



POTASH WEST NL

A.C.N. 147 346 334

Annual Report

For the year ended
30 June 2016

Potash West NL
A.C.N. 147 346 334

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Corporate directory

Directors:

Adrian Griffin
Patrick McManus
Chew Wai Chuen
Natalia Streltsova

Company Secretary:

Amanda Wilton-Heald

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Stock Exchange Listing

Potash West NL shares are listed on the Australian Securities Exchange (ASX code: PWN), OTC Pink (OTC Pink code: PWNKY) and Frankfurt Stock Exchange (Ticker: A1JH27).

Solicitors

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Potash West NL

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CHAIRMAN'S LETTER

Dear Shareholder

Potash West is a fertilizer developer. It distinguishes itself from its peers by controlling a vast deposit of greensand capable of supplying phosphates and potash to nearby established and emerging markets for many decades. Significantly its focus on the greensand deposits of the Dandaragan Trough provides not only access to phosphate, but also potassium which can be recovered as sulphate of potash. The importance of this should never be underestimated, as markets for sulphate of potash has remained strong even during recent years' decline in the broader potash market. This situation may well underpin the long-term fortunes of our projects. Potash West remains the only company to successfully demonstrate a commercial means of recovering sulphate of potash from greensands.

The world population is forecast to grow between 30 and 50% in the next 35 years, reducing the arable land per person by approximately 40%. Add to that improving diets in the developing world and it is inevitable that more food will be required, from less area. Improvements in food production and the food supply chain are imperative to reduce malnutrition and maintain quality of life. Fertilisers are one of the most cost-effective methods of achieving this. Potash West is fortunate in controlling one of the world's largest known greensand deposits which can supply two of the three critical macrofertilisers, phosphorous and potassium. The Dandaragan Trough, in Western Australia, is capable of meeting the potash and phosphate requirements of our region for many decades.

2016 has been a year of consolidation of our endeavours in the Dandaragan Trough, located only 150km north of Perth (WA) and in close proximity to one of Australia's largest fertilizer consumers' the Western Australian Wheatbelt. Resource development has focussed on the Dinner Hill area, in the north-west sector of the Trough. In particular the phosphate potential of Dinner Hill has been evaluated, as it offers the opportunity of advancing the project to a cash generating position with the lowest possible capital exposure, through the production of single superphosphate. This option has minimal technical risk as the processing methods are well established on a global basis. The project location offers an unsurpassable competitive advantage as Western Australia currently imports all of its phosphate requirements, our regional neighbours are also net importers.

Phosphate production is an effective initial operation that will underpin the development of a potash processing facility, using the K-Max process to exploit the very large tonnages of glauconite (potassium mica), present within the extensive greensands of the Dandaragan Trough. The potassium can be recovered as sulphate of potash (SOP), which has not faced the weaker market conditions of the more commonly traded potassium chloride (MOP).

To minimise the dilution of shareholders with the development of the first mine in the Dandaragan Trough, to be located at Dinner Hill, we are investigating the possibility of forming a development Joint Venture. To that end we have established a working relationship with FTI Consulting, an international business consulting firm, with a large agricultural division, well placed to give Potash West the global exposure required to maximize the chance of a successful outcome.

Potash West holds a strategic position in a conventional potash project through its 55% holding in East Exploration Pty Ltd, which owns the South Harz project in Central Germany. Divestment, by way of an IPO listing on the ASX is in preparation and Potash West shareholders will have a priority entitlement. The IPO will provide Potash West with a significant interest (+25%) and should deliver sufficient funding to establish a JORC-compliant resource within an area which has extensive historic drilling demonstrating widespread potash occurrences. The South Harz area has been a prolific potash producer for over 100 years, and offers exceptional opportunities to identify potential mining projects.

The proprietary K-Max technology Potash West developed to recover potash from glauconite has evolved extensively over time, to the point that certain aspects of the process have been successfully applied to recovering lithium from mica. From this interest Potash West has emerged with 97 million shares in an ASX listed company, Platypus Minerals, that is now focussed on the Lithium exploration and development sector. This is an excellent outcome for our shareholders.

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CHAIRMAN'S LETTER(continued)

Fertiliser markets have generally weakened in the last year. The bulk potash market, which is MOP, produced mainly in Canada and Eastern Europe, has remained weak with supply exceeding demand, several operations have been mothballed or closed. However the SOP market has remained strong, with the premium for SOP, over MOP, increasing from ~ 30% to 70 to 80%. SOP is a premium product, used for crops that are chloride intolerant, such as many vegetables and Potash West's ability to recover SOP from greensand sets it apart from all of its competitors.

Similarly, the phosphate market is characterised by structural weaknesses within much of its resource/supply base, which is dominated by a handful of North African nations in which political intervention remains a risk.

Current market conditions continue with subdued investment in exploration and development companies worldwide. It is pleasing to see a level of renewed interest in this sector, in the last six months. Several years of under-investment in exploration has led to a situation where there is a shortage of good projects. As always, the cyclical nature of business will see a renewed appetite for exploration and development risk, in time. Potash West is well placed to take advantage of that, and to achieve our goal of providing economic fertiliser products to meet both Australian and Asian demand.

Finally, thanks to all Potash West shareholders for their support over the last year, and to staff for helping the company achieve its objectives in such a difficult economic climate.

Adrian Griffin
Chairman

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Directors' Report

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below, directors were in office for the entire year unless otherwise stated.

Adrian Griffin (Non-executive Chairman)

Patrick McManus (Managing Director)

Chew Wai Chuen (Non-executive Director)

Natalia Streltsova (Non-executive Director)

Names, qualifications, experience and special responsibilities

Adrian Griffin Non-Executive Chairman

Adrian Griffin, an Australian-trained mining professional, has had exposure to metal mining and processing worldwide during a career spanning more than three decades. A pioneer of the lateritic nickel processing industry, he has helped develop extraction technologies for a range of minerals over the years. Today, Adrian specialises in mine management and production. He is a former Chief Executive Officer of Dwyka Diamonds Limited, an AIM- and ASX-listed diamond producer, was a founding director and executive of Washington Resources Limited and also a founding director of Empire Resources Limited, Ferrum Crescent Limited and Reedy Lagoon Corporation Limited. Moreover, Mr Griffin was a founding director of ASX-listed Northern Uranium, of which company he is currently a non-executive director. He is also managing director of ASX-listed Lithium Australia NL.

Other listed company directorships during the last 3 years:

Northern Minerals Ltd (Director June 2006 – present), Reedy Lagoon Corporation Ltd (Director June 2014 – present) and Lithium Australia NL (Director February 2011 – present).

Adrian Griffin is also a member of the Audit & Risk Committee, Remuneration Committee (Chairman) and the Nomination Committee.

Patrick McManus Managing Director

Patrick McManus has a degree in mineral processing from Leeds University and an MBA from Curtin University. A mining professional for more than 30 years, his work has taken him to many sites within Australia and overseas, including Eneabba and the Murray Basin in Australia, and Madagascar, Indonesia and the United States. During that time, Patrick has worked in operational, technical and corporate roles for RioTinto, RGC Limited and Bemax Resources Limited. He was a founding director and, from January 2007 to March 2010, managing director of ASX-listed Corvette Resources Limited.

Other listed company directorships during the last 3 years:

Tungsten Mining NL (Director December 2012 – January 2015)

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Directors' Report (continued)

Chew Wai Chuen Non-Executive Director

Mr Chew was a financial advisor with more than 16 years of industry experience, specialising in the provision of corporate and wealth management for ultra-high net worth individuals. With experience in South East Asia capital market and extensive networks of clients based in Singapore and Malaysia, Mr Chew provides important contributions to the Board. He has successfully worked with a number of financial institutions in Singapore such as, Standard Chartered Bank, OCBC Bank and Credit Suisse Singapore.

Mr Chew is now a Managing Partner with a financial advisory firm, providing personal investing planning and wealth management for high net worth individuals and has a good track record of investment into junior mining companies in Australia and South East Asia.

Other listed company directorships during the last 3 years:
Tungsten Mining NL (Director April 2014 – present)

Chew Wai Chuen is also a member of the Audit & Risk Committee, Remuneration Committee and the Nomination Committee.

Natalia Streltsova Non-Executive Director

Dr Natalia Streltsova is a senior executive with over 25 years' experience in the minerals industry of which 15 years, prior to forming her own consulting business in 2014, was spent in various leadership and technical roles with major mining houses including Vale SA (formerly CVRD), BHP Billiton and WMC Resources Limited. In all of these roles, there was considerable interaction with operations to provide support as well as to identify and implement innovative projects leading to increased production and cost reduction.

Dr Streltsova has a strong background in mineral processing and metallurgy with broad international experience in project, technical and business development capacities. Dr Streltsova has previously been a director on a number of Vale subsidiary boards as well as on several collaborative industry boards. She is also a Non-Executive Director on ASX listed Neometals Limited.

Other listed company directorships during the last 3 years:
Neometals Limited (Director April 2016 – present)
CopperMoly Limited (Director September 2013 – March 2014)

Natalia Streltsova is also a member of the Audit & Risk Committee, Remuneration Committee and the Nomination Committee (Chairman).

Company secretary

Amanda Wilton-Heald

Ms Wilton-Heald is a Chartered Accountant and has more than 18 years' experience within Australia and in the United Kingdom. That experience has included the auditing of the company financial statements of both ASX- and LSE-listed companies, an accounting role with an AIM-listed company in the UK specialising in the provision of collaboration technology, and involvement in the ASX listings of junior exploration companies, as well as the provision of corporate advisory and company secretarial services.

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Directors' Report (continued)

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 (including related parties) in the shares and options of the company were:

	Number of ordinary shares	Number of options over ordinary shares
Adrian Griffin	6,696,539	-
Patrick McManus	5,709,230	-
Chew Wai Chuen	1,030,460	-
Natalia Streltsova	322,492	-

Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal activities

The principal activity of the entity during the financial year was the exploration for minerals, namely phosphate and potash.

Operating and financial review

Operating results for the year

The loss after income tax benefit for the year ended 30 June 2016 was \$184,648 (2015: \$2,871,003).

Financial Performance

	2016	2015	% Increase/ (Decrease)
	\$	\$	
Total income	3,126,825	62,157	4930.53%
Profit/(loss) before tax	(184,648)	(2,871,003)	(93.57%)
Profit/(loss) after income tax benefit	(184,648)	(2,871,003)	(93.57%)
Loss per share (cents)	(0.07)	(1.33)	(94.81%)

The financial position of the Group is presented in the attached Consolidated Statement of Financial Position.

OPERATING AND FINANCIAL REVIEW

Introduction

A number of milestones were achieved by Potash West NL ("Potash West" or "the Company") over 2015-2016. The Company continued the groundwork to establish a global phosphate and potash supply business primarily through our flagship Dinner Hill resource close to Perth in Western Australia. The Western Australia opportunity is augmented by our interest in the South Harz project in central Germany, embedded in a province with over a century of continuous potash production.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Key 2015-16 achievements included:

- doubling the estimated mine life for Dinner Hill to 40 years, under an enhanced Scoping Study for Stage 1, production of single superphosphate,
- slashing the mine's estimated operating costs by more than 14% to \$190/tonne of product,
- lifting Dinner Hill Stage 1 project's estimated EBITDA by 24% to \$52 million per annum,
- discovering additional potash and phosphate mineralisation just south of Dinner Hill,
- appointing global firm, FTI Consulting, to market Dinner Hill to prospective financial and strategic investors,
- initiating the critical components of the Dinner Hill Pre-Feasibility Study (PFS),
- progressing our direct equity interest in lithium extraction technology to a significant shareholding in ASX listed Platypus Minerals,
- progressing to a priority entitlement and a cornerstone investment position in the pending \$6m IPO and ASX listing of Davenport Resources into which PWN is vending its German potash project, and
- capital raising of \$ 3.3 million, completed after year-end.

The challenges for 2016-2017:

On the back of the above achievements, Potash West has set a number of targets for the 2016-2017 financial year to build upon the successes of the year under review in this report. Priority will now move to the possibility of securing a joint venture funding partner to ensure Dinner Hill develops, as a near-term fertiliser producer. This will be progressed in partnership with our appointed consultancy, FTI Consulting.

Completion of a favourable PFS will also be critical to and contribute substantially to, the success of our global marketing initiatives. Delivering the upgraded mining plan and optimised metallurgical processing route for Dinner Hill, will be key benchmarks for project progress between now and June 30 next year.

Pleasingly, since July 1 this year, more favourable and timely equity market sentiment is flowing back to the junior resources sector. This should have a more positive influence on the outcome of the pending Davenport IPO and ASX listing. When listed Davenport will hold all of the South Harz potash project and the Company will hold more than 25% of Davenport. Potash West Shareholders will have a priority entitlement at the IPO. This should bring further value-add returns to PWN shareholders electing to take up their entitlement offer in the Davenport float.

Our business strategy:

For small explorers and developers equity markets have been difficult for the past 12-18 months. We have maintained our focus on emerging within a few years as a major fertiliser supplier to Western Australian and international markets. This strategy requires patience, persistence and focus as your Board and management firmly believe that the Dandaragan Trough will be a significant, sustainable supplier of fertilisers in the future.

Potash West remains focused on fertiliser projects that meet the criteria of:

- large-scale,
- in regions of the world dependent on importing fertiliser products,
- existing and robust export infrastructure, and
- low sovereign risk.

Potash West's current two projects, Dinner Hill within the Dandaragan Trough in Western Australia and South Harz, in central Germany, meet these criteria and have the potential to be major fertiliser suppliers for many decades.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

PROJECT SUMMARY

Australia

The Company continues to advance the Dinner Hill potash and phosphate deposit, 175km north of Perth in Western Australia (Figure 1). Dinner Hill forms part of the larger Dandaragan Trough landholding, having an area of more than 2,600km². Sedimentary deposits of greensands within the trough contain glauconite, a potash rich mica, and phosphate nodules. The project objective is to produce potash and phosphate fertilisers and a range of valuable by-products from the glauconite and phosphate present within the sediments of the Dandaragan Trough.



Figure 1: Dandaragan Trough and Dinner Hill location

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

The development strategy is to commence operations with a Stage 1 project producing phosphate fertiliser, from the phosphate nodules and mineralisation that occurs through the greensand sequences. This approach offers the advantage of using well established technology and requires a lower capital requirement to commence production and generate a positive cashflow.

Stage 2, the integrated K-Max plant, will employ the Company's 100%-owned patented K-Max process to produce potassium sulphate (SOP), potassium magnesium sulphate (KMS), phosphoric acid, iron oxide and aluminium sulphate. The Scoping Study for the integrated plant has not been updated since the ASX release of 13 January 2015.

Enhanced Dandaragan Scoping Study

The updated Scoping Study completed during the year on the basis of a +/- 35% accuracy, examined the production of single superphosphate (SSP) from Dinner Hill. The study examined the production of SSP from the Indicated Resource for 40 years. The ore will be processed through a beneficiation and acidulation plant, Figure 2. The pelletised product will be transported by road to Moora and dispatched by rail to Kwinana and/or Geraldton for local and international distribution. The study assumed using sulphur sourced internationally and delivered to site from Kwinana, Western Australia. The beneficiation plant may produce a glauconite concentrate, which will be stockpiled for later treatment.

The results (reported to the ASX on 30 September 2016) further demonstrated the robust nature of Potash West's Dandaragan project. Key results, in \$A:

- Mining rate: 4 million tpa
- Production rate, SSP: 440,000 tpa
- Mine Life: plus 40 years, based on indicated resource (increased from 20 years)
- Capital Costs: \$205 million (\$136m excluding acid plant)
- Revenue: \$128 million (\$ 321/t)
- Operating Costs \$76 million (\$190/t)
- EBITDA \$52m p.a (\$42m)

The Scoping Study was based upon the Dinner Hill JORC compliant phosphate Mineral Resource (reported to the ASX on 3 June 2015) which includes an Indicated Resource of 250Mt at 2.9% P₂O₅.

Note: The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves, to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Unless otherwise stated, all cashflows are in Australian dollars, are undiscounted and are not subject to an inflation/escalation factor.

