



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2021

CORPORATE INFORMATION

Directors

Jim Walker (Non-Executive Chairman)

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Cathy Moises (Non-Executive Director)

Rhett Brans (Project Director)

Company Secretary

Michelle Blandford

Registered Office & Principal Place of Business

Suite 31, 22 Railway Road

Subiaco WA 6008

Telephone: +61 8 9322 1003

Solicitors

Steinepreis Paganin

Level 4, The Read Building

16 Milligan Street

PERTH WA 6000

Share Register

Automic Registry Services

Level 2, 267 St Georges Terrace

PERTH WA 6000

Auditors

Hall Chadwick WA Audit Pty Ltd (formerly Bentleys Audit & Corporate (WA) Pty Ltd)

238 Rokeby Road

SUBIACO WA 6008

Website

www.australianpotash.com.au

Stock Exchange Listing

At the date of this report the following are listed on the Australian Securities Exchange:

- Australian Potash Limited fully paid ordinary shares (ASX code APC)

TABLE OF CONTENTS

| | |
|--|----|
| Directors' Report..... | 1 |
| Auditors Independence Declaration..... | 13 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income..... | 14 |
| Consolidated Statement of Financial Position..... | 15 |
| Consolidated Statement of Changes in Equity..... | 16 |
| Consolidated Statement of Cash Flows..... | 17 |
| Notes to the Financial Statements..... | 18 |
| Directors' Declaration..... | 45 |
| Audit Report..... | 46 |

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Potash Limited and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

Jim Walker (Non-Executive Chairman)

Mr Walker is the Non-Executive Chairman of Australian Potash with over 45 years of experience in the resources sector, including as Managing Director of WesTrac Pty Ltd where he led the company's rapid development in industrial and mining services locally and in China. Mr Walker is a Member of the Australian Institute of Company Directors and the Australian Institute of Management (WA). He is currently Chairman of Western Australia's State Training Board, Chairman of RAC Holdings (WA) and Chairman of the Diggers & Dealers Mining Forum and serves on the Board of several ASX-listed companies.

Other current and former ASX-listed directorships (last 3 years):

| Name of Company | Position Held | Date commenced | Date resigned |
|------------------------|---------------------|-----------------|---------------|
| Austin Engineering Ltd | Non-Executive Chair | 8 July 2016 | n/a |
| Macmahon Holdings Ltd | Non-Executive Chair | 14 July 2015 | 27 June 2019 |
| Mader Group Ltd | Non-Executive Chair | 1 January 2019 | n/a |
| MLG OZ Ltd | Non-Executive Chair | 20 January 2021 | n/a |

Matt Shackleton (Managing Director & Chief Executive Officer)

Mr Shackleton is an experienced director with over 20 years in senior corporate positions both in Australia and the UK. Previously the Managing Director of ASX-listed Western Australian gold developer Mount Magnet South NL, Mr Shackleton was the founding director of ASX-listed and West African gold and bauxite explorer Canyon Resources Limited. He has also held senior roles with Bannerman Resources Limited, a uranium developer, Skywest Airlines Limited, iiNet Limited and DRCM Global Investors in London. Mr Shackleton holds a BComm (Economics & Accounting) from Murdoch University in Western Australia, an MBA from The University of Western Australia, and is a Fellow of the Institute of Chartered Accountants, Australia & New Zealand, and a Member of the Australian Institute of Company Directors.

Other current and former ASX-listed directorships (last 3 years):

None

Brett Lambert (Non-Executive Director)

Mr Lambert is a mining engineer and experienced company director in the Australian and international mineral resources industries. Over a career spanning 35 years, Mr Lambert has held senior management roles with Western Mining Corporation, Herald Resources Limited, Western Metals Limited, Intrepid Mines Limited, Thundelarra Exploration Limited and Bullabulling Gold Limited. He has successfully managed several greenfields resource projects through feasibility study and development and has been involved in numerous facets of financing resource project development. Mr Lambert has experience as a director of companies listed on the ASX, AIM and the Toronto Stock Exchange and holds a BAppSc (Mining Engineering) degree from Curtin University in Western Australia and is a Member of the Australian Institute of Company Directors.

DIRECTORS' REPORT (CONTINUED)

Other current and former ASX-listed directorships (last 3 years):

| Name of Company | Position Held | Date commenced | Date resigned |
|-----------------------|------------------------|-----------------|---------------|
| De Grey Mining Ltd | Non-Executive Director | 26 October 2017 | 22 July 2019 |
| Metal Hawk Ltd | Non-Executive Chair | 3 July 2019 | n/a |
| Metals X Ltd | Non-Executive Director | 24 October 2019 | 10 July 2020 |
| Mincor Resources NL | Non-Executive Chair | 1 January 2017 | n/a |
| Musgrave Minerals Ltd | Non-Executive Director | 4 February 2021 | n/a |
| Saturn Metals Ltd | Non-Executive Chair | 9 April 2020 | n/a |

Cathy Moises (Non-Executive Director)

Appointed 29 July 2020

Ms Moises holds a Bachelor of Science with Honours in Geology from the University of Melbourne and a Diploma of Finance and Investment from the Securities Institute of Australia. She has extensive experience in the resources sector having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup) and Evans and Partners where she was a partner of that firm. More recently in 2017-2019, Ms Moises was Head of Research at Patersons Securities Limited. Ms Moises brings substantial experience to APC in company management, capital markets and institutional investor engagement in the gold, base metals, mineral sands and rare earths sectors.

Other current and former ASX-listed directorships (last 3 years):

| Name of Company | Position Held | Date commenced | Date resigned |
|-----------------------|------------------------|------------------|---------------|
| Arafura Resources Ltd | Non-Executive Director | 1 December 2019 | n/a |
| PacGold Ltd | Non-Executive Chair | 11 February 2021 | n/a |
| Podium Minerals Ltd | Non-Executive Director | 11 January 2021 | n/a |
| WA Kaolin Ltd | Non-Executive Chair | 22 May 2020 | n/a |

Rhett Brans (Project Director)

Mr Brans is an experienced director and civil engineer with over 45 years' experience in project development. He is currently a Non-Executive Director of AVZ Minerals Limited and Carnavale Resources Limited. Previously, Mr Brans was a founding director of Perseus Mining Limited and served on the boards of Tiger Resources Limited, Monument Mining Limited and Syrah Resources Limited. Throughout his career, Mr Brans has been involved in the management of feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies. Mr Brans holds a Dip.Engineering (Civil), and is a member of the Institute of Engineers, Australia.

DIRECTORS' REPORT (CONTINUED)

Other current and former ASX-listed directorships (last 3 years):

| Name of Company | Position Held | Date commenced | Date resigned |
|-------------------------|------------------------|-------------------|---------------|
| AVZ Minerals Ltd | Non-Executive Director | 5 February 2018 | n/a |
| Carnavale Resources Ltd | Non-Executive Director | 17 September 2013 | n/a |

Company Secretary

Michelle Blandford

Appointed 2 June 2021

Mrs Blandford (née Simson) has 25 years' administration experience, including the last 18 years in the resources industry working in both exploration and mining companies in the commodities of gold and uranium. Mrs Blandford has previously held positions with Agincourt Resources Limited, Nova Energy Limited, Navigator Resources Limited and Breaker Resources NL and has completed an Executive Master of Business Administration with Distinction at the University of Western Australia and a Graduate Diploma in Applied Corporate Governance. Mrs Blandford is a Chartered Secretary and Member of the Governance Institute of Australia.

Stephen Buckley

Appointed 1 April 2021; Resigned 2 June 2021

Mr Buckley is a director of Governance Corporate Pty Ltd, a company that provides specialised governance and company secretarial services to ASX-listed companies. He has worked in both the Australian and New Zealand listed markets managing major corporate activities including demutualisations, initial public offerings, takeovers and various capital raisings and reconstructions. Mr Buckley was previously the Chief Executive Officer WA for Automic Registry Services and Head of WA for Link Market Services. He is a graduate of the Australian Institute of Company Directors.

