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 2019 $	Six Months ended 31 December 2018 $
Shares and options included in share-based payments expense	**(67,616)**	83,373

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 7 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 2019 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, 9 March 2020

Bentleys
THINKING AHEAD

Independent Auditor's Review Report

To the Members of Australian Potash Limited

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

We have reviewed the accompanying half-year financial report of Australian Potash Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred net cash outflows of $344,285 during the half year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 9th day of March 2020