The Company has concluded that it has reasonable basis for providing the forward looking statements included in this announcement. The detailed reasons for that conclusion are outlined in the various releases to the ASX, referred to above.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

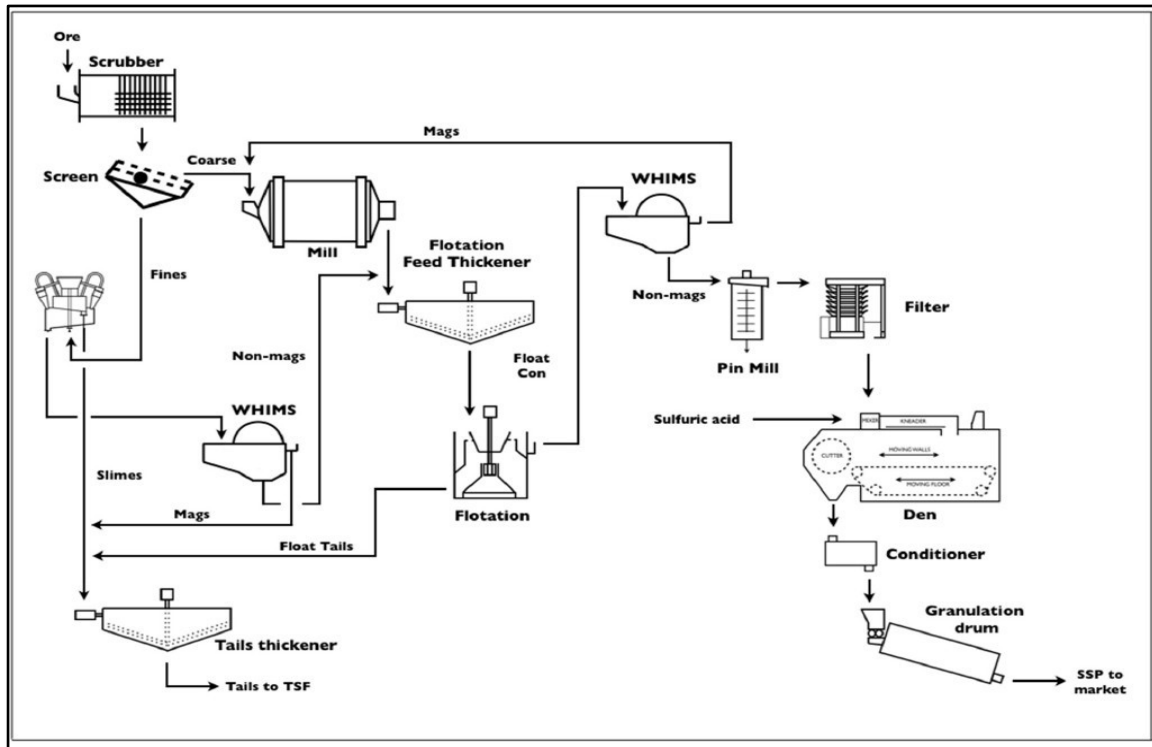


Figure 2: Phosphate process flowsheet.

Recognising the disparity between the Company's current market capitalisation and the estimates of capital required to commence mining operations, Potash West commenced during the year looking for partners to assist in the project's development. FTI Consulting was appointed to assist Potash West in marketing the Dinner Hill project to potential financial and strategic investors. This marketing drive continues in the current financial year in parallel with the prefeasibility study.

Annual Mineral Resource Statement as at 30 June 2016

The Mineral Resource at the Dinner Hill project is unchanged from that reported in June 2015 (ASX release 3 June 2015).

The June 2015 resource update used drilling carried out in 2014 and 2015 comprising an additional 90 aircore drill holes for 2732m. The resource covers an area of some 17 km² (Figure 3). Higher grade phosphate mineralisation is continuous to the north within the area of the new drilling, significantly upgrading the inventory in both tonnes and grade compared with the phosphate resource estimate published in 2014 (ASX release 20 March 2014).

The Dinner Hill deposit has an Indicated Mineral Resource of 250Mt at 2.9% P₂O₅ at a 1.45% P₂O₅ cut-off grade. Within this phosphate resource, there is an Indicated Mineral Resource of 155Mt at 4.1% K₂O and an Inferred Mineral Resource of 20Mt at 2% K₂O. An additional Indicated Mineral Resource of 18Mt at 3.8% K₂O occurs marginal to the phosphate resource.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Dinner Hill Deposit Resource Summary¹

Resource	Category	Tonnes (Mt)	P ₂ O ₅ (%)	K ₂ O (%)
Phosphate	Indicated	250	2.9	
Potash				
Potash resources included within the phosphate resource area	Indicated	155		4.1
	Inferred	20		2
	Totals	175		3.8
Potash resource outside the phosphate resource area	Indicated	18		3.8
Total Potash Resources	Indicated	175		4.0
	Inferred	20		2
	Totals	195		3.8

1: Totals may differ from sum of individual items due to rounding

The Dinner Hill project covers two virtually horizontal greensand formations within the Cretaceous Coolyena Group: the Poison Hill Greensand and the Molecap Greensand. Over most of the area of the deposit, they are separated by the Gingin Chalk and in places are underlain by a thin pebble horizon containing phosphatic nodules. Figure 4 is a section through the deposit showing the geology and summary intersections through potash and phosphate mineralisation. An average thickness of about 11m of surficial, mostly sandy, cover overlies the greensand units. The greensands and the chalk contain significant amounts of phosphate as grains and nodules of fluorapatite. They also contain significant potash within the mineral glauconite.

The cut-off grades used for both potash and phosphate are based on ongoing metallurgical and economic studies and are set at levels that ensure continuity of mineralisation throughout the deposit as shown in Figures 5 and 6. The phosphate resource is shown at a range of cut-off grades in Figure 7 and the potash resource is similarly shown in Figure 8.

This Indicated Resource will be used to develop an optimised mining plan which will be the basis for a mining model for Dinner Hill. Two development options will be considered:

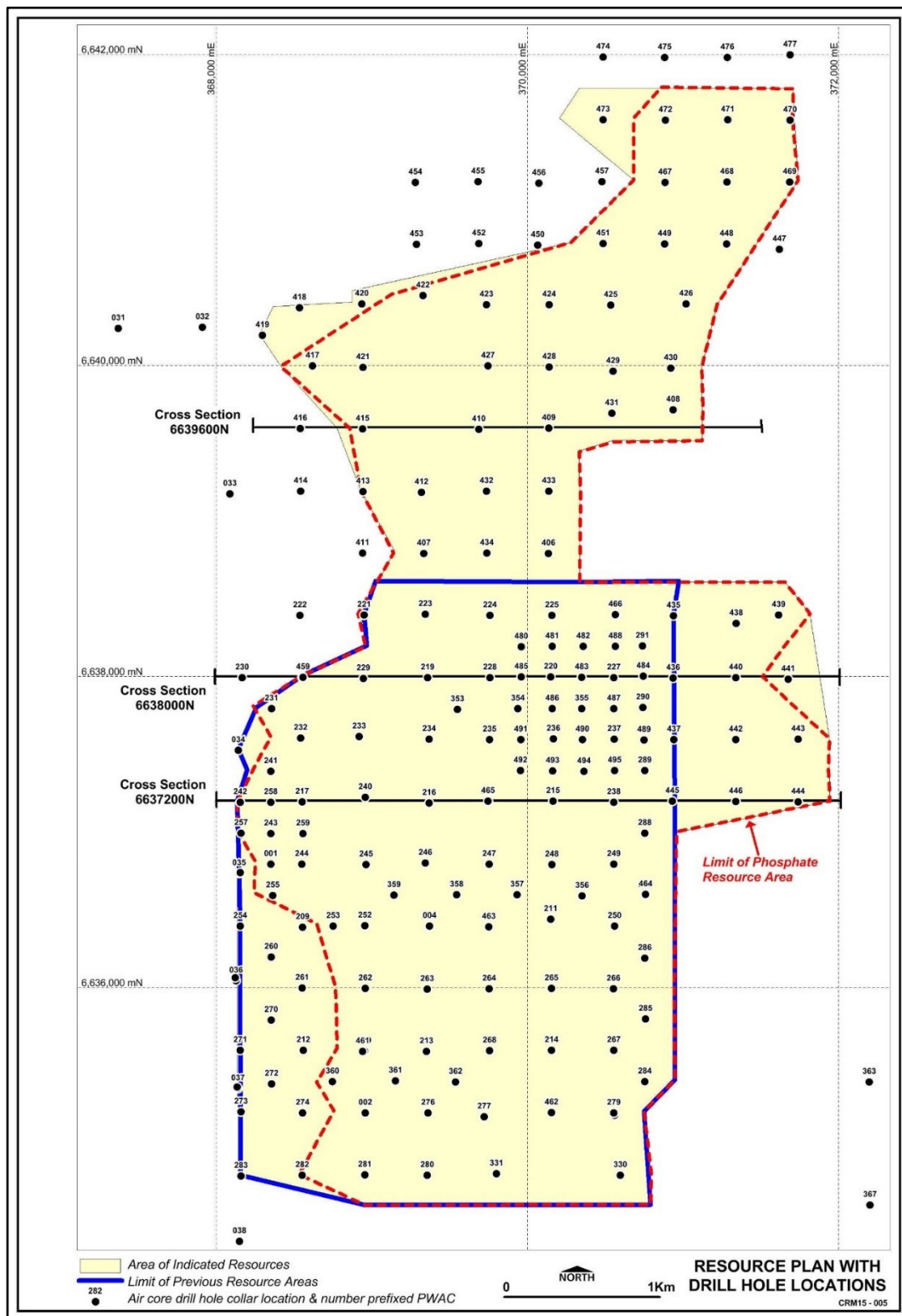
1. Mining the phosphate rich parts of the deposit, to produce single superphosphate, for the life of the Indicated resource.
2. Using the phosphate mining project as a "springboard" to generate cashflows, some of which would be used to complete the development work for the K-Max process. In this model, the K-Max operation will commence ~ 5 years after the phosphate project.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)



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Figure 3: Dinner Hill resource plan with drill hole locations