Scott Nicholas

Appointed 26 March 2021; Resigned 2 June 2021

Mr Nicholas is a Chartered Accountant with 15 years' experience in the resources industry. Mr Nicholas was previously Chief Financial Officer for MACH Energy Australia Pty Ltd and also Atlantic Limited which encompassed over A\$1 billion in debt and equity financings to develop and operate Australian resource assets. Mr Nicholas has been involved in taking greenfield resource assets through to production including feasibilities, construction, operations, and offtake and marketing. Mr Nicholas began his career with KPMG and Ernst & Young in audit and corporate finance. Mr Nicholas has a Bachelor of Law and Commerce from Murdoch University and a graduate Diploma of Applied Finance from FINSIA.

Sophie Raven

Appointed 29 January 2018; Resigned 26 March 2021

Ms Raven is a lawyer and company secretary, with extensive experience in Australia and internationally, including as a corporate lawyer in Santiago, Chile advising Australian and Canadian resources and drilling companies. Ms Raven has held positions as Company Secretary with Austin Engineering Limited, Craig Mostyn Holdings Pty Ltd, and Cradle Resources Limited. Ms Raven holds a Bachelor of Laws from the University of Western Australia and is a member of the Australian Institute of Company Directors. Ms Raven is a board member of The Place of Keeping Limited, a charitable organisation.

DIRECTORS' REPORT (CONTINUED)

Interests in the shares and options/performance rights of the company and related bodies corporate

| | Ordinary Shares | Options over Ordinary Shares | Performance Rights over Ordinary Shares |
|-----------------|-----------------|------------------------------|---|
| Jim Walker | 1,255,142 | 1,277,496 | - |
| Matt Shackleton | 8,523,228 | 241,250 | 2,379,107 |
| Brett Lambert | 525,613 | 859,666 | - |
| Cathy Moises | - | 750,000 | - |
| Rhett Brans | 689,541 | 99,688 | 939,082 |

Principal Activities

During the year the Group focused on progressing the development of the 100% owned Lake Wells Sulphate of Potash Project located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Dividends

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

Finance Review

The Group began the year with available cash assets of \$3,379,177. The Group raised funds during the year via the issue of shares and options. Total gross funds raised during the year amounted to \$17,063,826.

During the year, the Group capitalised exploration costs amounting to \$11,387,177 (2020: \$4,381,780). Exploration expenditure not at the definitive feasibility stage of \$518,170 (2020: \$153,144) was expensed as incurred.

The Group reported an operating loss after income tax for the year ended 30 June 2021 of \$3,734,289 (2020: \$775,551).

At 30 June 2021 cash assets available totalled \$7,796,799.

Operating Results for the Year

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

| | 2021 | | 2020 | |
|---------------------------|----------|-------------|-----------|-----------|
| | Revenues | Results | Revenues | Results |
| | \$ | \$ | \$ | \$ |
| Australian Potash Limited | 380,972 | (3,734,289) | 1,961,381 | (775,551) |

Shareholder Returns

| | 2021 | 2020 |
|------------------------------|--------|--------|
| Basic loss per share (cents) | (0.70) | (0.20) |

Risk Management

The Board has overall responsibility for risk management.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified.

The Audit and Risk Committee, of which all directors are members, is responsible for overseeing the identification and management of financial, business, economic, environmental and social sustainability risks and reviewing the Company's risk management framework.

DIRECTORS' REPORT (CONTINUED)

These include

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets; and
- Twice yearly Committee meetings to provide regular oversight, review and management of business risks.

Significant Changes in the State of Affairs

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

Significant Events after the Balance Date

No matters or circumstances, besides those disclosed at note 22, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely Developments and Expected Results

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

Environmental Regulation and Performance

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

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

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

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Group's key management personnel:

- Non-executive directors (**NEDs**)
- Executive directors and senior executives (collectively **the executives**)

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The key management personnel during the year were:

- Jim Walker Non-Executive Chairman
- Matt Shackleton Managing Director & Chief Executive Officer
- Brett Lambert Non-Executive Director
- Cathy Moises Non-Executive Director (appointed 29 July 2020)
- Rhett Brans Project Director
- Michelle Blandford Company Secretary (appointed 2 June 2021) & Chief Administration Officer (appointed 23 April 2021)
- Scott Nicholas Chief Financial Officer

DIRECTORS' REPORT (CONTINUED)

Principles used to Determine the Nature and Amount of Remuneration

Remuneration Policy

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

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

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

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

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

The NEDs and executives receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2021 financial year. Some individuals may choose to sacrifice part of their salary or fees to increase payments towards superannuation.

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

The Board policy is to remunerate NEDs at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the NEDs and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). Fees for NEDs are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the Company's Incentive Performance Rights Plan.

Performance Based Remuneration

Short Term Incentive

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

Long Term Incentive (LTI)

The LTI awards are aimed specifically at creating long term shareholder value and the retention of executives.

Incentive Option Plan

The Group implemented an Incentive Option Plan which enables the provision of options to executives and employees. During the prior year the Incentive Option Plan was replaced with the Incentive Performance Rights Plan. During the 2021 and 2020 financial years, no options were issued to executives under the Incentive Option Plan.

DIRECTORS' REPORT (CONTINUED)

Incentive Performance Rights Plan

The Group implemented the Company's Incentive Performance Rights Plan during the prior year which enables the provision of performance rights to employees and contractors of the Company.

During the 2021 and 2020 financial years, performance rights which will vest subject to pre-defined performance hurdles were allocated to executives. The grant of performance rights aims to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Refer to page 10 for the number and value of performance rights issued to executives during the year.

Performance Measures to Determine Vesting of Options and Performance Rights

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

The performance measures for the 2021 and 2020 performance rights related to:

- Completion of the FEED Study for the Lake Wells Sulphate of Potash Project (**Project**);
- Final investment decision to develop the Project; and
- Commencement of commercial production at the Project.

No options were issued to executives in the current year or the prior year. The performance measures for the previously issued options related to:

- Completion of the Lake Wells Sulphate of Potash Project feasibility study (Class 3);
- Finalisation of a Board approved finance package to commence the development of the Lake Wells Potash Project; and
- Delineation of JORC compliant resource of > 250,000 gold equivalent ounces of base, PG or precious metals.

Termination and Change of Control Provisions

Where an executive ceases employment prior to the vesting of an award, the incentives are forfeited unless the Board applies its discretion to allow vesting at, or post cessation of, employment in appropriate circumstances.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and the options and rights will vest in full, subject to ultimate Board discretion.

No hedging of LTIs

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

Use of Remuneration Consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2021 (2020: Nil).

Voting and Comments made at the Company's 2020 Annual General Meeting

The Company received 99.7% of "yes" votes on its remuneration report for the 2020 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

DIRECTORS' REPORT (CONTINUED)

Details of Remuneration

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

The key management personnel of the Group are disclosed above.

Key Management Personnel of the Group

| | Short-Term | | Post-Employment | | Share-based Payments | | Total | Performance Related |
|--|---------------|--------|-----------------|---------------------|----------------------|----------------|-----------|---------------------|
| | Salary & Fees | Other | Super-annuation | Retirement benefits | Shares | Options/Rights | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | | |
| Jim Walker | | | | | | | | |
| 2021 | 70,000 | - | 6,650 | - | - | - | 76,650 | - |
| 2020 | 56,538 | - | 5,371 | - | - | - | 61,909 | - |
| Matt Shackleton | | | | | | | | |
| 2021 | 284,795 | 15,000 | 21,805 | - | - | 104,138 | 425,738 | 24.5% |
| 2020 | 272,811 | 15,000 | 22,390 | - | - | (11,169) | 299,032 | - |
| Brett Lambert | | | | | | | | |
| 2021 | 41,096 | - | 3,904 | - | - | 39,750 | 84,750 | - |
| 2020 | 33,192 | - | 3,153 | - | - | - | 36,345 | - |
| Cathy Moises | | | | | | | | |
| 2021 | 38,145 | - | 3,624 | - | - | 39,750 | 81,519 | - |
| 2020 | - | - | - | - | - | - | - | - |
| Rhett Brans | | | | | | | | |
| 2021 | 240,000 | - | 22,800 | - | - | 120,812 | 383,612 | 31.5% |
| 2020 | 44,768 | - | 2,828 | - | - | - | 47,596 | - |
| Total directors' compensation | | | | | | | | |
| 2021 | 674,036 | 15,000 | 58,783 | - | - | 304,450 | 1,052,269 | - |
| 2020 | 407,309 | 15,000 | 33,742 | - | - | (11,169) | 444,882 | - |
| Executives | | | | | | | | |
| Michelle Blandford | | | | | | | | |
| 2021 | 13,558 | - | 1,288 | - | - | - | 14,846 | - |
| Scott Nicholas | | | | | | | | |
| 2021 | 267,992 | - | 22,008 | - | - | 71,712 | 361,712 | 19.8% |
| 2020 | 257,335 | - | 23,030 | - | - | 49,726 | 330,091 | 15.1% |
| Total executives' compensation | | | | | | | | |
| 2021 | 281,550 | - | 23,296 | - | - | 71,712 | 376,558 | - |
| 2020 | 257,335 | - | 23,030 | - | - | 49,726 | 330,091 | - |
| Total key management personnel compensation | | | | | | | | |
| 2021 | 955,586 | 15,000 | 82,079 | - | - | 376,162 | 1,428,827 | - |
| 2020 | 664,644 | 15,000 | 56,772 | - | - | 38,557 | 774,973 | - |

Service agreements

Managing Director and Chief Executive Officer

Matt Shackleton (formerly Executive Chairman, currently Managing Director and Chief Executive Officer), first appointed 23 July 2014:

- Paid annual salary of \$280,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice to the Executive.
- The Company pays \$15,000 per annum towards the cost of a novated lease for a motor vehicle.

DIRECTORS' REPORT (CONTINUED)

Project Director

Rhett Brans (Appointed 9 June 2020 formerly Non-Executive Director):

- Effective 1 July 2020, Mr Brans' annual salary is \$240,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice to the Executive.

Chief Administrative Officer & Company Secretary

Michelle Blandford (Appointed 23 April 2021):

- Paid annual salary of \$235,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving four weeks' written notice to the Executive.

Chief Financial Officer

Scott Nicholas (Appointed 18 May 2019):

- Paid annual salary of \$264,840 (plus statutory superannuation). Subsequent to year end, effective 1 July 2021, Mr Nicholas' annual salary increased to \$280,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice to the Executive.

Share-based Compensation

Options

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial and future financial years:

| Grant Date | Value per option at grant date (cents) | Exercise Price (cents) | Expiry Date | Vesting Date |
|-------------------|---|-------------------------------|--------------------|---------------------|
| 30/11/2017 | 7.1 | 16.0 | 30/11/2020 | (1) |
| 30/11/2017 | 6.6 | 20.0 | 30/11/2020 | (1) |
| 28/11/2020 | 5.3 | 17.5 | 29/07/2023 | 28/11/2020 |

- (1) Vesting of the options granted was dependent on the following performance criteria being met:
- 50% will vest upon a resolution of the Board to proceed to the development of the Project; and
 - 50% will vest on delineation of JORC compliant resource of > 250,000 gold equivalent ounces (as measured at the spot price) of base, platinum group or precious metals.

Rights

| Grant Date | Value per right at grant date (cents) | Exercise Price (cents) | Expiry Date | Vesting Date |
|-------------------|--|-------------------------------|--------------------|---------------------|
| 18/11/2019 | 9.0 | - | 04/03/2024 | (1) |
| 04/03/2020 | 9.9 | - | 04/03/2024 | (1) |
| 28/11/2020 | 13.5 | - | 04/03/2024 | (1) |

- (1) Vesting of the rights granted is dependent on the following performance criteria being met:
- One third will vest upon the Company completing its FEED Study for the Project;
 - One third will vest upon a final investment decision to develop the Project; and
 - One third will vest upon the commencement of commercial production at the Project.

DIRECTORS' REPORT (CONTINUED)

Share-based Compensation (continued)

The following options/rights over ordinary shares of the Company were granted, vested or lapsed with key management personnel during the year:

| Financial Year | Options /rights awarded during the year No. | Grant Date | Value per option /right at grant date (cents) | Vesting Date | Exercise Price (cents) | Expiry Date | No. Vested during the year | No. Lapsed during the year | Value of options /rights granted during the year | Value of options /rights exercised during the year |
|---------------------------|---|------------|---|--------------|------------------------|-------------|----------------------------|----------------------------|--|--|
| Directors | | | | | | | | | | |
| Brett Lambert | | | | | | | | | | |
| 2021 | 750,000 | 28/11/2020 | 5.3 | 28/11/2020 | 17.5 | 29/07/2023 | 750,000 | - | 39,750 | - |
| Cathy Moises | | | | | | | | | | |
| 2021 | 750,000 | 28/11/2020 | 5.3 | 28/11/2020 | 17.5 | 29/07/2023 | 750,000 | - | 39,750 | - |
| Rhett Brans | | | | | | | | | | |
| 2021 | 1,408,623 | 28/11/2020 | 13.5 | (i) | - | 04/03/2024 | 469,541 | - | 190,164 | 63,388 |
| Matt Shackleton | | | | | | | | | | |
| 2018 | - | 30/11/2017 | - | - | - | 30/11/2020 | - | 1,250,000 | - | - |
| 2018 | - | 30/11/2017 | - | - | - | 30/11/2020 | - | 1,250,000 | - | - |
| 2020 | - | 18/11/2019 | 9.0 | (i) | - | 04/03/2024 | 1,171,799 | - | - | 105,462 |
| Executives | | | | | | | | | | |
| Michelle Blandford | | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | - | - |
| Scott Nicholas | | | | | | | | | | |
| 2020 | - | 04/03/2020 | 9.9 | (i) | - | 04/03/2024 | 555,013 | - | - | 54,946 |

(i) Vesting of the rights granted is dependent on the following performance criteria being met:

- One third will vest upon the Company completing its FEED Study for the Project;
- One third will vest upon a final investment decision to develop the Project; and
- One third will vest upon the commencement of commercial production at the Project.

Equity Instruments held by Key Management Personnel

Share holdings

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

| 2021 Ordinary shares | Balance at start of the year | Received during the year on the exercise of options | Received during the year on the vesting of performance rights | Number acquired during the year | Balance at end of the year | Number of shares in Escrow ⁱ |
|----------------------|------------------------------|---|---|---------------------------------|----------------------------|---|
| Directors | | | | | | |
| Jim Walker | 1,255,142 | - | - | - | 1,255,142 | - |
| Matt Shackleton | 7,351,429 | - | 1,171,799 | - | 8,523,228 | 1,171,799 |
| Brett Lambert | 525,613 | - | - | - | 525,613 | - |
| Cathy Moises | - | - | - | - | - | - |
| Rhett Brans | 220,000 | - | 469,541 | - | 689,541 | 469,541 |
| Executives | | | | | | |
| Michelle Blandford | - | - | - | - | - | - |
| Scott Nicholas | 386,531 | - | 555,013 | - | 941,544 | 555,013 |

i. Shares issued on vesting of performance rights are in escrow until 12 May 2022

DIRECTORS' REPORT (CONTINUED)

Option and Rights Holdings

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

| 2021 | Balance at start of the year | Granted as compensation | Exercised | Expired | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---------------------------|------------------------------|-------------------------|-------------|-------------|---------------|----------------------------|------------------------|-----------|
| Directors | | | | | | | | |
| Jim Walker | | | | | | | | |
| Options | 1,277,496 | - | - | - | - | 1,277,496 | 1,277,496 | - |
| Matt Shackleton | | | | | | | | |
| Options | 2,741,250 | - | - | (2,500,000) | - | 241,250 | 241,250 | - |
| Rights | 3,550,906 | - | (1,171,799) | - | - | 2,379,107 | - | 2,379,107 |
| Brett Lambert | | | | | | | | |
| Options | 109,666 | 750,000 | - | - | - | 859,666 | 859,666 | - |
| Cathy Moises | | | | | | | | |
| Options | - | 750,000 | - | - | - | 750,000 | 750,000 | - |
| Rhett Brans | | | | | | | | |
| Options | 99,688 | - | - | - | - | 99,688 | 99,688 | - |
| Rights | - | 1,408,623 | (469,541) | - | - | 939,082 | - | 939,082 |
| Executives | | | | | | | | |
| Michelle Blandford | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| Scott Nicholas | | | | | | | | |
| Rights | 1,665,039 | - | (555,013) | - | - | 1,110,026 | - | 1,110,026 |

Loans to Key Management Personnel

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

Other Transactions with Key management Personnel

There were no other transactions with key management personnel during the year.