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

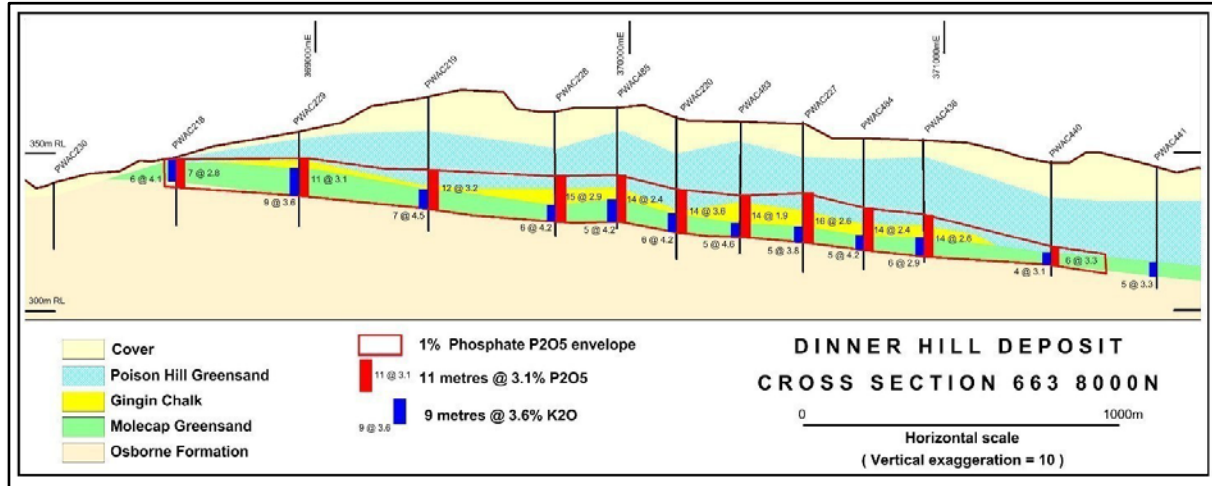


Figure 4: Dinner Hill cross section 6,668,000N

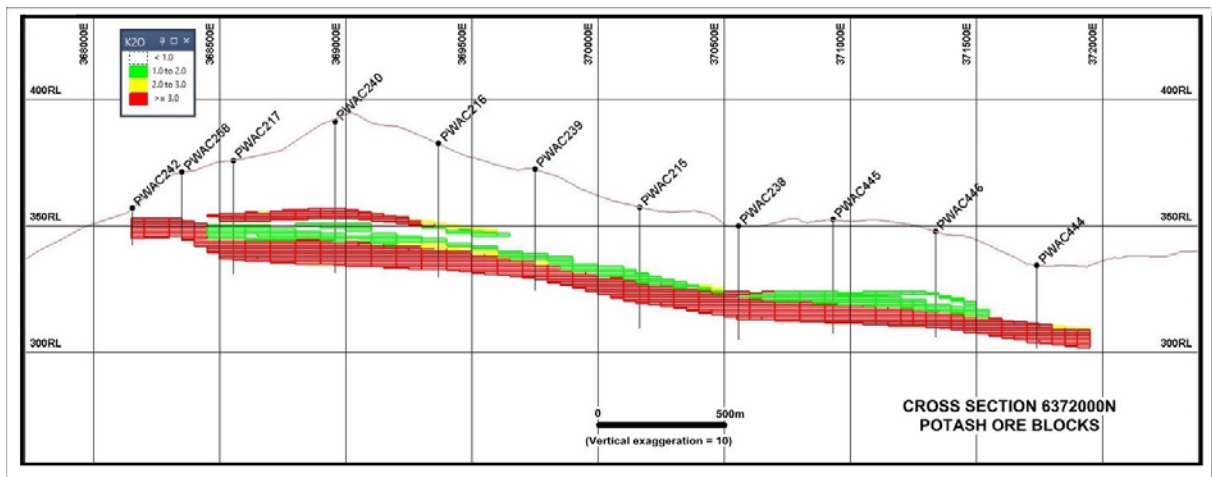


Figure 5: Dinner Hill cross section 6,372,000N with potash ore blocks

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

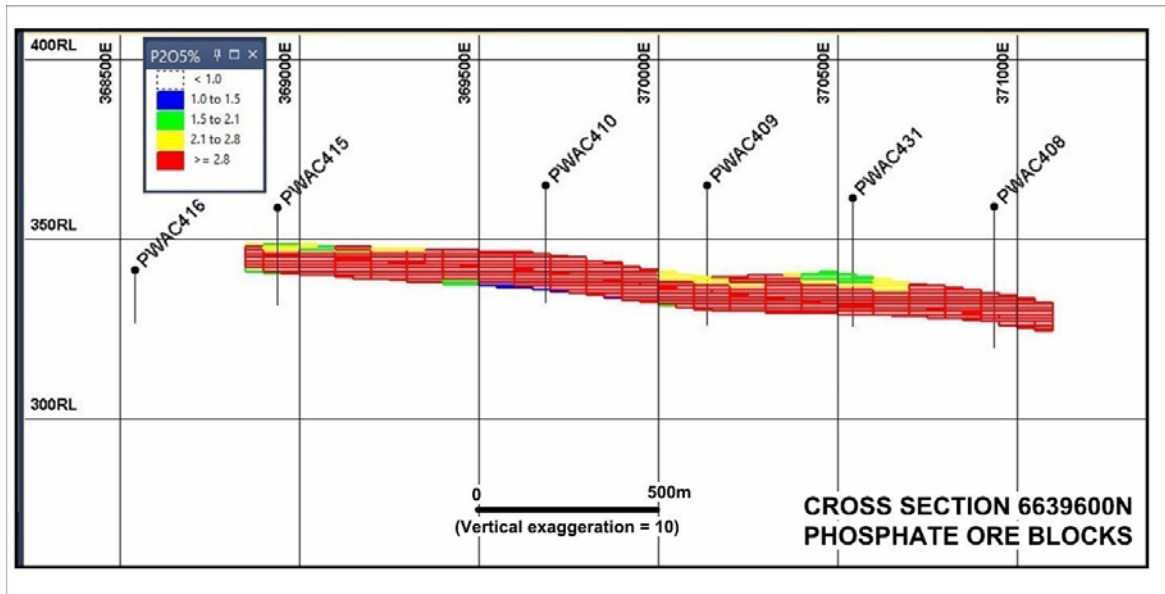


Figure 6: Dinner Hill cross section 6,639,600N with phosphate ore blocks

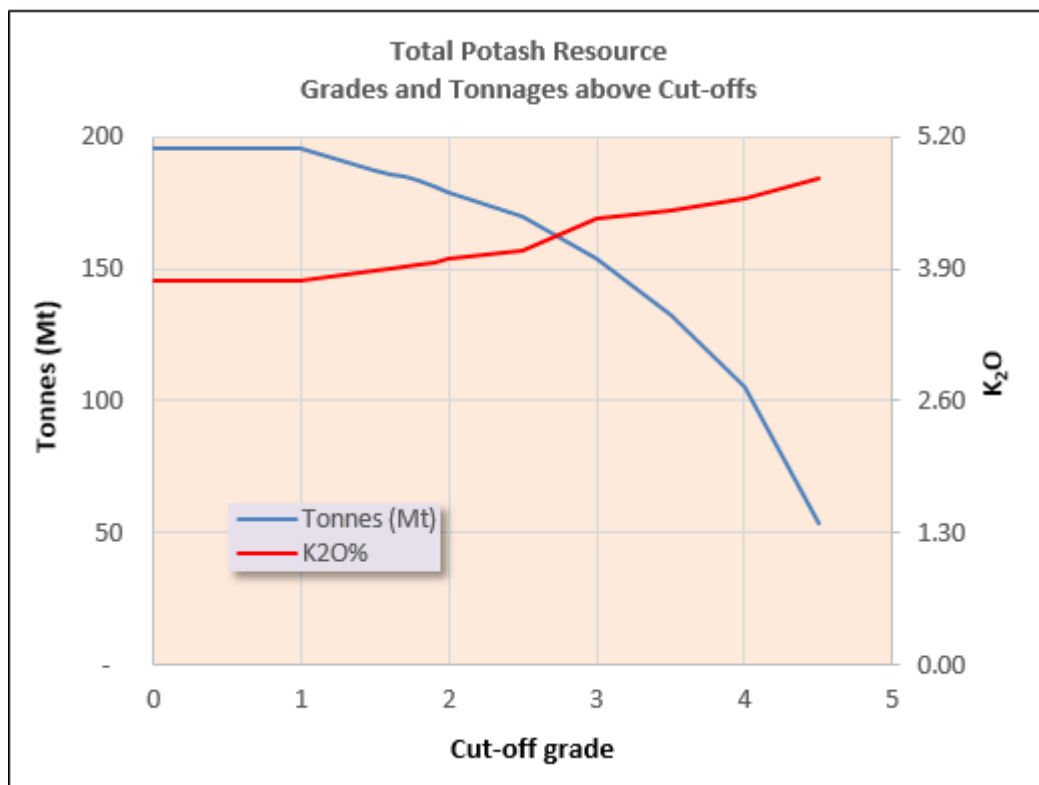


Figure 7: Grade tonnage curve for the Dinner Hill potash resource above a range of cut-off grades.

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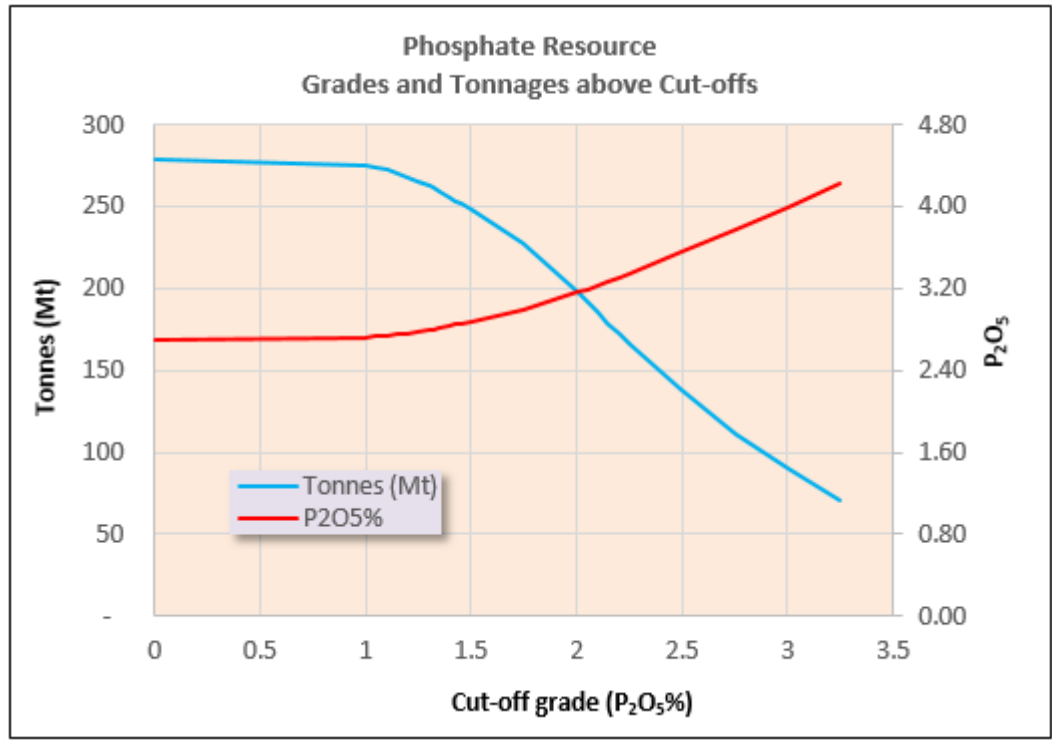


Figure 8: Grade tonnage curve for the Dinner Hill phosphate resource above a range of cut-off grades.

GERMANY

South Harz Project

Potash West owns 55% of East Exploration Pty Ltd (EE) which has been granted two exploration licences, "Küllstedt" and "Gräfentonna", covering 450km² in the South Harz potash district in central Germany (Figure 9).

Potash mining commenced in the South Harz potash district in 1896 and potash is still being produced. More than 500 million tonnes of potash ore were extracted from the South Harz region in the 22 year period between 1970 and 1992, producing more than 100 million tonnes of potash fertiliser.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)



Figure 9: South Harz project location

EE has commissioned ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau GmbH (ERCOSPLAN) to review and summarise the results of all available geological data relating to the Kallstedt licence and to estimate an Exploration Target for the area. ERCOSPLAN has a long association with the German potash industry. In its former role as the Central Engineering Office for the East German potash mining industry, ERCOSPLAN was closely associated with exploration drilling in the South Harz region in the 1970s and 80s and has access to most of the summary exploration data. The Exploration Target for the Kallstedt licence area (released to the ASX on 04 March 2015) is tabled below.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Küllstedt Exploration Target			
Tonnage (MMT) ¹	Grade Range %K ₂ O ²	Grade Range %KCl ³	Potash Tonnage (MMT) ⁴ (K ₂ O)
4,055 – 5,141	7.2 – 25	11.8 - 41	292 – 1,285

- 1 - The volume of the potash seam was estimated from the geological model which has been constructed using historical drill hole data. The tonnage was derived from the style of mineralisation and its characteristic density which can vary between 1.83 t/m³ and 2.32 t/m³. This amounts to a tonnage range of between 4,055 million metric tonnes and 5,141 million metric tonnes of mineralised rock.
- 2 - The grade range was estimated from assayed drill intersections of the potash seam which range from 7.2% to 25% K₂O
- 3 - Conversion of assay K₂O to KCl product multiply by 1.6393
- 4 - The tonnages of K₂O were obtained by multiplying the tonnage of mineralised material with the corresponding K₂O grade of the potash seam, which range from 7.2% to 25%. Accordingly, the minimum K₂O tonnage is 292 million metric tonnes and the maximum K₂O tonnage is 1,285 million metric tonnes.

Between 1900 and 1978, 34 drill holes and three shafts were sunk from the surface within the Küllstedt Exploration Licence Area, (as shown in Figure 10), of which 28 drill holes were drilled for potash exploration. An additional six holes were drilled, among others, for oil and gas exploration and did not necessarily fully evaluate potash horizons. ERCOSPLAN does not, at this time, have access to the detailed exploration database for many of these holes. ERCOSPLAN is confident that a more complete database will eventually be recovered from the archives of Federal and local authorities.

Given its long history with potash mining in the South Harz region, ERCOSPLAN is of the understanding that the historical exploration was carried out according to long established procedures that were current best practice in the German potash industry. Drill hole locations are shown in Figure 10.

The planned 2016/7 drilling program is anticipated to be financed by a capital raising to be carried out as part of the Davenport Resources IPO, with 100% of EE being vended into Davenport Resources, which plans to list on the ASX. Work has progressed more slowly than expected on the IPO of Davenport Resources. Whilst it was anticipated to be completed in the third quarter of FY2016, various issues have delayed it. Listing is expected in Q1/Q2 FY2017. Potash West shareholders will have a \$1 million priority entitlement at the IPO.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

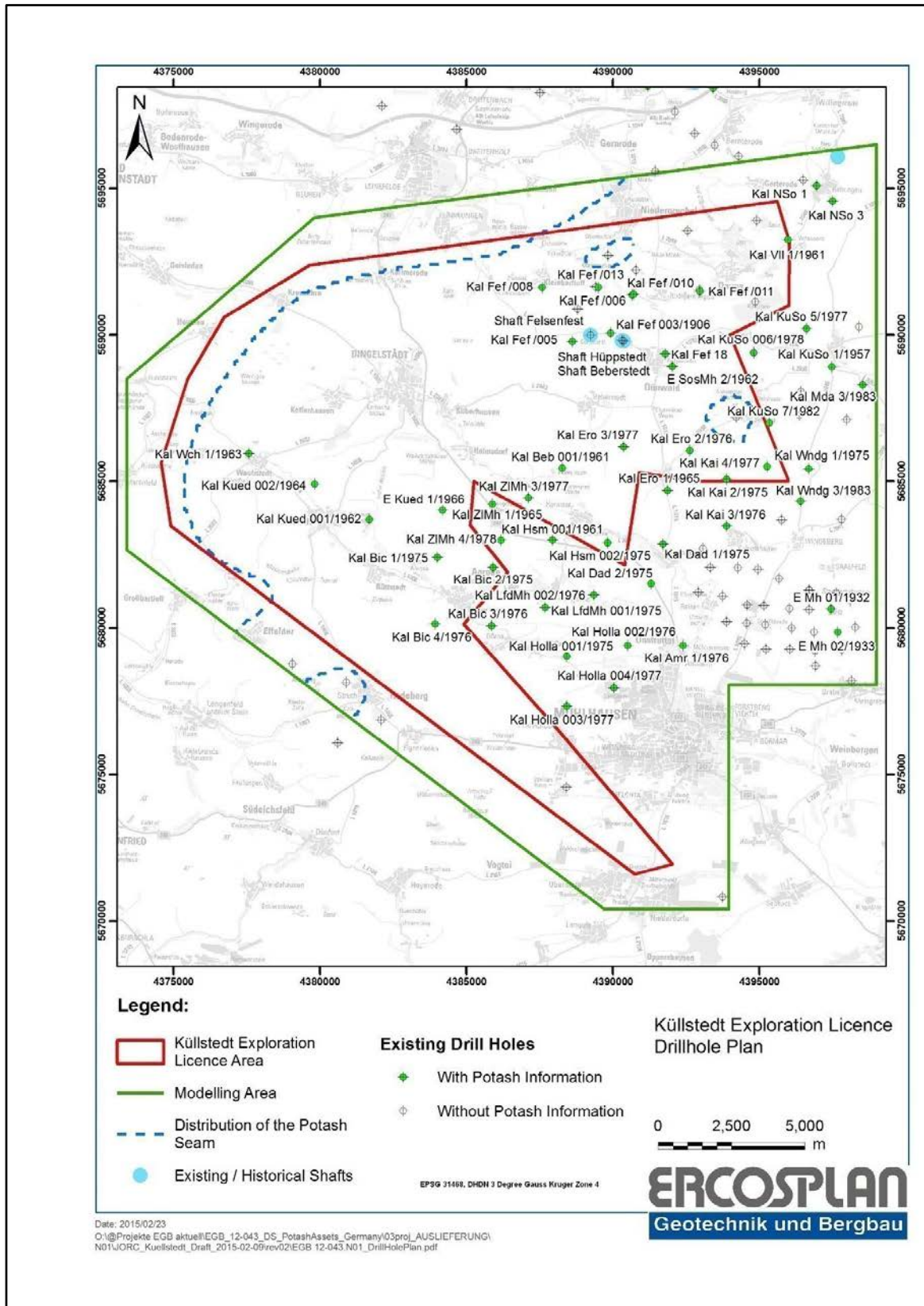


Figure 10: Küllstedt drill hole plan showing hole location and year of drilling start

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Our K-Max technology

Potash West owns 100% of the intellectual property of the K-Max process which unlocks the valuable elements that exist within the vast glauconite deposits of the Dandaragan Trough. We have a patent pending for this technology. The K-Max process uses hot sulphuric acid to leach glauconite at atmospheric pressure, extracting potassium and other elements to make a range of products, including sulphate of potash (SOP), high magnesium SOP, (KMS), phosphoric acid, aluminium sulphate (alum) and iron oxide. The process is also applicable to other mica-like minerals, such as phlogopite.

There has been interest from other companies looking at similar deposits and the Company is investigating opportunities to licence the technology. In addition, the Company had a shareholding in a lithium extraction technology, called L-Max. This was held in a company called Lepidico. During the year Lepidico was sold to an ASX listed company Platypus Minerals (PLP). Potash West, at 30 June 2016, owned 97 million shares or 5.6% of PLP.

Lithium is a commodity which is facing very strong demand growth, due to its use in lightweight batteries. PLP has developed a business model focussed on lithium, both exploring for lithium ores and using new technology to unlock value from lithium micas. PLP is active in several parts of the world in exploration in its own name and joint ventures.

Exploration Tenure

Potash West's tenement holdings were unchanged during the year. Subsequent to year end, E57/1051, E77/2381 and E77/2382, tenements which were applied for. These licences cover the Lake Barlee salt lake in Western Australia, which we believe may be prospective for SOP within the brines.

Corporate Activity

Subsequent to year-end, Potash West raised \$3.3 million, through share issues, via a placement to sophisticated investors and a Share Purchase Plan to shareholders.

While the divestment of our shareholding in East Exploration progressed during the year, the transaction has been delayed significantly, for a number of reasons outside of the Company's' control. It is expected that the transaction will be completed late in 2016/early 2017.

Subsequent to the takeover of Lepidico by Platypus Minerals (ASX: PLP) Potash West now owns 97 million PLP shares, with a market value at year-end of 2.0c/share (\$1.94 M).

Competent Person's Statements

Dandaragan Trough Project

The information in this report that relates to the estimation of the Mineral Resources is based on and fairly represents information and supporting documentation prepared by J.J.G. Doepel, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Doepel, Principal Geologist of the independent consultancy, Continental Resource Management Pty Ltd, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration. He is qualified as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". This report is issued with Mr. Doepel's consent as to the form and context in which the Mineral Resource appears.

South Harz Project, Germany

The information in this report that relates to Exploration Targets and Exploration Results, is based on information compiled by Andreas Jockel, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1018) and Dr Henry Rauche, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 729).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Andreas Jockel and Dr Henry Rauche are full-term employees of ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN). ERCOSPLAN, Andreas Jockel and Dr Henry Rauche are not associates or affiliates of East Exploration Pty Ltd, or of any associated company. ERCOSPLAN will receive a fee for the preparation of this Report in accordance with normal professional consulting practices. This fee is not contingent on the conclusions of this Report and ERCOSPLAN, Andreas Jockel and Dr Henry Rauche will receive no other benefit for the preparation of this Report. ERCOSPLAN, Andreas Jockel and Dr Henry Rauche do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the Kllstedt Exploration Licence Area.

ERCOSPLAN does not have, at the date of this Report, and has not had within the previous years, any shareholding in or other relationship with East Exploration Pty Ltd or the Kllstedt Exploration Licence Area and consequently considers itself to be independent of East Exploration Pty Ltd.