END OF AUDITED REMUNERATION REPORT

Directors' Meetings

During the year the Company held 5 meetings of directors. The attendance of directors at meetings of the Board and committees were:

| | Directors Meetings | | Audit & Risk Committee Meetings | | Remuneration & Nomination Committee Meetings | |
|-----------------|--------------------|---|---------------------------------|---|--|---|
| | A | B | A | B | A | B |
| Jim Walker | 5 | 5 | 2 | 2 | 2 | 2 |
| Matt Shackleton | 5 | 5 | 2 | 2 | 2 | 2 |
| Brett Lambert | 5 | 5 | 2 | 2 | 2 | 2 |
| Cathy Moises | 4 | 4 | 2 | 2 | 2 | 2 |
| Rhett Brans | 5 | 5 | 2 | 2 | 2 | 2 |

Notes

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

B – Number of meetings attended.

DIRECTORS' REPORT (CONTINUED)

Shares Under Option/Right

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

| | Date issued | Expiry date | Exercise price (cents) | Number |
|----------------|-------------|-------------|------------------------|-----------|
| Options | | | | |
| | 27/12/2018 | 27/12/2021 | 22.5 Unlisted | 1,277,496 |
| | 15/04/2020 | 15/04/2022 | 25.0 Unlisted | 1,787,865 |
| | 28/11/2020 | 29/07/2023 | 17.5 Unlisted | 1,500,000 |
| Rights | | | | |
| | 04/03/2020 | 04/03/2024 | NIL Unlisted | 6,363,024 |

Total number outstanding at the date of this report

10,928,385

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

Insurance of Directors and Officers

During the financial year, Australian Potash Limited paid a premium to insure the directors and officers of the Company. Details of the premium are subject to a confidentiality clause under the contract of insurance.

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

Non-Audit Services

There were no non-audit services provided by the entity's auditor, Hall Chadwick WA Audit Pty Ltd (formerly Bentleys), or associated entities.

Proceedings on Behalf of The Company

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Signed in accordance with a resolution of the directors.



Matt Shackleton

Managing Director & Chief Executive Officer
Perth, 23 September 2021

To the Board of Directors,

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

As lead audit partner for the audit of the financial statements of Australian Potash Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully



HALL CHADWICK WA AUDIT PTY LTD



DOUG BELL CA
Partner

Dated this 23rd day of September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 \$ | 2020 \$ |
|--|-------|--------------------|-------------|
| REVENUE | | | |
| Revenue from contracts with customers | 4 | 159,360 | 163,380 |
| Finance revenue | | 471 | 3,019 |
| Other income | 5 | 221,141 | 1,794,982 |
| | | 380,972 | 1,961,381 |
| Cost of sales | | (151,464) | (186,777) |
| Gross Profit | | 229,508 | 1,774,604 |
| EXPENDITURE | | | |
| Administration expenses | | (1,500,089) | (989,827) |
| Depreciation and amortisation expenses | | (127,110) | (87,779) |
| Employee benefits expenses | | (1,300,037) | (1,175,922) |
| Exploration expenses | | (518,170) | (153,144) |
| Interest expense | | (21,247) | (6,527) |
| Share-based payments expense | 25(f) | (497,144) | (136,956) |
| LOSS BEFORE INCOME TAX | | (3,734,289) | (775,551) |
| Income tax benefit/(expense) | 7 | - | - |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS | | (3,734,289) | (775,551) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED | | (3,734,289) | (775,551) |
| Loss per share (cents per share) | | | |
| Basic loss attributable to the ordinary equity holders of the Company | 24 | (0.7) | (0.2) |
| Diluted loss attributable to the ordinary equity holders of the Company | 24 | (0.7) | (0.2) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

| | Note | 2021 \$ | 2020 \$ |
|--------------------------------------|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 7,796,799 | 3,379,177 |
| Trade and other receivables | 9 | 735,600 | 258,635 |
| Inventory | | 52,760 | - |
| TOTAL CURRENT ASSETS | | 8,585,159 | 3,637,812 |
| NON CURRENT ASSETS | | | |
| Plant and equipment | 10 | 173,957 | 133,186 |
| Right-of-use assets | 11 | 110,255 | 188,746 |
| Intangibles | | 6,812 | 5,375 |
| Exploration and evaluation | 12 | 20,822,722 | 9,435,545 |
| TOTAL NON CURRENT ASSETS | | 21,113,746 | 9,762,852 |
| TOTAL ASSETS | | 29,698,905 | 13,400,664 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 5,311,008 | 1,903,575 |
| Lease liabilities – current | 14 | 82,192 | 81,152 |
| Provisions | | 309,426 | 184,306 |
| TOTAL CURRENT LIABILITIES | | 5,702,626 | 2,169,033 |
| NON CURRENT LIABILITIES | | | |
| Lease liabilities – non current | 14 | 35,307 | 113,743 |
| TOTAL NON CURRENT LIABILITIES | | 35,307 | 113,743 |
| TOTAL LIABILITIES | | 5,737,933 | 2,282,776 |
| NET ASSETS | | 23,960,972 | 11,117,888 |
| EQUITY | | | |
| Issued capital | 15 | 45,704,920 | 29,628,277 |
| Reserves | | 2,146,796 | 1,646,066 |
| Accumulated losses | | (23,890,744) | (20,156,455) |
| TOTAL EQUITY | | 23,960,972 | 11,117,888 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

| | Issued Capital | Share-based Payments Reserve | Accumulated Losses | Total |
|---|-------------------|------------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| BALANCE AT 1 JULY 2019 | 23,896,438 | 1,501,938 | (19,380,904) | 6,017,472 |
| Loss for the period | - | - | (775,551) | (775,551) |
| TOTAL COMPREHENSIVE LOSS | - | - | (775,551) | (775,551) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Shares and options issued during the period | 6,271,017 | - | - | 6,271,017 |
| Share issue transaction costs | (539,178) | - | - | (539,178) |
| Issue of supplier options | - | 7,172 | - | 7,172 |
| Issue of employee options | - | 136,956 | - | 136,956 |
| BALANCE AT 30 JUNE 2020 | 29,628,277 | 1,646,066 | (20,156,455) | 11,117,888 |
| BALANCE AT 1 JULY 2020 | 29,628,277 | 1,646,066 | (20,156,455) | 11,117,888 |
| Loss for the period | - | - | (3,734,289) | (3,734,289) |
| TOTAL COMPREHENSIVE LOSS | - | - | (3,734,289) | (3,734,289) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Shares and options issued during the period | 17,063,826 | - | - | 17,063,826 |
| Share issue transaction costs | (987,183) | - | - | (987,183) |
| Issue of supplier options | - | 3,586 | - | 3,586 |
| Issue of employee options | - | 497,144 | - | 497,144 |
| BALANCE AT 30 JUNE 2021 | 45,704,920 | 2,146,796 | (23,890,744) | 23,960,972 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|--------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 159,360 | 163,380 |
| Expenditure on exploration | | (370,318) | (197,715) |
| Payments to suppliers and employees | | (3,022,349) | (2,383,067) |
| Interest received | | 686 | 2,738 |
| Research and development refund received | | 134,304 | 2,734,534 |
| Government grants | | 67,500 | 50,000 |
| Net cash (outflow)/inflow from operating activities | 23 | (3,030,817) | 369,870 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for plant and equipment | | (119,609) | (42,405) |
| Payments for evaluation and exploration | | (8,342,474) | (4,720,317) |
| Reimbursement of gold expenditure | | - | 318,022 |
| Net cash outflow from investing activities | | (8,462,083) | (4,444,700) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares and options | | 17,063,826 | 5,831,517 |
| Payments of share issue transaction costs | | (1,056,089) | (286,811) |
| Payments of lease liabilities | | (95,213) | (47,746) |
| Net cash inflow from financing activities | | 15,912,524 | 5,496,960 |
| Net increase in cash and cash equivalents | | 4,419,624 | 1,422,130 |
| Cash and cash equivalents at the beginning of the year | | 3,379,177 | 1,952,751 |
| Effect of exchange rate changes on cash and cash equivalents | | (2,002) | 4,296 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 8 | 7,796,799 | 3,379,177 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for Australian Potash Limited. The financial statements are presented in the Australian currency. Australian Potash Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 23 September 2021. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) *Compliance with IFRS*

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

(ii) *Adoption of new and revised Standards*

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

(iii) *Standards and interpretations in issue not yet adopted*

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to Group accounting policies.

(iv) *Early adoption of standards*

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

(v) *Historical cost convention*

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

(vi) *Going concern*

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

The Group generated a loss for the period of \$3,734,289 (2020: \$775,551) and net cash inflows of \$4,419,624 (2020: Inflows \$1,422,130). The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors are satisfied there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Group has a Controlled Placement Agreement (CPA) that provides APC with up to \$5 million of standby equity capital to January 2022;
- The Group has a history of successfully raising equity with \$15.7 million raised during the year following placements to professional and sophisticated investors;
- The Group has no loans or borrowings; and
- The Group has the ability to adjust its expenditure commitments subject to operational plans and its funding position.

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

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

(ii) Changes in ownership interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(c) Segment reporting

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

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

(d) Revenue recognition

(i) Revenue from contracts with customers

The Group is in the business of providing sulphate of potash fertiliser (**SOP**).

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Sale of SOP

Revenue from sale of SOP is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 50% deposit before goods are received and payment on delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be. In determining the transaction price for the SOP, the Group considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

(ii) Interest Revenue

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

(e) 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 on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

(g) Impairment of assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

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

(i) Trade and other receivables

Receivables are recognised at amortised cost less any Expected Credit Losses (**ECL**). The company has reviewed its impairment methodology under AASB 9 for financial assets under the new ECL model for all its assets held at amortised cost. There has been no change in the impairment impacts on the financial statements as a result of this change in methodology.

(j) Inventories

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(k) Exploration and evaluation costs

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

Exploration and evaluation costs for each area of interest that has progressed to the definitive feasibility study stage are capitalised as exploration and evaluation assets. The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount an impairment loss is recognised in the Statement of Comprehensive Income.

(l) Financial Instruments

(i) *Classification of financial instruments*

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Financial Instruments (continued)

(ii) *Financial assets measured at amortised cost*

Debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in note (v) Impairment of financial assets.

(iii) *Financial assets measured at fair value through other comprehensive income*

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iv) *Items at fair value through profit or loss*

Items at fair value through profit or loss comprise:

- items held for trading;
- items specifically designated as fair value through profit or loss on initial recognition; and
- debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial instruments held for trading

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Financial Instruments (continued)

Financial instruments designated as measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

(v) *Impairment of financial assets*

The Group applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognised on equity investments.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are Grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

(vi) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Leases

The Group as lessee

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases (continued)

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

(n) Trade and other payables

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

(o) Employee benefits

Wages and salaries and annual leave

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

(p) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions), refer to note 25.

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (**vesting date**).

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

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

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

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Issued capital

Ordinary shares are classified as equity.

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

(r) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(s) Goods and Services Tax (GST)

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

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

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

(t) Critical accounting judgements, estimates and assumptions

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

Environmental Issues

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

Exploration and evaluation phase and the transition to development

Management assesses the phase of its projects with respect to consideration of the transition from evaluation activities to the reclassification to development. Exploration and evaluation projects for which technical and commercial feasibility have been determined are transferred to development and tested for impairment at date of transition. Whilst technical feasibility of the Lake Wells Sulphate of Potash Project has been obtained, commercial feasibility is subject to the Company raising sufficient equity funding, which as at the date of this report has not been achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Critical accounting judgements, estimates and assumptions (continued)

Taxation

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

Share-based payments

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2. FINANCIAL RISK MANAGEMENT

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

The Board has overall responsibility for risk management. The Audit and Risk Committee, of which all directors are members, is responsible for overseeing the identification and management of financial, business, economic, environmental and social sustainability risks and reviewing the Company's risk management framework.

The Managing Director and Chief Executive Officer, with the assistance of senior management as required, has responsibility for the day to day risk management which includes identifying, assessing, treating and monitoring risks and reporting to the Committee.

(a) Market Risk

(i) Foreign exchange risk

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

(ii) Commodity price risk

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

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group of \$7,796,799 (2020: \$3,379,177) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 0.1% (2020: 0.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Sensitivity analysis

At 30 June 2021, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$10,198 lower/higher (2020: \$16,221 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit Risk

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

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

(c) Liquidity Risk

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

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

(d) Fair Value Estimation

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

3. SEGMENT INFORMATION

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

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

| 4. REVENUE FROM CONTRACTS WITH CUSTOMERS | 2021 | 2020 |
|--|---------|---------|
| | \$ | \$ |
| Sale of goods | 159,360 | 163,380 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

| 5. OTHER INCOME | 2021 | 2020 |
|--|----------------|------------------|
| | \$ | \$ |
| Research and development tax incentive | 134,304 | 1,406,955 |
| Government grants | 67,500 | - |
| Other (i) | 19,337 | 388,027 |
| | <u>221,141</u> | <u>1,794,982</u> |

(i) Included in Other Income in 2020 is \$318,022 reimbursed to APC by SBM for previously incurred gold expenditure.

6. EXPENSES

Loss before income tax includes the following specific expenses:

| | | |
|---|--------|--------|
| Defined contribution superannuation expense | 89,392 | 88,001 |
| Depreciation of plant and equipment | 46,621 | 37,119 |
| Amortisation of intangibles | 1,998 | 1,353 |

7. INCOME TAX

(a) Income tax expense

| | | |
|--------------|----------|----------|
| Current tax | - | - |
| Deferred tax | - | - |
| | <u>-</u> | <u>-</u> |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|---|-------------|-----------|
| Loss from continuing operations before income tax expense | (3,734,289) | (775,551) |
| Prima facie tax benefit at the Australian tax rate of 26% (2020: 27.5%) | (970,915) | (213,276) |
| Tax effect of non deductible expenses in calculating taxable income | 77,922 | (347,539) |
| Movements in unrecognised temporary differences | (2,541,702) | (92,717) |
| Tax effect of current period tax losses for which no deferred tax asset has been recognised | 3,434,696 | 653,532 |
| Income tax expense | <u>-</u> | <u>-</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

| 7. INCOME TAX (continued) | 2021 | 2020 |
|--|--------------------|--------------------|
| | \$ | \$ |
| (c) Unrecognised temporary differences | | |
| Deferred Tax Assets (at 26% (2020: 27.5%)) | | |
| <i>On Income Tax Account</i> | | |
| Accruals and other provisions | 646,324 | 77,372 |
| Capital raising costs | 346,034 | 239,067 |
| Carry forward tax losses | 8,661,421 | 4,457,298 |
| | 9,653,779 | 4,773,737 |
| Set off of deferred tax liabilities | (962,261) | (997,389) |
| Net deferred tax assets | 8,691,518 | 3,776,348 |
| Less deferred tax assets not recognised | (8,691,518) | (3,776,348) |
| | - | - |
| Deferred Tax Liabilities (at 26% (2020: 27.5%)) | | |
| Prepayments | 45,029 | 27,240 |
| Exploration | 917,231 | 970,148 |
| | 962,261 | 997,389 |
| Set off against deferred tax assets | (962,261) | (997,389) |
| | - | - |

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

8. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 7,771,799 | 3,354,177 |
| Short-term deposits | 25,000 | 25,000 |
| | 7,796,799 | 3,379,177 |