Andreas Jockel and Dr Henry Rauche have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Andreas Jockel and Dr Henry Rauche consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cautionary Statement:

The scoping referred to in this report is based on low-level technical and economic assessments and is insufficient to support any estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

The use of the word "ore" in the context of this report does not support the definition of "Ore Reserves" as defined by the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. The word 'ore' is used in this report to give an indication of quality and quantity of mineralized material that would be fed to the processing plant and it is not to be assumed that 'ore' will provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realized.

Certain statements contained in this announcement, including information as to the future financial or operating performance of Potash West and its projects, are forward-looking statements. Such forward-looking statements are necessarily based upon a number of estimates and assumptions that, whilst considered reasonable by Potash West, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and may include, among other things, statements regarding targets, estimates and assumptions in respect of potash and phosphate production and prices, operating costs and results, capital expenditures, ore reserves and mineral resources and anticipated grades and recovery rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

Forward-looking statements are necessarily based upon a number of estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by Potash West, are inherently subject to significant uncertainties and contingencies

Potash West disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. The words "believe", "expect", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and other similar expressions identify forward-looking statements. All forward-looking statements made in this announcement are qualified by the foregoing cautionary statements. Investors are cautioned that forward looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Significant changes in the state of affairs

There have been no significant changes in the state of affairs for the year.

Significant events after the balance date

The Company raised funds on the following dates:

- July 18 Issue of 57,127,998 shares, \$1.7M, before costs
- August 17 Issue of 37,700,063 shares, \$1.13M, before costs
- September 5 Issue of 15,280,667 shares, \$0.46M, before costs

On 9 September 2016, 200,000 unquoted options expired unexercised.

On 3 August 2016 the company announced that it proposes to issue free partly-paid shares through a 1-for-4 bonus issue at a total issue price of \$0.05. The record date for this issue is expected to be October 2016.

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than disclosed elsewhere in this annual report.

Likely Developments and expected results

The Company will continue its focus on the Dandaragan Trough and exploring opportunities to progress both the phosphate and the K-Max projects. Work is in progress on the pre-feasibility study for single superphosphate production.

We will also look to advance the South Harz project. The vending of that project into Davenport Resources, which will list on the ASX, is in progress at this moment.

Environmental regulation and performance

The Company's activities are subject to Australian legislation relating to the protection of the environment. The Company is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. There have been no known breaches of these regulations and principles.

Indemnification and Insurance of directors and officers

The Company has entered into deeds of access and indemnity with the officers of the Company, indemnifying them against liability incurred, including costs and expenses in successfully defending legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the director or officer acting in their capacity as a director or officer.

Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

- (a) owed to the Company or a related body corporate of the Company;
- (b) for a pecuniary penalty order under section 1317G or a compensation order under section 1317H or section 1317HA of the *Corporations Act 2001*; or
- (c) owed to someone other than the Company or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

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Directors' Report (continued)

Indemnification and Insurance of directors and officers (continued)

Similarly, the indemnity does not extend to liability for legal costs and expenses:

- (d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c);
- (e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or
- (f) in connection with proceedings for relief under the *Corporations Act 2001* in which the court denies the relief.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers. The terms of the contract prohibit the disclosure of the details of the insurance contract and premiums paid.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Share Options

As at the date of this report there were 23,296,691 (2015: 5,042,188) unissued ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Non-audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for audits by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provide means that auditor independence was not compromised.

Details of the amounts paid or payable to the auditor, Ernst & Young, for non-audit services provided during the year are set out below.

	2016	2015
	\$	\$
Remuneration of the auditor of the Company for:		
-other services; research & development tax concession, income tax return.	17,938	17,909
	17,938	17,909

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Directors' Report (continued)

Directors' meetings

Meetings of directors held and their attendance during the financial year were as follows:

Name of director:	Directors' meeting held whilst in office	Directors' meetings attended	Audit and Risk Committee meetings held	Audit and Risk Committee meetings attended	Remuneration and Nomination Committee meetings held	Remuneration and Nomination Committee meetings attended
Adrian Griffin	7	7	2	2	2	2
Patrick McManus	7	7	-	-	-	-
Chew Wai Chu	7	6	2	2	2	2
Natalia Streltsova	7	7	2	2	2	2

Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, and includes executives of the Company. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Details of Key Management Personnel

(i) Directors:

Adrian Griffin	Non-Executive Chairman
Patrick McManus	Managing Director
Chew Wai Chu	Non-Executive Director
Natalia Streltsova	Non-Executive Director

(ii) Executives:

Lindsay Cahill	Geologist
Robert Van Der Laan	Chief Financial Officer

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value.

Directors' Report (continued)

Remuneration Report (audited) (continued)

Shares and options issued under the incentive plans provide an incentive to stay with the Company. At this time, shares and options issued do not have performance criteria attached. This policy is considered to be appropriate for the Company, having regard to the current state of its development.

The Company does not have a policy which precludes directors and executives from entering into contracts to hedge their exposure to options or shares granted to them as remuneration.

The Company also recognises that, at this stage in its development, it is most economical to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the directors on the basis of their known management, geoscientific, and engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its directors and executives, whether they are employees of/or consultants to the Company.

Remuneration Committee Responsibilities

The Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive directors. As at the date of the report, the aggregate directors' fees for non-executive Directors has been set at an amount not exceeding \$200,000 per annum (2015: \$200,000 per annum).

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is reviewed annually. The Board may consider advice from external consultants (none were used during the current year), as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process. The remuneration report has been approved by shareholders at the annual general meeting.

Each non-executive director receives a fee for being a director of the Company. No additional fee is paid for participating in the Audit, Remuneration and Nomination Committees.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

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Directors' Report (continued)

Remuneration Report (audited) (continued)

As an incentive to employees, Directors, executive officers and consultants, the Company has adopted a scheme called the Potash West Employee Incentive Scheme ('the Scheme'). The purpose of the Scheme is to give employees, Directors, executive officers and consultants of the Company an opportunity to subscribe for shares and/or options in the Company. The Directors consider that the Scheme will enable the Company to retain and attract skilled and experienced employees, Board members and executive officers and provide them with the motivation to participate in the future growth of the Company and, upon becoming shareholders in the Company, to participate in the Company's profits and development.

Executive director and senior management remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

- At this time, the cash component of remuneration paid to the Executive directors, and other senior managers is not dependent upon the satisfaction of performance conditions.
- It is current policy that some executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for yearly review and adjustment based on consumer price indices. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.
- Executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The Executive directors of the Company may also participate in the share and option plans as described in this report.

Performance table

The following table details the loss of the Company from continuing operations after income tax, together with the basic loss per share since the incorporation of the company:

	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Net loss from continuing operations after income tax	(184,648)	(2,871,003)	(1,822,505)	(4,193,632)	(3,900,096)	(808,723)
Basic earnings/(loss) per share in cents	(0.07)	(1.33)	(1.72)	(5.85)	(5.76)	(1.08)
Share Price in Cents	3.2	4.9	3.60	12.0	23.0	18.00

* The Company was registered in November 2010

The options on issue are not considered dilutive for the purpose of the calculation of diluted earnings/loss per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share. Consequently, diluted earnings/loss per share is the same as basic earnings per share.

Directors' Report (continued)

Remuneration Report (audited) (continued)

Agreements with non-executive directors

The director's fees of \$90,000 per annum inclusive of superannuation requirements were paid, or due and payable to Mr Adrian Griffin. In the event of termination, there is no notice period required.

The director's fees of \$50,000 per annum inclusive of superannuation requirements were paid, or due and payable to Mr Chew Wai Chuen. In the event of termination, there is no notice period required.

The director's fees of \$50,000 per annum inclusive of superannuation requirements were paid, or due and payable to Ms Natalia Streltsova. In the event of termination, there is no notice period required.

Executive director and senior management remuneration

Long-Term Incentive ("LTI") awards to executives are made under the Employee Share Plan ("ESP") and are delivered in the form of shares. Shares granted under the ESP are released equally over 36 months, 12 months from the grant date.

Agreement with Managing Director

On the 6 September 2012, the Remuneration Committee recommended to increase Mr Patrick McManus's annual remuneration inclusive of share based payments from \$250,000 inclusive of superannuation requirements to \$275,000 per annum inclusive of superannuation requirement, effective from 1 July 2012.

The agreement can be terminated by either party by giving three months' notice or payment of three months' salary in lieu of notice.

Agreement with Chief Financial Officer

Mr Robert Van Der Laan was appointed as Chief Financial Officer, effective on 13 May 2011. On 5 August 2011 the company entered into an agreement containing the terms and conditions under which the services of Chief Financial Officer are provided. In the event of termination, there is no notice period required.

The agreement involves the payment to the Company associated with Robert Van der Laan of an hourly fee of \$120 and reimbursement of expenses. The hourly rate was revised up to \$130 effective from 1 July 2013. Transaction is considered to be on normal commercial terms and conditions no more favourable than those available to other parties.

Agreement with Exploration Manager

On 25 August 2011, the Company and a company associated with Mr Lindsay Cahill entered into an agreement containing the terms and conditions under which the services of the Mining Services Manager are provided to the Company. In the event of termination, there is no notice period required.

The agreement involves the payment to the Company associated with Mr Cahill of an hourly fee of \$140 and reimbursement of expenses. Transaction is considered to be on normal commercial terms and conditions no more favourable than those available to other parties.

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Directors' Report (continued)

Remuneration Report (audited) (continued)

Directors' Remuneration 2016

Director	Short-term		Post-employment benefits		Share and Option Based Payments		Total
	Directors' Fees \$	Salary and Consulting Fees \$	Superannuation Contribution \$	Termination Benefits \$	Shares \$	Options \$	
Adrian Griffin	57,535	-	7,808	-	24,657	-	90,000
Patrick McManus	-	164,799	34,858	-	75,343	-	275,000
Chew Wai Chuen	35,000	-	-	-	15,000	-	50,000
Natalia Streltsova	31,963	-	4,338	-	13,699	-	50,000
Total	124,498	164,799	47,004	-	128,699	-	465,000

Executives' Remuneration 2016

Executive	Short-term		Post-employment benefits		Share and Option Based Payments		Total
	Salary \$	Consulting Fees \$	Superannuation Contribution \$	Termination Benefits \$	Shares \$	Options \$	
Lindsay Cahill	-	37,667	-	-	-	-	37,667
Robert Van der Laan	-	118,950	-	-	-	-	118,950
Total	-	156,617	-	-	-	-	156,617
Total Directors' and Executives' Remuneration	124,498	321,416	47,004	-	128,699	-	621,617

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Directors' Report (continued)

Remuneration Report (audited) (continued)

Directors' Remuneration 2015

Director	Directors' Fees \$	Short-term Salary and Consulting Fees \$	Post-employment benefits		Share and Option Based Payments		Total \$
			Superannuation Contribution \$	Termination Benefits \$	Shares \$	Options \$	
Adrian Griffin	73,025	-	7,808	-	9,167	-	90,000
Patrick McManus	-	219,952	33,012	-	22,036	-	275,000
George Sakalidis*	15,886	-	1,807	-	3,140	-	20,833
Gary Johnson*	40,536	-	4,338	-	5,126	-	50,000
Chew Wai Chuen	28,602	-	-	-	1,250	-	29,852
Total	158,049	219,952	46,965	-	40,719	-	465,685

**George Sakalidis and Gary Johnson resigned as Non-Executive directors effective 26 November 2014 and 30 June 2015, respectively.*

Executives' Remuneration 2015

Executive	Salary \$	Short-term Consulting Fees \$	Post-employment benefits		Share and Option Based Payments		Total \$
			Superannuation Contribution \$	Termination Benefits \$	Shares \$	Options \$	
Lindsay Cahill	-	65,914	-	-	-	-	65,914
Robert Van der Laan	-	79,365	-	-	-	-	79,365
Total	-	145,279	-	-	-	-	145,279
Total Directors' and Executives' Remuneration	158,049	365,231	46,965	-	40,719	-	610,964

Incentive shares and options: Granted and vested during the year

Shares

There were no shares issued to key management personnel as part of the incentive plan during the year ended 30 June 2016 (2015: nil). The shares issued to key management personnel as disclosed in the table above were in lieu of Directors' fees.

Options

There were no options granted to key management personnel as part of the incentive plan during the year ended 30 June 2016 (2015: nil).

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Directors' Report (continued)

Remuneration Report (audited) (continued)

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel, which including the directors and executives.

(a) Share holdings of Key Management Personnel
2016

	Balance at 1 July 2015 Ordinary	Granted as remuneration Ordinary	On Exercise of Options Ordinary	Net change other Ordinary	Balance at 30 June 2016 Ordinary
Directors					
Adrian Griffin	6,095,933	714,334	-	-	6,810,267
Patrick McManus	3,878,407	2,182,695	-	-	6,061,102
Chew Wai Chuen	595,904	434,556	-	-	1,030,460
Natalia Streltsova	-	332,492	-	-	332,492
Total	10,570,244	3,664,077	-	-	14,234,321
Executives					
Lindsay Cahill	3,715,082	-	-	(40,000)	3,675,082
Robert Van der Laan	7,476,857	-	-	141,894	7,618,751
Total	11,191,939	-	-	101,894	11,293,833
Total Directors' and Executives' Share holdings	21,762,183	3,664,077	-	101,894	25,528,154

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Directors' Report (continued)

Remuneration Report (audited) (continued)

<u>2015</u>	Balance at 1 July 2014 Ordinary	Granted as remuneration Ordinary	On Exercise of Options Ordinary	Net change other Ordinary	Balance at 30 June 2015 Ordinary
Directors					
Adrian Griffin	5,890,297	205,636	-	-	6,095,933
Patrick McManus	3,384,121	494,286	-	-	3,878,407
George Sakalidis*	1,080,600	69,465	-	-	1,150,065
Gary Johnson*	436,097	114,973	-	(380,788)	170,282
Chew Wai Chuen	564,654	31,250	-	-	595,904
Total	11,355,769	915,610	-	(380,788)	11,890,591
Executives					
Lindsay Cahill	3,755,082	-	-	(40,000)	3,715,082
Robert Van der Laan	8,181,857	-	-	(705,000)	7,476,857
Total	11,936,939	-	-	(745,000)	11,191,939
Total Directors' and Executives' Share holdings	23,292,708	915,610	-	(1,125,788)	23,082,530

*George Sakalidis and Gary Johnson resigned as Non-Executive director effective 26 November 2014 and 30 June 2015, respectively.

(b) Partly Paid Contributing Shares of Key Management Personnel

<u>2016</u>	Balance at 1 July 2015 Partly Paid	Granted as remuneration Partly Paid	On Exercise of Options Partly Paid	Net change other Partly Paid	Balance at 30 June 2016 Partly Paid
Directors					
Adrian Griffin	2,895,317	-	-	-	2,895,317
Patrick McManus	1,567,323	-	-	-	1,567,323
Chew Wai Chuen	-	-	-	-	-
Natalia Streltsova	-	-	-	-	-
Total	4,462,640	-	-	-	4,462,640
Executives					
Lindsay Cahill	1,877,542	-	-	-	1,877,542
Robert Van der Laan	3,520,929	-	-	(1,230,919)	2,290,010
Total	5,398,471	-	-	(1,230,919)	4,167,552
Total Directors' and Executives' Share holdings	9,861,111	-	-	(1,230,919)	8,630,192

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Directors' Report (continued)

Remuneration Report (audited) (continued)

<u>2015</u>	Balance at 1 July 2014 Partly Paid	Granted as remuneration Partly Paid	On Exercise of Options Partly Paid	Net change other Partly Paid	Balance at 30 June 2015 Partly Paid
Directors					
Adrian Griffin	2,895,317	-	-	-	2,895,317
Patrick McManus	1,567,323	-	-	-	1,567,323
George Sakalidis*	454,705	-	-	-	454,705
Gary Johnson*	-	-	-	-	-
Total	4,917,345	-	-	-	4,917,345
Executives					
Lindsay Cahill	1,877,542	-	-	-	1,877,542
Robert Van der Laan	3,520,929	-	-	-	3,520,929
Total	5,398,471	-	-	-	5,398,471
Total Directors' and Executives Share holdings	10,315,816	-	-	-	10,315,816

*George Sakalidis and Gary Johnson resigned as Non-Executive director effective 26 November 2014 and 30 June 2015, respectively.