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

9. TRADE AND OTHER RECEIVABLES

| | | |
|-------------------|----------------|----------------|
| GST receivable | 519,220 | 108,270 |
| Other receivables | 216,380 | 150,365 |
| | 735,600 | 258,635 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10. PLANT AND EQUIPMENT

| | Computer Equipment | Plant and Equipment | Motor Vehicles | Furniture and Fittings | Total |
|---------------------------------|-----------------------|------------------------|-------------------|---------------------------|----------------|
| Cost | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 22,196 | 116,765 | 42,093 | - | 181,054 |
| Additions | 13,656 | 8,252 | - | 17,245 | 39,153 |
| Balance at 30 June 2020 | 35,852 | 125,017 | 42,093 | 17,245 | 220,207 |
| Additions | 16,077 | 10,395 | 85,164 | 1,818 | 113,454 |
| Disposals | (1,145) | (3,382) | (26,364) | - | (30,891) |
| Balance at 30 June 2021 | 50,784 | 132,030 | 100,893 | 19,063 | 302,770 |
| Accumulated Depreciation | | | | | |
| Balance at 1 July 2019 | 7,705 | 32,025 | 10,172 | - | 49,902 |
| Depreciation for the year | 6,976 | 18,218 | 8,419 | 3,506 | 37,119 |
| Balance at 30 June 2020 | 14,681 | 50,243 | 18,591 | 3,506 | 87,021 |
| Depreciation for the year | 9,303 | 19,293 | 12,363 | 5,662 | 46,621 |
| Disposals | (1,145) | (1,286) | (2,398) | - | (4,829) |
| Balance at 30 June 2021 | 22,839 | 68,250 | 28,556 | 9,168 | 128,813 |
| Net Book Value | | | | | |
| Balance at 30 June 2020 | 21,171 | 74,774 | 23,502 | 13,739 | 133,186 |
| Balance at 30 June 2021 | 27,945 | 63,780 | 72,337 | 9,895 | 173,957 |

11. LEASES (GROUP AS LESSEE)

| | 2021 | 2020 |
|---------------------------------|----------------|----------------|
| | \$ | \$ |
| RIGHT-OF-USE ASSETS | | |
| COST | | |
| Beginning of the period | 238,053 | - |
| Additions | - | 238,053 |
| End of the period | 238,053 | 238,053 |
| ACCUMULATED DEPRECIATION | | |
| Beginning of the period | 49,307 | - |
| Charge for the period | 78,491 | 49,307 |
| End of the period | 127,798 | 49,307 |
| CARRYING AMOUNT | 110,255 | 188,746 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

11. LEASES (GROUP AS LESSEE)

The Group entered into leases for office space during the year. The average lease term is 2 years (30 June 2020: 3 years). The maturity analysis of lease liabilities is presented in note 14.

| Amounts recognised in profit and loss: | 2021 | 2020 |
|--|--------|--------|
| | \$ | \$ |
| Depreciation expense on right-of-use assets | 78,491 | 49,307 |
| Interest expense on lease liabilities | 17,817 | 4,588 |
| Expense relating to short-term leases | - | 20,835 |
| Expense relating to leases of low value assets | 16,204 | 3,595 |

At 30 June 2021, the Group is committed to \$nil short-term leases (2020: \$nil).

12. EXPLORATION AND EVALUATION

| | | |
|---------------------------------|-------------------|------------------|
| Beginning of the financial year | 9,435,545 | 5,053,765 |
| Additions | 11,387,177 | 4,381,780 |
| End of the financial year | <u>20,822,722</u> | <u>9,435,545</u> |

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

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

13. TRADE AND OTHER PAYABLES

| | | |
|-----------------------------|------------------|------------------|
| Trade payables | 3,099,899 | 1,358,995 |
| Other payables and accruals | 2,211,109 | 544,580 |
| | <u>5,311,008</u> | <u>1,903,575</u> |

14. LEASE LIABILITIES

Maturity analysis:

| | | |
|------------------------|----------------|----------------|
| Year 1 | 88,747 | 93,922 |
| Year 2 | 35,897 | 86,167 |
| Year 3 | - | 34,466 |
| | <u>124,644</u> | <u>214,555</u> |
| Less Unearned interest | (7,145) | (19,660) |
| | <u>117,499</u> | <u>194,895</u> |

Analysed as:

| | | |
|-------------|----------------|----------------|
| Current | 82,192 | 81,152 |
| Non current | 35,307 | 113,743 |
| | <u>117,499</u> | <u>194,895</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

| 15. ISSUED CAPITAL | Notes | 2021 | | 2020 | |
|---|-------|--------------------|-------------------|-------------------|------------|
| | | No. of securities | \$ | No. of securities | \$ |
| (a) Share capital | | | | | |
| Ordinary shares fully paid | 15(c) | <u>626,478,509</u> | <u>45,164,125</u> | 486,560,550 | 29,087,482 |
| (b) Other equity securities | | | | | |
| Options | 15(d) | <u>51,222,420</u> | <u>540,795</u> | 72,260,805 | 540,795 |
| Total issued capital | | <u>45,704,920</u> | <u>29,628,277</u> | | |
| (c) Movements in ordinary share capital | | | | | |
| Beginning of the financial year | | 486,560,550 | 29,087,482 | 357,573,073 | 23,543,143 |
| Issued during the year: | | | | | |
| – Issued for cash at 11.1 cents per share | | 63,063,063 | 7,000,000 | - | - |
| – Issued for cash at 14 cents per share | | 62,221,428 | 8,711,000 | - | - |
| – Issued on exercise of unlisted options at 15 cents per option | | 3,430,000 | 514,500 | - | - |
| – Issued on exercise of unlisted options at 10 cents per option | | 3,430,000 | 343,000 | - | - |
| – Issued on exercise of listed options at 12 cents per option | | 4,127,715 | 495,326 | - | - |
| – Issued on vesting of performance rights | (i) | 3,645,753 | - | - | - |
| – Issued for cash at 7 cents per share | | - | - | 22,857,141 | 1,600,000 |
| – Issued for cash at 5 cents per share | | - | - | 84,630,336 | 4,231,517 |
| – Issued as compensation at 8.4 cents per share | (ii) | - | - | 3,000,000 | 252,000 |
| – Issued to Acuity Capital | (iii) | - | - | 18,500,000 | - |
| Share issue transaction costs | | - | (987,183) | - | (539,178) |
| End of the financial year | | <u>626,478,509</u> | <u>45,164,125</u> | 486,560,550 | 29,087,482 |

(i) Shares issued on vesting of performance rights are in escrow until 12 May 2022.

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

(iii) On 28 February 2020 and ratified by the shareholders on 9 April 2020, the Company entered into a Controlled Placement Agreement (**CPA**) and agreed to place 18,500,000 shares at nil consideration to Acuity Capital (**Collateral Shares**) but may at any time cancel the CPA and buy back the collateral shares for no consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

15. ISSUED CAPITAL (continued)

(d) Movements in other equity securities

| | 2021 | | 2020 | |
|---|-------------------|----------------|-------------------|---------|
| | No. of securities | \$ | No. of securities | \$ |
| Beginning of the financial year | 72,260,805 | 540,795 | 102,355,711 | 353,295 |
| Issued during the year: | | | | |
| – Options issued as compensation | - | - | 7,500,000 | 187,500 |
| Exercise of listed options at 12 cents per option | (4,127,715) | - | | |
| Expiry of listed options | (16,910,670) | - | (37,594,906) | - |
| Share option transaction costs | - | - | - | - |
| End of the financial year | 51,222,420 | 540,795 | 72,260,805 | 540,795 |

(e) Movements in options on issue

| | Number of options | |
|---|-------------------|--------------|
| | 2021 | 2020 |
| Beginning of the financial year | 67,775,500 | 106,795,060 |
| Movements of options during the year | | |
| Unlisted options issued, exercisable at 17.5 cents, expiring 29 July 2023 | 1,500,000 | - |
| Listed options issued, exercisable at 12.0 cents expiring 8 August 2021 | - | 7,500,000 |
| Unlisted options issued, exercisable at 25.0 cents, expiring 15 April 2020 | - | 1,787,865 |
| Unlisted options issued, exercisable at 22.5 cents, expiring 27 December 2021 | | |
| Exercise of listed options at 12.0 cents per option | (4,127,715) | - |
| Exercise of unlisted options at 10.0 cents per option | (3,430,000) | |
| Exercise of unlisted options at 15.0 cents per option | (3,430,000) | |
| Expired during the year | (2,500,000) | (48,307,425) |
| End of the financial year | 55,787,785 | 67,775,500 |

(f) Movements in performance rights on issue

| | Number of Rights | |
|---|------------------|-----------|
| | 2021 | 2020 |
| Beginning of the financial year | 9,850,347 | - |
| Movements of performance rights during the year | | |
| Unlisted performance rights issued, expiring 4 March 2024 | 1,408,623 | 9,850,347 |
| Unlisted performance rights vested during the year | (3,645,753) | - |
| Unlisted performance rights cancelled during the year | (286,192) | |
| End of the financial year | 7,327,025 | 9,850,347 |

Note: Performance rights do not have an exercise price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

15. ISSUED CAPITAL (continued)

(g) Ordinary shares

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

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

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

(h) Capital risk management

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

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads.