(c) Option holdings of Key Management Personnel

<u>2016</u>	Balance at 1 July 2015 Number	Granted as remuneration Number	Options exercised Number	Options expired Number	Balance at 30 June 2016 Number	Not exercisable Number	Exercisable Number
Directors							
Adrian Griffin	200,000	-	-	(200,000)	-	-	-
Patrick McManus	750,000	-	-	(750,000)	-	-	-
Chew Wai Chuen	-	-	-	-	-	-	-
Natalia Streltsova	-	-	-	-	-	-	-
Total	950,000	-	-	(950,000)	-	-	-
Executives							
Lindsay Cahill	-	-	-	-	-	-	-
Robert Van der Laan	250,000	-	-	(250,000)	-	-	-
Total	250,000	-	-	(250,000)	-	-	-
Total Directors' and Executives' Share holdings	1,200,000	-	-	(1,200,000)	-	-	-

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Directors' Report (continued)

Remuneration Report (audited) (continued)

<u>2015</u>	Balance at 1 July 2014	Granted as remuneration	Options exercised	Options expired	Balance at 30 June 2015	Not exercisable	Exercisable
	Number	Number	Number	Number	Number	Number	Number
Directors							
Adrian Griffin	509,090	-	-	(309,090)	200,000	-	200,000
Patrick McManus	1,535,834	-	-	(785,834)	750,000	-	750,000
George Sakalidis*	475,000	-	-	(275,000)	200,000	-	200,000
Gary Johnson*	491,667	-	-	(291,667)	200,000	-	200,000
Total	3,011,591	-	-	(1,661,591)	1,350,000	-	1,350,000
Executives							
Lindsay Cahill	613,637	-	-	(613,637)	-	-	-
Robert Van der Laan	1,754,534	-	-	(1,504,534)	250,000	-	250,000
Total	2,368,171	-	-	(2,118,171)	250,000	-	250,000
Total Directors' and Executives' Share holdings	5,379,762	-	-	(3,779,762)	1,600,000	-	1,600,000

**George Sakalidis and Gary Johnson resigned as Non-Executive director effective 26 November 2014 and 30 June 2015, respectively.*

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Directors' Report (continued)

Remuneration Report (audited) (continued)

(d) Other Transactions with Key Management Personnel

Other transactions with key management personnel are set out below:

	30-Jun-16	30-Jun-15
	\$	\$
Consulting fees were paid to Strategic Metallurgy Pty Ltd, a company of which Gary Johnson is a director and shareholder. Service fees are agreed on an arm's length transaction basis.	-	157,270
Corporate advisory were paid to Precious Capital Pte Ltd, a company of which Chew Wai Chuen is a director and shareholder	9,708	196,300
The issue of 100,000 shares to Richmond Resources Pty Ltd, a company of which Robert Van der Laan is a director and shareholder, at \$0.05 per share for transferring the tenements.	-	5,000
Fees were paid to Horn Resources Pty Ltd, a company of which Robert Van der Laan is a director and shareholder. Fees included investor relations, corporate advisory, office accommodation, accounting staffs (excluding fees directly related to Robert Van der Laan), administrative staffs and exploration staffs. Service fees paid are considered to be on normal commercial terms and condition.	213,100	337,769
	222,808	696,339

End of Remuneration Report.

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 36 and forms part of this report.

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



Patrick McManus
Managing Director
Perth
Dated: 29 September 2016

Auditor's Independence Declaration to the Directors of Potash West NL

As lead auditor for the audit of Potash West NL for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Potash West NL and the entities it controlled during the financial year.



Ernst & Young



V L Hoang
Partner
29 September 2016

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in this Corporate Governance Statement however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations. Date of last review and Board approval: 14 September 2015.

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight			
<u>Recommendation 1.1</u>			
A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Board Charter Code of Conduct, Independent Professional Advice Policy Website	To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.1 (continued)</u>			
			• Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board. • Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company. • Overseeing Planning Activities: the development of the Company's strategic plan • Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company as well as ensuring timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the entity's securities. • Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company. • Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting along with ensuring the integrity of the Company's financial and other reporting. • Human Resources: reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy. • Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees. • Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board. • Monitoring the effectiveness of the Company's corporate governance practices.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.1 (continued)</u>			
			Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.
<u>Recommendation 1.2</u>			
A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re- elect a director.	Yes, however the full information of new Directors for election was not included in all notices of meeting but will be included in future notices of meeting	Director Selection Procedure Website	Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's operations. The Company's current Directors all have relevant experience in the operations. In addition, Directors should have the relevant blend of personal experience in: - Accounting and financial management; and - Director-level business experience. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In determining candidates for the Board, the Nomination Committee follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting. Each Non-Executive Director has a written agreement with the Company that covers all aspects of their appointment including term, time commitment required, remuneration, disclosure of interests that may affect independence, guidance on complying with the Company's corporate governance policies and the right to seek independent advice, indemnity and insurance arrangements, rights of access to the Company's information and ongoing confidentiality obligations as well as roles on the Company's committees.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.2 (continued)</u>			
			Each executive director's agreement with the Company includes the same details as the non-executive directors' agreements but also includes a position description, reporting hierarchy and termination clauses. The Nomination Committee is responsible for implementing a program to identify, assess and enhance Director competencies. In addition, the Nomination Committee puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board.
<u>Recommendation 1.3</u>			
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Kept at registered office, Independent Professional Advice Policy	The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.
<u>Recommendation 1.4</u>			
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Board Charter Website	Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.5</u>			
A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and	Yes	Diversity Policy Website	The Company recognises and respects the value of diversity at all levels of the organisation. The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation. The Diversity Policy was re-adopted during the year and the Company set the following objectives for the employment of women: • to the Board – 25% by 2017 • to senior management – no target set • to the organisation as a whole – 30% by 2017 As at the date of this report, the Company has the following proportion of women appointed: • to the Board – 25% • to senior management (including Company Secretary) – 25% • to the organisation as a whole – 30% The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Company recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool. The addition of Chew Wai Chuen to the Board provides a different cultural view to the operations of the Company.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.5 (continued)</u>			
c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.			

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight (continued)			
<u>Recommendation 1.6:</u>			
A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Board, Committee & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was formally carried out. From this evaluation, a few areas for improvement were noted but the important conclusion drawn was that there was no overlapping skillset in the Board.
<u>Recommendation 1.7:</u>			
A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Board, Committee & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of individuals' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was formally carried out. From this evaluation, a few areas for improvement were noted.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value			
<u>Recommendation 2.1</u>			
The board of a listed entity should: a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Yes	Nomination Committee Charter, Independent Professional Advice Policy Website	The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. The Nomination Committee consists of three Non-Executive directors, being Natalia Streltsova, Adrian Griffin and Chew Wai Chuen and the Company Secretary. The Chair of the Nomination Committee is Natalia Streltsova, an independent director. The Nomination Committee met once during the year and all members at the time were present. The responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the Managing Director and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.

Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
<u>Recommendation 2.2</u>			
A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Internal management document	The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Company is working towards filling these gaps through professional development initiatives as well as seeking to identify suitable Board candidates for positions from a diverse pool.
<u>Recommendation 2.3</u>			
A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	Yes	Board Charter, Independence of Directors Assessment Website	The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. An Independent Director: 1. is a Non-Executive Director and; 2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company; 3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment; 4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided; 5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; 6. has no material contractual relationship with the Company or other group member other than as a Director of the Company; 7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
<u>Recommendation 2.3 (continued)</u>			
			8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of Directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a Director would be considered material when assessing independence. Adrian Griffin (appointed 12 November 2010) is a Non-Executive Director and Chairman of the Company and meets the Company's criteria for independence. Although Adrian Griffin has entered into a profit à prendre re mineral interest rights with the Company, he is still considered to be independent as the agreement is not considered to be material as the proportion vended in is insignificant to both parties. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as Chairman. Chew Wai Chuen (appointed 26 November 2014) is a Non-Executive Director of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as a Non-Executive Director. Natalia Streltsova (appointed 30 June 2015) is a Non-Executive Director of the Company and meets the Company's criteria for independence. Her experience and knowledge of the Company makes her contribution to the Board such that it is appropriate for her to remain on the Board and in his position as a Non-Executive Director. Patrick McManus (appointed 23 November 2010) is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 2: Structure the board to add value (continued)			
<u>Recommendation 2.4</u>			
A majority of the board of a listed entity should be independent directors.	Yes	Independence of Directors Assessment Website	The Board has a majority of Directors who are independent.
<u>Recommendation 2.5</u>			
The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Independence of Directors Assessment Website	The Chairperson is an independent Director who is not the CEO / Managing Director.
<u>Recommendation 2.6</u>			
A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	Director Induction Program, Ongoing Education Framework Website	It is the policy of the Company that each new Director undergoes an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include: • details of the roles and responsibilities of a Director; • formal policies on Director appointment as well as conduct and contribution expectations; • a copy of the Corporate Governance Statement, Charters, Policies and Memos and • a copy of the Constitution of the Company. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. The Board has implemented an Ongoing Education Framework.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 3: Act ethically and responsibly			
<u>Recommendation 3.</u>			
A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes	Code of Conduct Website	As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.
Principle 4: Safeguard integrity in corporate reporting			
<u>Recommendation 4.1</u>			
The board of a listed entity should: (a) have an audit committee which: a) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 1) is chaired by an independent director, who is not the chair of the board, and disclose: 2) the charter of the committee; 3) the relevant qualifications and 4) experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Audit and Risk Committee Charter Website	The Audit and Risk Committee consists of Barry Woodhouse (Chair of the Audit and Risk Committee), Adrian Griffin, Natalia Streltsova and Chew Wai Chuen who are independent Non-Executive Directors with experience relevant to being a member of the Audit and Risk Committee. Natalia Streltsova is a graduate of AICD. She has had experience with audit and financial compliance as part of her responsibilities with various companies. Adrian Griffin's financial experience is limited to practical application as a director of a number of private and public companies over a period of 30 years. Chew Wai Chuen is a Qualified Chartered Financial Planner, holding BBA and MBA qualifications. He has had experience with financial compliance as part of his engagement with various companies. The Audit and Risk Committee met twice during the year and all members at the time were present.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 4: Safeguard integrity in corporate reporting (continued)			
<u>Recommendation 4.1 (continued)</u>			
b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.			
<u>Recommendation 4.2</u>			
The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Kept at registered office	The Managing Director and the Chief Financial Officer provide a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 4: Safeguard integrity in corporate reporting (continued)			
<u>Recommendation 4.3</u>			
A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	AGM	The external auditor is invited to attend every AGM for the purpose of answering questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure			
<u>Recommendation 5.1</u>			
A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	Continuous Disclosure Policy Website	The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: 1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and 2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.
Principle 6: Respect the rights of security holders			
<u>Recommendation 6.1</u>			
A listed entity should provide information about itself and its governance to investors via its website.	Yes	Website Disclosure Policy Website	The Company's website includes the following: • Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks • Names and biographical details of each of its directors and senior executives • Constitution • Copies of annual, half yearly and quarterly reports • ASX announcements • Copies of notices of meetings of security holders • Media releases • Overview of the Company's current business, structure and history

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 6: Respect the rights of security holders (continued)			
<u>Recommendation 6.1 (continued)</u>			
			• Details of upcoming meetings of security holders • Summary of the terms of the securities on issue • Historical market price information of the securities on issue • Contact details for the share registry and media enquiries • Share registry key security holder forms
<u>Recommendation 6.2</u>			
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Shareholder Communication Policy, Social Media Policy Website	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to: • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report of future Annual Reports. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.
<u>Recommendation 6.3</u>			
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Shareholder Communication Policy Website	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 6: Respect the rights of security holders (continued)			
<u>Recommendation 6.4</u>			
A listed entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.	Yes	Shareholder Communication Policy Website	Shareholders are regularly given the opportunity to receive communications electronically.
Principle 7: Recognise and manage risk			
<u>Recommendation 7.1</u>			
The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	No	Risk Management Policy Website	The Board has not established a separate Risk Committee, and therefore it is not structured in accordance with Recommendation 7.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. The Audit and Risk Committee met twice during the year. Risk identification and risk management discussions occurred at several Board meetings throughout the year. To assist the Board to fulfil its function as the Risk Committee, the Company has adopted a Risk Management Policy.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
<u>Recommendation 7.1 (continued)</u>			
b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.			
<u>Recommendation 7.2</u>			
The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Risk Management Policy Website	The Company's Risk Management Policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk Management Strategy are to: • identify risks to the Company; • balance risk to reward; • ensure regulatory compliance is achieved; and • ensure senior executives, the Board and investors understand the risk profile of the Company. The Board monitors risk through various arrangements including: • regular Board meetings; • share price monitoring; • market monitoring; and • regular review of financial position and operations. The Company has developed a Risk Register in order to assist with the risk management of the Company. The Company's Risk Management Policy is considered a sound strategy for addressing and managing risk. During the year, management regularly reported to the Board on the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
<u>Recommendation 7.2 (continued)</u>			
			The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework. Arrangements put in place by the Board to monitor risk management include: • regular reporting to the Board in respect of operations and the financial position of the Company; • where appropriate the appointment of appropriately skilled consultants to provide independent assessment of operational results, proposals and activities; and • Use of a risk register to assist with risk management.
<u>Recommendation 7.3</u>			
A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	No	Audit and Risk Committee Charter Website	When the Audit and Risk Committee convenes it carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter which include overseeing the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the Company, which includes the Company's internal compliance and control systems.. Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk (continued)			
<u>Recommendation 7.4</u>			
A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Corporate Governance Statement	The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is subject to material economic, environmental and social sustainability risks, and that is recognised and managed by the risk management register.
Principle 8: Remunerate fairly and responsibly			
<u>Recommendation 8.1</u>			
The board of a listed entity should: a) have a remuneration committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Remuneration Committee Charter, Independent Professional Advice Policy Website	The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees. The Remuneration Committee consists of three Non-Executive Directors, being Natalia Streltsova, Adrian Griffin and Chew Wai Chuen and the Company Secretary. The Chair of the Remuneration Committee is Adrian Griffin, an independent director. The Remuneration Committee met once during the financial year ended and all members at the time were present. The responsibilities of the Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Managing Director goals and reviewing progress in achieving those goals. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.