The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2021 and 30 June 2020 are as follows:

| | 2021 | 2020 |
|-----------------------------|-------------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | 7,796,799 | 3,379,177 |
| Trade and other receivables | 735,600 | 258,635 |
| Inventory | 52,760 | - |
| Trade and other payables | (5,311,008) | (1,903,575) |
| Lease liabilities – current | (82,192) | (81,152) |
| Provisions | (309,426) | (184,306) |
| Working capital position | <u>2,882,533</u> | <u>1,468,779</u> |

16. DIVIDENDS

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

17. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

17. RELATED PARTY TRANSACTIONS (continued)

| (c) Key management personnel compensation | 2021 \$ | 2020 \$ |
|---|------------------|----------------|
| Short-term benefits | 970,586 | 679,644 |
| Post-employment benefits | 82,079 | 56,772 |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | 376,162 | 38,557 |
| | 1,428,827 | 774,973 |

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 11.

(d) Transactions and balances with other related parties

There were no transactions with other related parties, including key management personnel, during the year.

(e) Loans to related parties

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

18. SUBSIDIARIES

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

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

| Name | Country of Incorporation | Class of Shares | Equity Holding ⁽¹⁾ | |
|------------------------------------|-----------------------------|-----------------|-------------------------------|-----------|
| | | | 2021 % | 2020 % |
| Lake Wells Potash Pty Ltd | Australia | Ordinary | 100 | 100 |
| Lake Wells Potash Holdings Pty Ltd | Australia | Ordinary | 100 | - |
| Laverton Downs Project Pty Ltd | Australia | Ordinary | 100 | - |

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

19. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

Audit services

Hall Chadwick WA Audit Pty Ltd (formerly Bentleys Audit & Corporate (WA) Pty Ltd) – audit and review of financial reports

| | | |
|---------------------------------------|---------------|---------------|
| | 36,654 | 25,211 |
| Total remuneration for audit services | 36,654 | 25,211 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

20. CONTINGENCIES

Tenement Acquisition Agreements

Goldphyre WA Pty Ltd

Goldphyre WA Pty Ltd and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 under which the Company acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents that expired on 30 June 2015) during the 2011 financial period. During the current year, the Company issued 3,000,000 ordinary shares upon the Company completing a bankable feasibility study in any of the projects acquired from the Vendor.

The Company will also issue the Vendor with further ordinary shares in the following circumstances, subject to any necessary regulatory or shareholder approvals:

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

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

R&D Incentive

On 5 February 2021, the Company received a notice from Department of Industry, Science, Energy and Resources with respect to the Company's Research & Development (R&D) application for the 2018/19 financial year which has brought into question the ability of the Company to claim aspects of the R&D Incentive. On advice, the Company is of the opinion that based on the facts to hand, the costs incurred meet the definition of a core R&D Activity and has exercised its rights to request a review of their findings. No specific timeframe has been provided to the Company with regards to the review. The expenditure relating to the R&D Incentive is \$3.2m (this relates to a tax offset of \$1.4m). Accordingly, no adjustment has been made to the financial report with respect to this matter.

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

21. COMMITMENTS

| | 2021 | 2020 |
|--|------|------|
| | \$ | \$ |

(a) Exploration Commitments

The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in.

Outstanding exploration commitments are as follows:

| | | |
|---|-------------------|------------|
| Within one year | 3,222,892 | 3,642,419 |
| Later than one year but not later than five years | 12,241,622 | 12,390,730 |
| Later than five years (i) | 37,441,339 | 40,249,046 |
| | 52,905,853 | 56,282,195 |

- (i) Relates to Mining Leases granted for a period of 20 years (until September 2039).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

22. EVENTS OCCURRING AFTER THE REPORTING DATE

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

| 23. CASH FLOW INFORMATION | 2021 \$ | 2020 \$ |
|--|--------------------|----------------|
| (a) Reconciliation of net loss after income tax to net cash (outflow)/ inflow from operating activities | | |
| Net loss for the year | (3,734,289) | (775,551) |
| Non-Cash Items | | |
| Depreciation and amortisation of non-current assets | 127,110 | 87,779 |
| Lease liability finance charges | 17,817 | - |
| Shares issued as consideration for services rendered | - | 7,172 |
| Share-based payments expense | 500,730 | 136,956 |
| Loss on disposal of property, plant and equipment | 26,061 | - |
| Other | 2,003 | 292 |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | (476,965) | 1,053,544 |
| Increase in inventory | (52,760) | - |
| Increase/(decrease) in trade and other payables | 434,356 | (236,897) |
| Increase in provisions | 125,120 | 96,575 |
| Net cash (outflow)/ inflow from operating activities | <u>(3,030,817)</u> | <u>369,870</u> |

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year. In the prior year the following activities took place:

- On 24 December 2019, the Company issued 3,000,000 ordinary shares at a deemed cost of \$252,000 to Goldphyre WA Pty Ltd as consideration for the acquisition by the Company of the mining tenements and mining information specified in the Sale of Mining Tenements Agreement dated 11 April 2011, as amended. This amount is included in 'Exploration and evaluation' on the statement of financial position of the Group.
- On 24 December 2019, the Company issued 7,500,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$187,500 to Patersons Corporate Finance as fee for services rendered. This item is included in 'share transaction costs' on the statement of changes in equity of the Group.
- On 28 February 2020 and ratified by the shareholders on 9 April 2020, the Company entered into a CPA and agreed to place 18,500,000 shares at nil consideration to Acuity Capital (Collateral Shares) but may at any time cancel the CPA and buy back the collateral shares for no consideration.
- On 15 April 2020, the Company issued 1,787,865 unlisted options exercisable at 25 cents and expiring on 15 April 2022 at a deemed cost of \$7,172 to Cannings Purple as fee for services rendered. This item is included in 'administration expenses' on the statement of profit or loss and other comprehensive income of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

| 24. LOSS PER SHARE | 2021 | 2020 |
|--|--------------------|-------------------------|
| | \$ | \$ |
| (a) Reconciliation of earnings used in calculating loss per share | | |
| Loss attributable to the owners of the Company used in calculating basic and diluted loss per share | <u>(3,734,289)</u> | <u>(775,551)</u> |
| (b) Weighted average number of ordinary shares used in calculating loss per share | | Number of shares |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 535,323,345 | 386,071,402 |
| Effects of dilution from: | | |
| Share options | - | - |
| Weighted average number of ordinary shares adjusted for the effects of dilution | <u>535,323,345</u> | <u>386,071,402</u> |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

(c) Information on the classification of options

As the Group has made a loss for the year, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share.

25. SHARE-BASED PAYMENTS

(a) Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. During the year, 1,500,000 options were granted with an exercise price of 17.5 cents per option and a contractual term of three years. No options were granted during the year ended 30 June 2020.