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Corporate Governance Statement (continued)

Principle / Recommendation	Compliance	Reference	Commentary
Principle 8: Remunerate fairly and responsibly (continued)			
<u>Recommendation 8.1 (continued)</u>			
b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.			
<u>Recommendation 8.2</u>			
A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Remuneration Policy Website	Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Managing Director remuneration is set by the Board with the executive director in question not present. Full details regarding the remuneration of Directors has been included in the Remuneration Report within the Annual Report.
<u>Recommendation 8.3</u>			
A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes	Remuneration Policy Website	Executives and Non-Executive Directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

		For the year ended 30 June 2016	For the year ended 30 June 2015
	Note	\$	\$
INCOME			
Other income		-	38,147
Gain on disposal of financial assets	13	2,834,320	-
Option and exclusivity fee received	25	98,649	-
Interest		14,762	24,010
Government Grant		179,094	-
TOTAL INCOME		<u>3,126,825</u>	<u>62,157</u>
EXPENSES			
Impairment of financial assets	13	969,773	-
Administration		574,181	743,853
Depreciation	14	12,241	15,026
Share-based payments	19	151,858	341,635
Exploration		990,853	685,806
Legal		51,096	72,069
Occupancy		60,000	62,000
Remuneration (excluding equity based payments)		501,471	662,764
Share of net losses of associates	12	-	350,007
LOSS BEFORE INCOME TAX		<u>(184,648)</u>	<u>(2,871,003)</u>
INCOME TAX EXPENSE	4	<u>-</u>	<u>-</u>
NET LOSS FOR THE YEAR		(184,648)	(2,871,003)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Available for sale financial assets			
- Current year losses		(969,773)	-
- Reclassified to profit or loss		969,773	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(184,648)</u>	<u>(2,871,003)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Members of the controlling entity		(181,904)	(2,859,357)
Non controlling interest		(2,744)	(11,646)
		<u>(184,648)</u>	<u>(2,871,003)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Members of the controlling entity		(181,904)	(2,859,357)
Non controlling interest		(2,744)	(11,646)
		<u>(184,648)</u>	<u>(2,871,003)</u>
Basic and diluted loss per share (cents per share)	7	(0.07)	(1.33)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Potash West NL
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	As at 30 June 2016 \$	As at 30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	8	487,547	1,542,256
Trade and other receivables	9	32,486	75,638
Other assets	10	-	13,860
Assets included in disposal group classified as held for sale	25	152,290	-
Total Current Assets		672,323	1,631,754
NON CURRENT ASSETS			
Exploration and evaluation	11	2,500,000	2,500,000
Investment in associate	12	-	-
Financial assets	13	1,939,547	75,000
Plant and equipment	14	41,272	53,513
Total Non Current Assets		4,480,819	2,628,513
TOTAL ASSETS		5,153,142	4,260,267
CURRENT LIABILITIES			
Trade and other payables	15	429,447	390,327
Liabilities included in disposal group classified as held for sale	25	151,351	-
Provisions	16	69,870	60,210
Total Current Liabilities		650,668	450,537
TOTAL LIABILITIES		650,668	450,537
NET ASSETS		4,502,474	3,809,730
EQUITY			
Issued capital	17	17,634,147	16,776,781
Reserves	18	648,934	628,908
Accumulated losses		(13,766,217)	(13,584,313)
		4,516,864	3,821,376
Non-controlling interest		(14,390)	(11,646)
TOTAL EQUITY		4,502,474	3,809,730

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Issued Capital	Accum- ulated Losses	Share Based Payment Reserve	AFS Reserve	Non- controlling interest	Total
		\$	\$	\$	\$	\$	\$
At 1 July 2014	Note						
Opening Balance		12,812,815	(10,724,956)	465,158	-	-	2,553,017
Loss for the year		-	(2,859,357)	-	-	(11,646)	(2,871,003)
Other comprehensive income (net of tax)		-	-	-	-	-	-
Total comprehensive loss for the year (net of tax)		-	(2,859,357)	-	-	(11,646)	(2,871,003)
Transactions with owners in their capacity as owners:							
Shares issued		4,283,160	-	-	-	-	4,283,160
Share issue transaction costs		(319,194)	-	-	-	-	(319,194)
Share based payments		-	-	163,750	-	-	163,750
Balance at 30 June 2015		16,776,781	(13,584,313)	628,908	-	(11,646)	3,809,730

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Accum- ulated Losses	Share Based Payment Reserve	AFS Reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	16,776,781	(13,584,313)	628,908	-	(11,646)	3,809,730
Loss for the year	-	(181,904)	-	-	(2,744)	(184,648)
Other comprehensive income (net of tax):						
Available for sale financial asset losses	-	-	-	(969,773)	-	(969,773)
Reclassification to profit or loss	-	-	-	969,773	-	969,773
Total comprehensive loss for the year (net of tax)	-	(181,904)	-	-	(2,744)	(184,648)
Transactions with owners in their capacity as owners:						
Shares issued	761,000	-	-	-	-	761,000
Share issued transaction costs	(96,866)	-	-	-	-	(96,866)
Share based payments	193,232	-	20,026	-	-	213,258
Balance as at 30 June 2016	17,634,147	(13,766,217)	648,934	-	(14,390)	4,502,474

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

		For the year ended 30 June 2016	For the year ended 30 June 2015
	Note	\$	\$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,011,346)	(2,420,857)
Government grant received		179,094	-
Interest received		14,762	24,010
NET CASH FLOWS USED IN OPERATING ACTIVITIES	23	(1,817,490)	(2,396,847)
INVESTING ACTIVITIES			
Option and exclusivity fees received		250,000	-
Payment for equity investments		-	(75,000)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		250,000	(75,000)
FINANCING ACTIVITIES			
Proceeds from issue of shares		761,000	4,100,278
Share issue costs		(96,865)	(250,445)
NET CASH FLOWS FROM FINANCING ACTIVITIES		664,135	3,849,833
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(903,355)	1,377,986
Cash and cash equivalents at the beginning of the year		1,542,256	164,270
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	638,901	1,542,256

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

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Notes to Financial Statements

Note 1: Corporate information

The financial report of Potash West NL for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors on 23 September 2016.

Potash West NL is a company limited by shares incorporated in Australia whose share are publicly traded on the Australian Securities Exchange (ASX), OTC Pink and the Frankfurt Stock Exchange.

East Exploration Pty Ltd is a privately owned propriety company limited by shares incorporated in Australia.

The nature of operations and principal activities of the Consolidated Entity are described in the directors' report.

Note 2: Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations and complies with other requirements of the law. Potash West NL is a for-profit entity for the purpose of preparing the financial statements.

The accounting policies detailed below have been consistently throughout the year presented unless otherwise stated.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are mineral exploration.

(b) Adoption of new and revised standards

The Company has adopted the following new and amended Australian Accounting Standard and AASB Interpretations for the reporting year ended 30 June 2016:

Reference	Title	Application date of standard	Application date for Group
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.	1 January 2015	1 July 2015

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Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(b) Adoption of new and revised standards (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i> The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015

The adoption of these new and revised standards has not resulted in any significant changes to the Company's accounting policies or to the amounts reported for the current or prior periods.

Accounting Standards and Interpretations issued but not yet effective:

Reference	Title	Application date of standard*	Application date for Group*
AASB 9	<i>Financial Instruments</i>	1 January 2018	1 July 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 1057	Application of Australian Accounting Standards	1 January 2016	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016

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Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(b) Adoption of new and revised standards (continued)

Reference	Title	Application date of standard*	Application date for Group*
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 January 2016	1 July 2016
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	1 July 2016	1 July 2016
AASB 2015-7	Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	1 July 2016	1 July 2016
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	1 January 2016	1 July 2016
AASB 16	Leases	1 January 2019	1 July 2019
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	1 January 2018	1 July 2018

The impact of the above new and revised standards is yet to be determined.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(d) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Share-based payment transactions

The Company measures the share-based payment transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only when management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

(e) Share-based payment transactions

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in equity based payments expense (Note 19).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(e) Share-based payment transactions (continued)

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. 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 awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 7).

(f) Going concern

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

The Consolidated entity has incurred a net loss for the year ended 30 June 2016 of \$184,648 (2015: \$2,871,003) and experienced net cash outflows from operating activities of \$1,817,490 (2015: \$2,396,847). At the end of the reporting year, the Directors recognise the need to raise additional funds via equity raising to fund future planned exploration activities.

The Directors have reviewed the Consolidated entity's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Consolidated entity will be successful in securing additional funds through equity issues.

Should the Consolidated entity not achieve the matters set out above, there is significant uncertainty whether the Consolidated entity will continue as a going concern and therefore 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.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Consolidated entity not be able to continue as a going concern.

(g) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(h) Plant & equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over two to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(i) Income tax

Current tax assets and liabilities for the current year and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(i) Income tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(k) Provisions and employee benefits (continued)

Employee leave benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in provisions 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(l) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Receivables

Receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of receivables are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(n) Prepayments

Prepayment for goods and services which are to be provided in future years are recognised as prepayments. Prepayments are recorded in the other assets in the balance sheet.

(o) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(o) Revenue recognition (continued)

Fee Income

Revenue from geological services provided is recognised as the services are rendered, the revenue and the costs incurred or to be incurred in respect of the transactions can be measured reliably and the economic benefits associated with the transaction will flow to the Company.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

(p) Contributed equity

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.

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(s) Investments and other financial assets (continued)

(i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit and loss when the investment are derecognised or impaired, as well as through the amortisation process.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available for sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets relate to listed securities

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

(t) Impairment of financial assets

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit and loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Notes to Financial Statements (continued)

Note 2: Statement of significant accounting policies (continued)

(u) Leases

Operating Lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the reduction of the liability.

(v) Investment in associate

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of comprehensive income.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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Notes to Financial Statements (continued)

Note 3: Segment information

The Company has based its operating segment on the internal reports that are reviewed and used by the executive management team ("Chief Operating Decision Makers") in assessing performance and in determining the allocation of resources.

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Information is reviewed on a whole of entity basis.

Based on these criteria the Company has only one operating segment, being exploration, and the segment operations and results are reported internally based on the accounting policies as described in Note 2 for the computation of the Company's results presented in this set of financial statements.

Note 4: Income tax

	2016 \$	2015 \$
(a) Income tax expense/(benefit)		
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior years	-	-
Total tax expense/(benefit)	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(184,648)	(2,871,003)
Prima facie tax benefit at the Australian tax rate of 30%	(55,394)	(861,300)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payment	45,557	102,491
Non-deductible expenses	2,266	6,370
Non-assessable income	(53,728)	-
Capital raising costs deductible	-	-
Deferred tax assets not brought to account	61,299	752,441
Income tax expense/(benefit)	-	-

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Notes to Financial Statements (continued)

Note 4: Income tax (cont'd)

(c) Deferred tax assets

Capitalised Expenditure	71,542	-
Accrued expenses	21,788	9,380
Business related deduction	111,613	163,991
Employee entitlement provisions	26,136	23,509
Tax losses	3,847,776	3,401,294
	4,078,855	3,598,175
Deferred tax asset not recognised	(2,769,491)	(2,848,175)
	1,309,364	750,000
Offset against deferred tax liabilities	(1,309,364)	(750,000)
Net deferred tax assets	-	-

(d) Deferred tax liabilities

Exploration tenement	750,000	750,000
Financial assets	559,364	-
	1,309,364	750,000
Offset against deferred tax assets	(1,309,364)	(750,000)
Net deferred tax liabilities	-	-

Note 5: Directors' and Executives' remuneration

	2016 \$	2015 \$
Short-term employee benefits	445,914	523,280
Post-employment benefits	47,004	46,965
Share-based payment	128,699	40,719
Total compensation	621,617	610,964

Note 6: Auditor's remuneration

	2016 \$	2015 \$
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	32,445	42,745
- research & development tax concession	13,303	17,909
- tax compliance	4,635	-
	50,383	60,654

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Notes to Financial Statements (continued)

Note 7: Earnings per share

	2016 \$	2015 \$
Basic loss per share (cents per share)	0.07	1.33
Diluted loss per share (cents per share)	0.07	1.33
Net loss	(181,904)	(2,859,357)
Loss used in calculating basic and diluted loss per share	(181,904)	(2,859,357)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	267,582,650	215,683,626

During the year there were no listed or key management personnel options exercised.

The options issued under Employee Option Plan (EOP) are not considered dilutive for the purpose of the calculation of diluted earnings/loss per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share. Consequently, diluted earnings/loss per share is the same as basic earnings per share. As of 30 June 2016, a total of 59,256,715 potential ordinary shares had been issued, this is including 20,442,188 options and 35,960,024 partly paid shares respectively.

Subsequent to the reporting date, the Company undertook a capital raising, raising a total of \$3.3 million before costs at \$0.03 per share. A total of 94,828,051 ordinary shares have been issued as a result of the capital raising and a further 15,280,667 ordinary shares have been issued after the general meeting. This would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Note 8: Cash and cash equivalents

	30-Jun-16 \$	30-Jun-15 \$
Cash at bank and on hand	487,547	1,542,256
	<u>487,547</u>	<u>1,542,256</u>

Reconciliation of cash and cash equivalents

Cash at the end of financial period is shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:

Included in assets held for sale (Note 25)	151,354	-
Cash and cash equivalents	487,547	1,542,256
	<u>638,901</u>	<u>1,542,256</u>

Note 9: Trade and other receivables

	30-Jun-16 \$	30-Jun-15 \$
Trade debtors	262	37,923
GST Receivables	32,224	37,715
	<u>32,486</u>	<u>75,638</u>

- (i) Non-trade debtors are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of these receivables represent fair value and are not considered to be impaired.

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Notes to Financial Statements (continued)

Note 10: Other assets

	30-Jun-16	30-Jun-15
	\$	\$
Prepayments	-	13,860
	-	13,860

Note 11: Exploration expenditure

	30-Jun-16	30-Jun-15
	\$	\$
Acquisition of mineral rights - Dandaragan Trough tenements	2,500,000	2,500,000
	2,500,000	2,500,000

The ultimate recoupment of acquisition costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation.

Note 12: Investment in associate

	30-Jun-16	30-Jun-15
	\$	\$
Opening Balance	-	100,000
Further investment - East Exploration Pty Ltd	-	50,000
Further investment - East Exploration Pty Ltd	-	50,000
Further investment - East Exploration Pty Ltd	-	100,000
Further investment - East Exploration Pty Ltd	-	50,007
Share of associated company's losses after income tax	-	(350,007)
Balance at the end of the financial year	-	-

On 7 May 2015, the investment in East Exploration Pty Ltd ceased to be an associate when the Company acquired a 55% interest in East Exploration Pty Ltd. The investment is now treated as a subsidiary. Refer to note 25 for details.

Note 13: Financial assets

	30-Jun-16	30-Jun-15
	\$	\$
Investment – available for sale financial assets	1,939,547	75,000
	1,939,547	75,000

Reconciliation of movement for the year:

Opening balance	75,000	-
Purchase of shares in Lepidico	-	75,000
Gain on conversion of shares in Lepidico to shares in Platypus	2,834,320	-
Loss on decline in fair value at year-end	(969,773)	-
	1,939,547	75,000

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Notes to Financial Statements (continued)

Note 13: Financial assets (cont'd)

During the 2015 financial year, the Consolidated entity subscribed to shares in Lepidico Ltd, a technology developer who have developed a process of extracting Lithium from Lithium bearing micas. Lepidico Ltd was acquired by Platypus Minerals Ltd on 8 June 2016. The Consolidated entity has received 96,977,330 Platypus shares in consideration of their interest in Lepidico and recognised a gain on disposal of Lepidico shares amounting to \$2,834,320. As at 30 June 2016, the Consolidated entity recognised impairment loss of \$969,773 for the financial assets due to the decline in value between the acquisition and 30 June 2016.

Fair value of this investment at 30 June 2016 has been determined by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy.

Note 14: Plant and equipment

	Office Equipment \$	Plant and Equipment \$	Computer Software \$	Total \$
At 30 June 2015				
Cost	9,456	38,079	21,004	68,539
Accumulate depreciation	(2,185)	(7,604)	(5,237)	(15,026)
Closing net carrying value	7,271	30,475	15,767	53,513
Year ended 30 June 2016				
Opening net carrying value	7,271	30,475	15,767	53,513
Additions	-	-	-	-
Depreciation charge for the year	(2,197)	(6,103)	(3,941)	(12,241)
Closing net carrying value	5,074	24,372	11,826	41,272

Note 15: Trade and other payables

	30-Jun-16 \$	30-Jun-15 \$
Trade payables	261,922	390,327
Stamp duty payable	167,525	-
	429,447	390,327

Ageing Analysis

	Current	90 - 120 Days	120 - 180 Days	180 + Days	Total
30 June 2016					
Financial assets					
Trade and other receivables	33,422	-	-	-	33,422
Financial liabilities					
Trade and other payables	429,447	-	-	-	429,447
Net Maturity	(396,025)	-	-	-	(396,025)

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Notes to Financial Statements (continued)

Note 15: Trade and other payables (cont'd)

30 June 2015	Current	90 - 120 Days	120 - 180 Days	180 + Days	Total
Financial assets					
Trade and other receivables	75,638	-	-	-	75,638
Financial liabilities					
Trade and other payables	390,327	-	-	-	390,327
Net Maturity	(314,689)	-	-	-	(314,689)

Due to short term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 16: Provisions

	30-Jun-16 \$	30-Jun-15 \$
Employee benefits	69,870	60,210
	69,870	60,210

Note 17: Contributed equity

	30-Jun-16 No.	\$	30-Jun-15 No.	\$
Ordinary shares - fully paid	234,513,572	17,634,147	200,929,615	16,776,781
Contributing Shares - partly paid	35,960,024	-	35,960,024	-
	270,473,596	17,634,147	236,889,639	16,776,781

Effective 1 July 1998, the corporation legislation abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

When managing capital (which is defined as the Company's total equity amounting to \$4,502,474, (2015: \$3,809,730), the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available for future exploration and development activity. The Company is not subject to any externally imposed capital requirements.

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Notes to Financial Statements (continued)

Note 17: Contributed equity (cont'd)

Movements in ordinary shares on issue of the legal parent are:

	Note	2016 Number	2015 Number
At the beginning of reporting year		211,005,055	113,806,148
Issue of 23,607,857 shares via private share placement	17.1		23,607,857
Issue of 56,400,000 shares via private share placement	17.2		56,400,000
Issue of 1,250,000 shares to consultant in lieu of services provided	17.3		1,250,000
Issue of 1,000,000 shares to acquire exploration license	17.4		1,000,000
Issue of 250,000 shares to consultant in lieu of services provided	17.5		250,000
Issue of 1,600,000 shares via private share placement	17.6		1,600,000
Issue of 2,000,000 shares to consultant via employees share plan	17.7		2,000,000
Issue of 100,000 shares to transfer the tenements	17.8		100,000
Issue of 390,045 shares to directors and senior management via remuneration sacrifice share plan	17.9		390,045
Issue of 473,402 shares to directors and senior management via remuneration sacrifice share plan	17.10		473,402
Issue of 20,913 shares to directors and senior management via remuneration sacrifice share plan	17.11		20,913
Issue of 31,250 shares to directors and senior management via remuneration sacrifice share plan	17.12		31,250
Issue of 9,475,000 shares via private share placement	17.13		9,475,000
Issue of 536,077 shares to directors and senior management via remuneration sacrifice share plan	17.14		536,077
Issue of 64,363 shares to directors and senior management via remuneration sacrifice share plan	17.15		64,363
Issue of 250,000 shares to consultant in lieu of services provided	17.16	250,000	
Issue of 600,000 shares to consultant in lieu of services provided	17.17	600,000	
Issue of 100,000 shares to consultant in lieu of services provided	17.18	100,000	
Issue of 300,000 shares to consultant in lieu of services provided	17.19	300,000	
Issue of 19,025,000 shares via private share placement	17.20	19,025,000	
Issue of 935,278 shares to directors and senior management via remuneration	17.21	935,278	
Issue of 110,903 shares to directors and senior management via remuneration	17.22	110,903	
Issue of 105,517 shares to consultant via employees share plan	17.23	105,517	
Issue of 2,081,819 shares to directors and senior management via remuneration sacrifice share plan	17.24	2,081,819	
Share to be issued under the director and senior management fee and remuneration sacrifice share plan	17.25	1,061,433	
		<u>235,575,005</u>	<u>211,005,055</u>
Reserved shares		<u>(3,150,000)</u>	<u>(3,150,000)</u>
At the end of the reporting year		<u>232,425,005</u>	<u>207,855,055</u>

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Notes to Financial Statements (continued)

Note 17: Contributed equity (cont'd)

Movements in ordinary shares on issue of the legal parent are:

	Note	2016 \$	2015 \$
At the beginning of reporting year		17,111,806	13,047,840
Issue of 23,607,857 shares via private share placement	17.1		821,275
Issue of 56,400,000 shares via private share placement	17.2		2,820,000
Issue of 1,250,000 shares to consultant in lieu of services provided	17.3		43,750
Issue of 1,000,000 shares to acquire exploration license	17.4		50,000
Issue of 250,000 shares to consultant in lieu of services provided	17.5		12,500
Issue of 1,600,000 shares via private share placement	17.6		80,000
Issue of 2,000,000 shares to consultant via employees share plan	17.7		100,000
Issue of 100,000 shares to transfer the tenements	17.8		5,000
Issue of 390,045 shares to directors and senior management via remuneration sacrifice share plan	17.9		15,903
Issue of 473,402 shares to directors and senior management via remuneration sacrifice share plan	17.10		21,303
Issue of 20,913 shares to directors and senior management via remuneration sacrifice share plan	17.11		1,004
Issue of 31,250 shares to directors and senior management via remuneration sacrifice share plan	17.12		1,250
Issue of 9,475,000 shares via private share placement	17.13		379,000
Issue of 536,077 shares to directors and senior management via remuneration sacrifice share plan	17.14		28,763
Issue of 64,363 shares to directors and senior management via remuneration sacrifice share plan	17.15		3,411
Issue of 250,000 shares to consultant in lieu of services provided	17.16	12,000	
Issue of 600,000 shares to consultant in lieu of services provided	17.17	30,000	
Issue of 100,000 shares to consultant in lieu of services provided	17.18	5,000	
Issue of 300,000 shares to consultant in lieu of services provided	17.19	14,400	
Issue of 19,025,000 shares via private share placement	17.20	761,000	
Issue of 935,278 shares to directors and senior management via remuneration	17.21	28,619	
Issue of 110,903 shares to directors and senior management via remuneration	17.22	3,438	
Issue of 105,517 shares to consultant via employees share plan	17.23	3,271	
Issue of 2,081,819 shares to directors and senior management via remuneration sacrifice share plan	17.24	64,328	
Shares to be issued under the director and senior management fee and remuneration sacrifice share plan	17.25	32,175	
Equity raising costs	17.26	(96,865)	(319,194)
		<u>17,969,172</u>	<u>17,111,806</u>
Reserved shares		<u>(335,025)</u>	<u>(335,025)</u>
At the end of the reporting year		<u>17,634,147</u>	<u>16,776,781</u>

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Notes to Financial Statements (continued)

Note 17: Contributed equity (continued)

Movements in partly paid contributing shares on issue of the legal parent are:

	Note	2016 Number	2015 Number
At the beginning of reporting year		35,960,024	-
Issue of 35,960,024 partly paid contributing shares pursuant to non-renounceable entitlement issue	17.27	-	35,960,024
At the end of the reporting year		35,960,024	35,960,024

Outstanding amount per partly paid contributing share at 30 June 2016 is \$0.049 (2015: \$0.049).

The partly paid contributing share are issued with 35,960,024 outstanding calls of 4.9 cents each. The dates for the future calls are not before 30 June 2016. The partly paid contributing share carry a right to a dividend on the same basis as holders of Ordinary Shares. Partly paid contributing shares carry the right to vote in proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The company has the power to forfeit any shares where the call remains unpaid 14 days after the call was payable. The company must then offer the shares forfeited for public auction within six weeks of the call becoming payable.

- 17.1 The issue of 23,607,857 shares at \$0.035 per share via private share placement.
- 17.2 The issue of 56,400,000 shares at \$0.05 per share via private share placement.
- 17.3 The issue of 1,250,000 shares to consultant at \$0.035 per share in lieu of services provided.
- 17.4 The issue of 1,000,000 shares to Dempsey Minerals Ltd and Fyfehill at \$0.05 per share for exploration license.
- 17.5 The issue of 250,000 shares to General Resources GmbH at \$0.05 per share in lieu of services provided
- 17.6 The issue of 1,600,000 shares at \$0.05 per share via private share placement.
- 17.7 The issue of 2,000,000 shares to consultants at \$0.05 per share.
- 17.8 The issue of 100,000 shares to Richmond Resources Pty Ltd at \$0.05 per share for transferring the tenements.
- 17.9 The issue of 390,045 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.044 per share.
- 17.10 The issue of 473,402 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.0455 per share.
- 17.11 The issue of 20,913 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.048 per share.
- 17.12 The issue of 31,250 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.04 per share.
- 17.13 The issue of 9,475,000 shares to Steda Nominees Pty Ltd at \$0.05 per share via private share placement.
- 17.14 The issue of 536,077 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.039 per share.
- 17.15 The issue of 64,363 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.053 per share.
- 17.16 The issue of 250,000 shares to General Resources GmbH at \$0.048 per share in lieu of services provided
- 17.17 The issue of 600,000 shares to SConsortium at \$0.05 per share in lieu of services provided
- 17.18 The issue of 100,000 shares to Francois Dumas Consulting at \$0.05 per share in lieu of services provided
- 17.19 The issue of 300,000 shares to Horn Resources C/- Rymill at \$0.048 per share in lieu of services provided

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Notes to Financial Statements (continued)

Note 17: Contributed equity (continued)

- 17.20 The issue of 19,025,000 shares at \$0.04 per share via private share placement.
- 17.21 The issue of 935,278 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.039 per share.
- 17.22 The issue of 110,903 shares to directors and senior management via director fee and remuneration sacrifice share plan at \$0.031 per share.
- 17.23 The issue of 105,517 shares to consultants at \$0.031 per share.
- 17.24 The issue of 2,081,819 shares to director fee and remuneration sacrifice share plan at \$0.0309 per share.
- 17.25 Shares to be issued to directors and senior management via director fee and remuneration sacrifice share plan. Shares have not yet been issued, with the number of shares to be determined at issue date, dependent on the market share price.
- 17.26 For the year 2016, the payment of costs incurred by the company in relation to equity raising and listing of the company's shares and of \$96,866 (2015: \$319,194).
- 17.27 The issue of 35,960,024 partly paid contributing shares pursuant to non-renounceable entitlement bonus issue.

Note 18: Share based payment reserve

Reconciliation of total options on issue:

	Options issued as share-based payments	Other options issued	Reserved shares issued	Total options on issue
As at 1 July 2014	3,800,000	1,000,000	1,150,000	5,950,000
Issued during the year	1,992,188	-	2,000,000	3,992,188
Expired during the year	(1,750,000)	-	-	(1,750,000)
As at 30 June 2015	4,042,188	1,000,000	3,150,000	8,192,188
Issued during the year	3,500,000	14,250,000	-	17,750,000
Expired during the year	(2,350,000)	-	-	(2,350,000)
As at 30 June 2016	5,192,188	15,250,000	3,150,000	23,592,188

Reconciliation of value of share-based payment reserve

	Note	30-Jun-16 \$	30-Jun-15 \$
At the beginning of reporting year		628,908	465,158
Amount expensed for options issued to consultant. 429,688 options with exercise price of \$0.087	18.1	-	13,750
Amount expensed for options issued to consultant. 1,562,500 options with exercise price of \$0.087	18.2	-	50,000
Amount expensed for shares issued to consultant in lieu of services provided. 2,000,000 share at \$0.05 per share	17.7	-	100,000
Amount expensed for options issued to consultant. 3,500,000 options with exercise price of \$0.07	18.3	20,026	-
At the end of the reporting year		<u>648,934</u>	<u>628,908</u>

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Notes to Financial Statements (continued)

Note 18: Share based payment reserve (continued)

- 18.1 The issue of 429,688 \$0.087 options exercisable on or before 6 November 2017 on 6 November 2014 to consultant. Please refer to Note 18 for further explanation.
- 18.2 The issue of 1,562,500 \$0.087 options exercisable on or before 6 November 2017 on 6 November 2014 to consultant. Please refer to Note 18 for further explanation.
- 18.3 The issue of 3,500,000 \$0.07 options exercisable on or before 30 November 2018 to consultant. Please refer to Note 19 for further explanation.

Note 19: Equity based payments

Expenses arising from share-based payment and option-based payment transactions

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

	30-Jun-16	30-Jun-15
Options issued in consideration for services. See note 18.3.	20,026	63,750
Shares issued under the director and senior management fee and remuneration sacrifice share plan. See note 17.14, 17.15, 17.21, 17.22, 17.24 and 17.25	128,560	71,635
Shares issued in consideration of services. See note 17.16, 17.17, 17.18, 17.19 and 17.23	3,272	206,250
	151,858	341,635

During 2016 financial year, 3,500,000 options were issued to consultants for consulting services. These options had a fair value of \$20,026 calculated using a black scholes model. Their fair value of the services was considered to be equal to the fair value of the options issued.

On 6 July 2015, the Company issued 700,000 shares at \$0.05 per share and further 550,000 shares at \$0.048 per share to consultants in lieu of cash payments for services provided. This has been included in 2015 transactions and has been approved by shareholders at the 2014 AGM.

Under the Management fee and remuneration sacrifice share plan, the eligible directors and senior management of the Company may elect to sacrifice part of their directors' fees or consulting fees to acquire Shares in the Company. Under the Plan, the relevant directors and senior management will receive the remainder of their directors' fees or consulting fees in cash. As such, the Shares will be issued for nil cash consideration and will be valued at market fair value. The Plan has been approved by the shareholders during 2013 AGM. The associated shares for the sacrificed amount up to March 2016 have been issued to the directors who have elected to sacrifice part of their directors fees, with remaining associated shares to be issued in next financial year.

On 13 April 2016, the Company issued 105,517 shares to consultants under the Employee Share Plan ("ESP"). The fair value of the shares issued is at market value \$0.031 per share.

The fair value of the options granted for the year ended 30 June 2016 was estimated on the date of grant using the following assumptions and valuing using a black scholes model:

	30-Jun-16	30-Jun-15
Dividend yield (%)	Nil	Nil
Expected volatility* (%)	75	75
Risk-free interest rate (%)	2.0	2.5
Expected life (years)	3	3
Share price	\$0.024	\$0.049
Exercise price (\$)	See below tables:	See below tables:

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Notes to Financial Statements (continued)

Note 19: Equity based payments (continued)

<u>Share-based payment plans</u>	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at 1 July	3,026,481	\$0.1071	2,110,871	\$0.1348
Granted during the year	3,833,957	\$0.0344	915,610	\$0.0431
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	<u>6,860,438</u>	<u>\$0.0665</u>	<u>3,026,481</u>	<u>\$0.1071</u>
Exercisable at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>Share-based payment plans (to consultants)</u>	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at 1 July	4,500,000	\$0.0458	4,500,000	\$0.0458
Granted during the year	1,355,517	\$0.0477	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	<u>5,855,517</u>	<u>\$0.0442</u>	<u>4,500,000</u>	<u>\$0.0458</u>
Exercisable at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>Option-based payment plans</u>	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at 1 July	1,350,000	\$0.3549	2,600,000	\$0.3189
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	<u>(1,350,000)</u>	<u>\$0.3549</u>	<u>(1,250,000)</u>	<u>\$0.2800</u>
Outstanding at 30 June	<u>-</u>	<u>-</u>	<u>1,350,000</u>	<u>\$0.3549</u>
Exercisable at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Volatility was determined using considered judgement as to the volatility of the share price over the vesting period.

<u>Option-based payments (to consultants)</u>	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at 1 July	2,692,188	\$0.1294	1,200,000	\$0.2708
Granted during the year	3,500,000	\$0.0700	1,992,188	\$0.0870
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	<u>(1,000,000)</u>	<u>\$0.1500</u>	<u>(500,000)</u>	<u>\$0.3000</u>
Outstanding at 30 June	<u>5,192,188</u>	<u>\$0.0854</u>	<u>2,692,188</u>	<u>\$0.1294</u>
Exercisable at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to Financial Statements (continued)

Note 20: Commitments

- (i) The Company has certain obligations with respect to tenements and minimum expenditure requirements on areas, as follows:

	30-Jun-16	30-Jun-15
	\$	\$
Within 1 year	1,206,000	930,500
1 to 2 years	1,206,000	930,500
Total	<u>2,412,000</u>	<u>1,861,000</u>

The commitments may vary depending upon additions or relinquishments of the tenements, as well as farm-out agreements. The above figures are based on the mines department Emits reports as at 30 June 2016. These figures are adjusted at the anniversary date of each tenement and therefore the total can change on a monthly basis.

- (ii) Mr Patrick McManus was appointed as Managing Director on 23 November 2010. Pursuant to a revised agreement dated 23 November 2010, his reviewed salary is set at \$275,000 per annum inclusive of 9.25% superannuation effective from 1 July 2013. The agreement can be terminated by either party by giving three months' notice or payment of three months' salary in lieu of notice being \$68,750.

Note 21: Contingent liabilities

There are no contingent liabilities as at 30 June 2016 (2015: Nil).