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

Fair value of options granted

The weighted average fair value of the options granted during year was 5.3 cents (2020: nil). The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted. A Monte Carlo simulation is applied to fair value the total shareholder return (TSR) element, if applicable.

| | 2021 | 2020 |
|---|--------|------|
| Weighted average exercise price (cents) | 17.5 | - |
| Weighted average life of the option (years) | 3 | - |
| Weighted average underlying share price (cents) | 13.5 | - |
| Expected share price volatility | 70.61% | - |
| Risk free interest rate | 0.18% | - |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

25. SHARE-BASED PAYMENTS (continued)

(b) Incentive Option Plan

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

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

Fair value of options granted

No options were issued during the current or comparative period.

(c) Incentive Performance Rights Plan

The Group provides benefits to employees and contractors of the Company in the form of performance rights under the Company's Incentive Performance Rights Plan as approved at the Annual General Meeting on 18 November 2019, constituting a share-based payment transaction. During the year 1,408,623 performance rights (2020: 9,850,347) with a \$nil exercise price (2020: \$nil) and expiry of 3 years (2020: 4 years) were granted. The average fair value of the performance rights granted during the period is 13.5 cents (2020: 9.6 cents).

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

(d) Summary of Share-Based Payments

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

| | 2021 | | 2020 | |
|----------------------------------|-------------------|---|-------------------|---|
| | Number of options | Weighted average exercise price (Cents) | Number of options | Weighted average exercise price (Cents) |
| Outstanding as at 1 July | 10,637,496 | 15.0 | 21,350,019 | 17.7 |
| Granted | 1,500,000 | 17.5 | - | - |
| Forfeited | - | - | - | - |
| Exercised | (6,860,000) | 18.0 | - | - |
| Expired | (2,500,000) | 12.5 | (10,712,523) | 20.4 |
| Outstanding as at 30 June | 2,777,496 | 19.8 | 10,637,496 | 15.0 |
| Exercisable as at 30 June | 2,777,496 | 19.8 | 8,137,496 | 14.1 |

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.3 years (2020: 0.8 years), and the exercise prices range from 17.5 to 22.5 cents (2020: 10.0 to 22.5 cents).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

25. SHARE-BASED PAYMENTS (continued)

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

| | 2021 | 2020 |
|----------------------------------|------------------------------------|------------------------------------|
| | Number of performance rights | Number of performance rights |
| Outstanding as at 1 July | 9,850,347 | - |
| Granted | 1,408,623 | 9,850,347 |
| Forfeited | (286,192) | - |
| Exercised | (3,645,753) | - |
| Expired | - | - |
| Outstanding as at 30 June | 7,327,025 | 9,850,347 |
| Exercisable as at 30 June | - | - |

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 2.7 years (2020: 3.7 years). Performance rights have \$nil exercise price.

The following share-based payment arrangements were in existence during the current and prior years:

Options

| Number | Grant date | Expiry date | Exercise price (cents) | Fair value at grant date (cents) |
|---------------------------|------------------|------------------|---------------------------|-------------------------------------|
| 3,430,000 | 22 April 2016 | 21 April 2021 | 10.0 | 7.1 |
| 3,430,000 | 22 April 2016 | 21 April 2021 | 15.0 | 6.8 |
| 1,861,702 | 28 November 2016 | 28 November 2019 | 17.5 | 4.7 |
| 2,034,883 | 28 November 2016 | 28 November 2019 | 22.5 | 4.3 |
| 2,559,526 | 22 December 2016 | 14 December 2019 | 17.5 | 4.2 |
| 2,756,412 | 22 December 2016 | 14 December 2019 | 22.5 | 3.9 |
| 1,500,000 | 23 October 2017 | 9 May 2020 | 22.5 | 5.7 |
| 1,250,000 | 30 November 2017 | 30 November 2020 | 16.0 | 7.1 |
| 1,250,000 | 30 November 2017 | 30 November 2020 | 20.0 | 6.6 |
| 1,277,496 | 27 December 2018 | 27 December 2021 | 22.5 | 0.8 |
| 1,500,000 | 25 November 2020 | 29 July 2023 | 17.5 | 5.3 |
| Performance Rights | | | | |
| 3,550,906 | 18 November 2019 | 4 March 2024 | - | 9.0 |
| 6,299,441 | 4 March 2020 | 4 March 2024 | - | 9.9 |
| 1,408,623 | 25 November 2020 | 4 March 2024 | - | 13.5 |

(e) Shares issued to suppliers

No shares were issued to suppliers during the current year. In the prior year the following shares were issued to suppliers:

- On 24 December 2019, the Company issued 3,000,000 ordinary shares at a deemed cost of \$252,000 to Goldphyre WA Pty Ltd as consideration for the acquisition by the Company of the mining tenements and mining information specified in the Sale of Mining Tenements Agreement dated 11 April 2011, as amended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

25. SHARE-BASED PAYMENTS (continued)

- On 24 December 2019, the Company issued 7,500,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$187,500 to Patersons Corporate Finance as fee for services rendered.
- On 15 April 2020, the Company issued 1,787,865 unlisted options exercisable at 25 cents and expiring on 15 April 2022 at a deemed cost of \$7,172 to Cannings Purple as fee for services rendered.

(f) Expenses arising from share-based payment transactions

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

| | 2021 | 2020 |
|---|---------|---------|
| | \$ | \$ |
| Shares and options included in share-based payments expense | 497,144 | 136,956 |

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Australian Potash Limited, at 30 June 2021. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

| | | |
|--|--------------------|--------------------|
| Current assets | 8,585,159 | 3,637,812 |
| Non-current assets | 21,113,946 | 9,762,952 |
| Total assets | 29,699,105 | 13,400,764 |
| Current liabilities | (5,702,626) | (2,169,033) |
| Non-current liabilities | (35,307) | (113,743) |
| Total liabilities | (5,737,933) | (2,282,776) |
| Issued capital | 45,704,920 | 29,628,277 |
| Reserves | 2,146,796 | 1,646,066 |
| Accumulated losses | (23,890,544) | (20,156,355) |
| Total equity | 23,961,172 | 11,117,988 |
| Loss for the year | (3,734,189) | (775,551) |
| Total comprehensive loss for the year | (3,734,189) | (775,551) |

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 14 to 44 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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



Matt Shackleton

Managing Director & Chief Executive Officer

Perth, 23 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN POTASH LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Potash Limited (“the Company”) and its subsidiaries (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion:

- a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group’s financial position as at 30 June 2021 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a)(i).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a)(vi) in the financial report which indicates that the Group incurred a net loss of \$3,734,289 during the year ended 30 June 2021. As stated in Note 1(a)(vi), these events, or conditions, along with other matters as set forth in Note 1(a)(vi), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>Exploration Expenditure</p> <p>During the year the Group capitalised exploration expenditure for areas of interest that have progressed to a definitive feasibility stage. The policy is in line with the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ("AASB 6"), which allows exploration expenditure to be expensed in full, partially capitalised or fully capitalised, in line with the Group's accounting policies.</p> <p>During the year the Group incurred exploration expenditure of \$11,905,347, of which \$11,387,177 was capitalised and the remainder expensed.</p> <p>Exploration expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> • The level of judgement required in evaluating management's application of the requirements of AASB 6. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge; and • The carrying value of exploration expenditure represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest whether impairment indicators exist which involves significant judgement. | <p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Assessing management's determination of its areas of interest for consistency with the definition in AASB 6; • Assessing the Group's rights to tenure for a sample of tenements; • Testing the Group's additions to exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6; • By testing the status of the Group's tenure and planned future activities, reading board minutes, reviewing funding agreements and discussions with management we assessed each area of interest for one or more of the following circumstances that may indicate impairment of the mineral exploration expenditure: <ul style="list-style-type: none"> • The licenses for the rights to explore expiring in the near future or are not expected to be renewed; • Substantive expenditure for further exploration in the area of interest is not budgeted or planned; • Decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and • Data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|------------------|---|
| | <ul style="list-style-type: none"> We also assessed the appropriateness of the related disclosures in note 12 to the financial statements. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Australian Potash Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.



HALL CHADWICK WA AUDIT PTY LTD



DOUG BELL CA
Partner

Dated this 23rd day of September 2021