Note 22: Related party transactions

	30-Jun-16	30-Jun-15
	\$	\$
Consulting fees were paid to Strategic Metallurgy Pty Ltd, a company of which Gary Johnson is a director and shareholder. Service fees are agreed on an arm's length transaction basis.	-	157,270
Corporate advisory were paid to Precious Capital Pte Ltd, a company of which Chew Wai Chuen is a director and shareholder	9,708	196,300
The issue of 100,000 shares to Richmond Resources Pty Ltd, a company of which Robert Van der Laan is a director and shareholder, at \$0.05 per share for transferring the tenements.	-	5,000
Fees were paid to Horn Resources Pty Ltd, a company of which Robert Van der Laan is a director and shareholder. Fees included investor relations, corporate advisory, office accommodation, accounting staffs (excluding fees directly related to Robert Van der Laan), administrative staffs and exploration staffs. Fees are considered to be on normal commercial terms and conditions.	<u>213,100</u>	<u>337,769</u>
	<u>222,808</u>	<u>696,339</u>

In 2012 financial year, 1,150,000 shares were issued under the Employee Share Plan (ESP) accounted for as in-substance options. The Company has provided each employee with a Resource Loan up to the amount payable in respect of the shares. The employee must repay the Loan in full prior to expiry of the Loan Term but may elect to repay the Loan Amount in respect of any or all of the Plan Shares at any time prior to expiry of the Loan Term.

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Notes to Financial Statements (continued)

Note 23: Cash flow information

	30-Jun-16	30-Jun-15
	\$	\$
Reconciliation of cash flow from operations with (loss)/profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	(184,648)	(2,871,003)
Share of associates loss	-	350,000
Depreciation and amortisation	12,241	15,026
Expenses settled via equity issues	151,858	338,887
Option and exclusivity fee received	(98,649)	-
Gain on disposal of financial assets	(2,834,320)	-
Impairment of financial assets	969,773	-
Changes in assets and liabilities		-
(Increase)/decrease in receivables	42,216	(22,560)
(Increase)/decrease in other assets	13,860	
Increase/(decrease) in payables	100,519	(221,126)
Increase/(decrease) in provisions	9,660	13,929
Cash flows from operations	(1,817,490)	(2,396,847)

Note 24: Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to finance the Company's operations. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

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Notes to Financial Statements (continued)

Note 24: Financial risk management objectives and policies (continued)

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$	Interest Rate Risk Sensitivity			
						-10% Profit \$	-10% Equity \$	10% Profit \$	10% Equity \$
2016									
Financial Assets									
Cash	1.25	444,185	-	194,715	638,901	-466	-466	466	466
Receivables		-	-	33,422	33,422				
Total Financial Assets		444,185	-	228,137	672,323				
Financial Liabilities									
Trade creditors		-	-	429,447	429,447				
Total Financial Liabilities		-	-	429,447	429,447				

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$	Interest Rate Risk Sensitivity			
						-10% Profit \$	-10% Equity \$	10% Profit \$	10% Equity \$
2015									
Financial Assets									
Cash	1.50	1,115,395	-	426,861	1,542,256	-1,171	-1,171	1,171	1,171
Receivables		-	-	75,638	75,638				
Total Financial Assets		1,115,395	-	502,500	1,617,895				
Financial Liabilities									
Trade creditors		-	-	390,327	390,327				
Total Financial Liabilities		-	-	390,327	390,327				

A sensitivity of 10% (2015: 10%) has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A -10% sensitivity would move short term interest rates at 30 June 2016 from around 1.25% to 1.13% (2015: 1.50% to 1.35%) representing a 12.0 basis points (2015: 15.0 basis points) downwards shift, which is 8.5 basis points (2015: 10.5 basis points) net of tax.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(a) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

All payables are due within 30 days, which is consistent with the prior year.

(b) Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form except for available for sale financial assets which are valued at market value as traded on the ASX and are considered to be level 1 in the fair value hierarchy.

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Notes to Financial Statements (continued)

Note 24: Financial risk management objectives and policies (continued)

(d) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Consolidated entity is exposed to credit risk from its operating activities, financing activities including deposits with banks. The credit risk control procedures adopted by the Consolidated entity is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Consolidated entity which have been recognised on the statement of financial position is generally limited to the carrying amount.

Cash is maintained with National Australia Bank & Macquarie bank.

Note 25: Controlled entity

Potash West NL is the ultimate parent entity of the consolidated group.

The following are controlled entities at the reporting date and have been included in the consolidated financial statements. All shares held are ordinary shares.

Name	Country of Incorporation	Percentage Interest Held %		Principal activities
		2016	2015	
Dandaragan Trough Holdings Pty Ltd	Australia	100%	100%	Dormant
K- Max Pty Ltd	Australia	100%	100%	Dormant
East Exploration Pty Ltd (i)	Australia	55%	55%	Mineral exploration

- (i) On 24 April 2014, the Company entered into an agreement with Lufgan Nominees Pty Ltd and RL Holdings Pty Ltd to set up a new company called East Exploration Pty Ltd to acquire exploration permits in respect of the tenements and developing the tenements in Germany, which is the principal place of business. Upon signing of the Heads of Agreement, the Company agreed to subscribe 300,000 shares at \$1.00 per share and further 66,666 shares at \$0.0001 per share to acquire a total of up to 55% of East Exploration ("acquisition"). On 7 May 2015, the Company settled the final payment of \$50,000 and completed the acquisition.

As at 30 June 2016, there are no commitment or contingent liabilities in respect of the controlled entity.

As announced to the market on 18 August 2015, the company has entered into a term sheet to sell its 55% interest in East Exploration Pty Ltd to Davenport Resources Pty Ltd ('Davenport'), a wholly owned subsidiary of Arunta Resources Limited [ASX:AJR]. Pursuant to the terms of the announced agreement, during the period Davenport paid to East Exploration the first and second tranche of the option and exclusivity fee amounting to \$250,000. This fee is non-refundable. For the period, the portion of the fee relating to the expenditure has been recognised as income in East Exploration, amounting to \$98,649 with the remaining \$151,351 shown as deferred income.

Due to the expected sale of the interest in East Exploration Pty Ltd, the assets and liabilities of East Exploration Pty Ltd have been presented as "held for sale" in the consolidated statement of financial position at 30 June 2016.

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Notes to Financial Statements (continued)

Note 26: Parent entity disclosure

	Parent 30-Jun-16	Parent 30-Jun-15
Assets		
Current assets	520,032	1,624,717
Non current assets	4,480,819	2,628,513
Total Assets	<u>5,000,851</u>	<u>4,253,230</u>
Liabilities		
Current liabilities	499,316	450,537
Total Liabilities	<u>499,316</u>	<u>450,537</u>
Net Assets	<u>4,501,535</u>	<u>3,802,693</u>
Equity		
Issued capital	17,634,147	16,540,712
Reserves	648,934	864,978
Accumulated losses	(13,781,546)	(13,602,996)
Total Equity	<u>4,501,535</u>	<u>3,802,693</u>
	Parent 30-Jun-16	Parent 30-Jun-15
Loss for the year	(178,550)	(2,778,040)
Other comprehensive income	-	-
Total comprehensive loss for the financial year	<u>(178,550)</u>	<u>(2,778,040)</u>

Note 27: Subsequent events

During July 2016, the Company issued 57,127,998 shares at \$0.03 per share, raising \$1.7 million before costs, the placement to professional and sophisticated investors who qualify under s708 of Corporation Act was heavily oversubscribed and to allow all placement applicants to participate in the placement, the Company held the general meeting on 29 August 2016. On 5 September 2016, the Company issued a further 15,280,667 shares at \$0.03 per share for the oversubscribed placement, raising \$458,420.

On 17 August 2016, the Company issued 37,700,063 shares at \$0.03 per share, raising \$1.13 million before costs under a share purchase plan.

On 9 September 2016, 200,000 unquoted options expired unexercised.

On 3 August 2016 the company announced that it proposes to issue free partly-paid shares through a 1-for-4 bonus issue at a total issue price of \$0.05. The record date for this issue is expected to be October 2016.

There have not been any other matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than disclosed elsewhere in this annual report.

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Directors' Declaration

In the opinion of the directors of Potash West NL:

- (a) the financial statements and notes set out on pages 57 to 89 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(c); and
- (c) subject to the matters discussed in Note 2(f), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ending 30 June 2016. This declaration is made in accordance with a resolution of the directors.



Patrick McManus
Managing Director
Perth
Dated: 29 September 2016

Independent auditor's report to the members of Potash West NL

Report on the financial report

We have audited the accompanying financial report of Potash West NL, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Potash West NL 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 2016 and of its performance for the year ended on that date;
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 (f) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Opinion

In our opinion, the Remuneration Report of Potash West NL for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



V L Hoang
Partner
Perth

29 September 2016

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Shareholder Information

Distribution schedules of shareholders and statements of voting rights are set out in Table 1, whilst the Company's top twenty shareholders and option holders are shown in Tables 2, 3 and 4. Substantial shareholder notices that have been received by the Company are set out in Table 5.

Table 1
Shareholder spread as at 16 September 2016

Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share)

<u>Spread of Holdings</u>	<u>No. Holders</u> <u>PWN</u>	<u>No. Holders</u> <u>PWNCA</u>
1-1,000	107	30
1,001-5,000	202	126
5,001-10,000	160	131
10,001-100,000	854	262
100,001 - and over	401	50
Total number of holders of securities	1,724	599
Total number of securities	346,887,810	35,960,024

Table 2
Top twenty shareholders as at 16 September 2016

<u>Shareholder</u>	<u>No. Shares</u>	<u>Percentage</u>
1 Citicorp Nominees Pty Limited	41,911,846	12.082
2 Wah Len Enterprise SDN BHD	16,666,666	4.805
3 Querion Pty Ltd	12,500,000	3.603
4 Yap Thai Choy	12,000,000	3.459
5 HSBC Custody Nominees	11,990,609	3.457
6 Mr Philip Anthony Feitelson	11,020,000	3.177
7 Mr Dennis Bell	7,895,723	2.276
8 Mr Robert Peter Van Der Laan	6,390,917	1.842
9 Mr Adrian Christopher Griffin	5,577,045	1.608
10 BNP Paribas Noms Pty Ltd <UOB KAY HIAN PRIV LTD DRP>	4,415,020	1.273
11 Mr Patrick Bernard Mc Manus & Mrs Vivienne Edwina Mc Manus <Mc Manus Super Fund <A/C>	4,392,631	1.266
12 Mr John Stephen Bladon	3,607,814	1.040
13 Torbinup Resources Pty Ltd	3,478,057	1.003
14 Davsms Investments Pty Ltd <D & A Koutsantonis S/F A/C>	3,416,667	0.985
15 Yarraandoo Pty Ltd	3,333,333	0.961
16 BNP Paribas Noms Pty Ltd <DRP>	3,222,054	0.929
17 Potash West NL <Employee Share Loan A/C>	3,150,000	0.908
18 Buzz Monty Pty Ltd<The Savage A/C>	2,916,666	0.841
19 Mr Xuan Khoa Pham	2,800,000	0.807
20 Flourish Super Pty Ltd<Flourish S/F A/C>	2,601,624	0.750
	163,286,672	47.072

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Shareholder Information (continued)

Table 3

Top twenty partly paid shareholders as at 16 September 2016

<u>Shareholder</u>	<u>No. Shares</u>	<u>Percentage</u>
1 First Investment Partners Pty Ltd	3,000,000	8.343
2 HSBC Custody Nominees (Australia) Limited	2,636,012	7.330
3 Mr Adrian Christopher Griffin	2,575,931	7.163
4 Torbinup Resources Pty Ltd	1,779,029	4.947
5 Mr John Stephen Bladon	1,763,907	4.905
6 Roberin Pty Ltd <McManus Family A/C>	1,553,615	4.320
7 Citicorp Nominees Pty Limited	1,438,389	4.000
8 Mr Mohan Singh Nandha	1,072,541	2.983
9 Sept Rogues Ltd	913,891	2.541
10 Mrs Anjana Nandha	911,091	2.534
11 Richmond Resources Pty Ltd	697,917	1.941
12 Super Msj Pty Ltd	600,000	1.669
13 Mr Frederick Denis Láime	591,499	1.645
14 Potash West NL <Employee Share Loan A/C>	575,000	1.599
15 Ossart Holdings Pty Ltd <The Ot Family A/C>	504,556	1.403
16 Mr Bruno Carraro & Mrs Giuseppina Carraro <Investment A/C>	415,422	1.155
17 Nutsville Pty Ltd <Indust Electrive Co S/F A/C>	400,000	1.112
18 Mr Sean Donahugh Vanderfield	341,698	0.950
19 Mr Brent Arthur Cotsworth	295,376	0.821
20 Mr Gregory John Miller	265,664	0.739
	22,331,538	62.101

Table 4

Top twenty option holders as at 16 September 2016

<u>Optionholder</u>	<u>No. Options</u>	<u>Percentage</u>
1 M & K Korkidas Pty Ltd <M&K Korkidas P/L S/FUND A/C>	2,550,000	14.366
2 Bellaire Capital Pty Ltd <Bellaire Capital Invest A/C>	2,000,000	11.268
3 David Greenblatt	1,500,000	8.451
4 Nutsville Pty Ltd <Indust Electric Co S/F A/C>	750,000	4.225
5 Ms Merle Smith & Ms Kathryn Smith <The Mini Pension Fund A/C>	750,000	4.225
6 Mr James Robert Dennison	650,000	3.662
7 Buzz Monty Pty Ltd < The Savage A/C>	625,000	3.521
8 Buzz Monty Pty Ltd < Buzz Monty Super Fund A/C>	625,000	3.521
9 Mr Dennis Bell	625,000	3.521
10 Davsms Investments Pty Ltd <D&A Koutsantonis S/F A/C>	517,834	2.917
11 Citicorp Nominees Pty Ltd	500,000	2.817
12 Mr Andrew John Meek & Ms Saskia Elle Meek <Andrew Meek Superfund A/C>	485,487	2.735
13 Lawrence Crowe Consulting Pty Ltd < L C C Super Fund A/C>	450,000	2.535
14 Mr Mark Richard Jones & Ms Margaret Tai < Tai-Jones S/F A/C>	400,000	2.254
15 Alimold Pty Ltd	350,000	1.972
16 Magna Equities II LLC	312,500	1.761
17 Demasiado Pty Ltd < Demasiado Family A/C>	290,240	1.635
18 Dropmill Pty Ltd <Russell Glenn Super A/C>	250,000	1.408
19 Janafield Pty Ltd< Superannuation Fund A/C>	200,000	1.127
20 Mr Mark Kenwyn Walters & Ms Elizabeth Jean Gundesen< Mark Walters Super Fund A/C>	187,500	1.056
	14,018,561	78.978

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Shareholder Information (continued)

Table 5
Substantial shareholders as at 16 September 2016

<u>Shareholder</u>	<u>No. of shares</u>	<u>Percentage</u>
Venture Frontier Limited & associated entities	48,666,666	14.02%

Voting Rights

The voting rights attached to each class of equity securities are set out below.

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Shareholder Information (continued)

Unlisted options as at 30 June 2016

Details of unlisted option holders are as follow:

Class of unlisted options	No. Options
Options exercisable at \$0.40 on or before 8 September 2016	100,000
Holders of more than 20% of this class	1
Options exercisable at \$0.60 on or before 8 September 2016	100,000
Holders of more than 20% of this class	1
Options exercisable at \$0.15 on or before 7 February 2017	500,000
Holders of more than 20% of this class	1
Options exercisable at \$0.087 on or before 6 November 2017	1,992,188
Holders of more than 20% of this class	2

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Tenement Register

Tenements (Australia) as at 6 September 2016

Tenements Name	Project	Holder	Details
Dinner Hill	E70/3987	Richmond Resources Pty Ltd	100% Mineral Rights for Potash
Dalaroo North	E70/3988	Richmond Resources Pty Ltd	100% Mineral Rights for Potash
Daraloo South	E70/3989	Richmond Resources Pty Ltd	100% Mineral Rights for Potash
Mogumber	E70/4124	Potash West NL	100% Mineral Rights for Potash
Jam Hill	E70/4137	Potash West NL	100% Mineral Rights for Potash
Bald Hill	E70/4138	Potash West NL	100% Mineral Rights for Potash
Ingra Hills	E70/4139	Potash West NL	100% Mineral Rights for Potash
Watheroo	E70/4471	Potash West NL	100% Mineral Rights for Potash
Dandaragan	E70/4609	Potash West NL	100% Mineral Rights for Potash
Dandaragan	E70/4687	Potash West NL	Pending
Lake Barlee	E29/985	Potash West NL	Pending
Lake Barlee	E57/1051	Potash West NL	Pending
Lake Barlee	E77/2381	Potash West NL	Pending
Lake Barlee	E77/2382	Potash West NL	Pending