AUSTRALIAN POTASH

ABN 58 149 390 394

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2018

Corporate Information

Directors

James Walker (Non-Executive Chairman)

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Rhett Brans (Non-Executive Director)

Company Secretary

Sophie Raven

Registered Office & Principal Place of Business

31 Ord Street

WEST PERTH WA 6005

Telephone: +61 8 9322 1003

Solicitors

Steinepreis Paganin

Level 4, The Read Building

16 Milligan Street

PERTH WA 6000

Share Register

Security Transfer Australia

770 Canning Highway

APPLECROSS WA 6153

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

PERTH WA 6000

Website

www.australianpotash.com.au

Stock Exchange Listing

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

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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 2018.

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.

James (Jim) Walker *(Non-Executive Chairman)*

Appointed 15 August 2018

Mr Walker has 45 years' experience in the resources industry, at both senior management and board level. Prior to retiring from the position in 2013, Mr Walker was the Managing Director and Chief Executive Officer of WesTrac Pty Ltd, during which time that company enjoyed significant expansion across Australia and into north-east China. From January 2015 through to July 2015, Mr Walker performed the Executive Chairman's role at Macmahon Holdings Ltd as that company sought a replacement CEO. Mr Walker has been a member of the Macmahon board since 2013, and now serves in a non-executive capacity as Chair.

Other current directorships:

Mr Walker is currently Chairman of Austin Engineering Limited (appointed November 2016), Deputy Chairman of Seeing Machines Limited (appointed May 2017), Chairman of Macmahon Holdings Ltd (appointed 14 July 2015) and Deputy Chair of RACWA Holdings (appointed April 2018). He also chairs the State Training Board WA and Wesley College WA, and is a trustee of the WA Motor Museum.

Former directorships (last 3 years):

Non-executive Director of Programmed Group Limited.

Mr Walker was a director of Seven Group Holdings Ltd, National Hire Group Limited, Skilled Group Limited, Coates Group Holdings Pty Ltd and Programmed Group Limited.

Matt Shackleton *(Managing Director & Chief Executive Officer, member of the Audit Committee)*

Appointed 15 August 2018 (prior to this Mr Shackleton was the Executive Chairman)

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

Former directorships (last 3 years):

Mr Shackleton has also served as a director of Canyon Resources Limited.

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

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

Other current directorships:

Mr Lambert is currently Chairman of Mincor Resources NL (appointed January 2017) and Non-executive Director of De Grey Mining Limited (appointed October 2017).

Former directorships (last 3 years):

Managing Director of ABM Resources NL.

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

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

Other current directorships:

Mr Brans is currently non-executive director of AVZ Minerals Limited (appointed February 2018) and Carnavale Resources Limited (appointed September 2013).

Former directorships (last 3 years):

Mr Brans was a director of Syrah Resources Limited, Monument Mining Limited and RMG Limited.

COMPANY SECRETARY

Sophie Raven

Appointed 31 January 2018

Ms Raven is a corporate lawyer and company secretary, with extensive experience both 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 Golden West Resources Limited, Sunbird Energy Limited, Citation Resources Ltd, Whitebark Energy Ltd, Salt Lake Potash Limited, 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 Parkerville Children and Youth Care (Inc), a not-for-profit organisation. Ms Raven has not held any former directorships in the last 3 years.

Leigh-Ayn Absolom

Resigned 31 January 2018

Ms Absolom is a Chartered Accountant and Chartered Secretary with 18 years experience in auditing, accounting and company secretarial roles within public practice and the resources industry. She commenced her career with Deloitte, originally in South Africa and then Australia, before moving into the mining sector with Murchison Metals Ltd. Ms Absolom has held positions as Group Financial Controller and Company Secretary with uranium development company Bannerman Resources Limited, and Manager - Corporate with nickel explorer Resource Mining Corporation Limited. Ms Absolom is an Associate Member of the Governance Institute of Australia and the South African Institute of Chartered Accountants. Ms Absolom has not held any former directorships in the last 3 years.

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

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

	Ordinary Shares	Options over Ordinary Shares
James Walker	-	-
Matt Shackleton	6,182,499	8,905,370
Brett Lambert	378,750	839,375
Rhett Brans	178,750	839,375

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

FINANCE REVIEW

The Group began the year with available cash assets of $1,960,557. The Group raised funds during the year via the issue of shares and options. Total gross funds raised during the year amounted to $6,891,785.

During the year total exploration expenditure incurred by the Group amounted to $5,270,983 (2017: $5,747,151). In line with the Group's accounting policies, all exploration expenditure is written off as incurred. The Group received a research and development tax incentive amounting to $1,821,743 (2017: $421,715). Net administration expenditure incurred amounted to $271,062 (2017: $1,063,175). This has resulted in an operating loss after income tax for the year ended 30 June 2018 of $4,999,921 (2017: $6,810,326).

At 30 June 2018 cash assets available totalled $2,201,681.

OPERATING RESULTS FOR THE YEAR

Summarised operating results are as follows:

	2018	
	Revenues	**Results**
	$	**$**
Revenues and loss from ordinary activities before income tax expense	1,874,097	(4,999,921)

Shareholder Returns	**2018**	**2017**
Basic loss per share (cents)	(1.9)	(3.4)

RISK MANAGEMENT

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

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

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to year end on 12 September 2018, the Company announced that Mining Leases have been granted at the Lake Wells Sulphate of Potash project. The Mining Leases cover an area in excess of 30,000 hectares of the Lake Wells playa and underlying palaeochannel system. The area of the granted Mining Leases covers the proposed brine bore-field, evaporation ponds, processing plant, and associated infrastructure including accommodation village, airstrip and power station.

On 14 September 2018, the Company and Salt Lake Potash Limited (ASX/AIM: SO4) announced that the Companies have entered into a Memorandum of Understanding and Co-operation Agreement to undertake a joint study of the potential benefits of development cost sharing for each Company's project developments at Lake Wells. The Companies' substantial project holdings at Lake Wells are contiguous with many common infrastructure elements, including access roads, proximity to the Leonora rail terminals, and potential power and fresh water solutions. Both Companies anticipate substantial potential Capex and Opex benefits from some level of infrastructure sharing, with further potential benefits arising from shared or common evaporation and salt processing facilities.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (CONTINUED)

No matters or circumstances, besides those disclosed at note 17, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

REMUNERATION REPORT

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

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

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

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

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

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

The directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2018 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 non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

Short Term Incentive

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

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

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

During the 2018 financial year, options which will vest subject to pre-defined performance hurdles were allocated to all executives. The grant of options aims to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Refer to page 8 for the number and value of options issued to executives during the year.

Performance measures to determine vesting

The vesting of the options is subject to the attainment of defined individual and group performance criteria, chosen to align the interests of employees with shareholders, representing key drivers for delivering long term value. The performance measures for the 2018 performance rights related to:

- Completion of the Lake Wells Potash Project feasibility study (Class 3)
- Finalisation of a board approved finance package to commence the development of the Lake Wells Potash Project.
- Delineation of JORC compliant resource of > 250,000 gold equivalent ounces of bas, 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 2018 (2017: Nil).

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received 100% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

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

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

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments		Total	Performance Related
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits	Shares	Options		
	$	$	$	$	$	$	$	%
Directors								
Matt Shackleton								
2018	**250,000**	**-**	**23,750**	**-**	**-**	**121,128**	**394,878**	**28.2%**
2017	229,167	-	21,771	-	-	83,086	334,024	12.3%
Brett Lambert								
2018	**41,096**	**-**	**3,904**	**-**	**-**	**42,750**	**87,750**	**-**
2017	6,111	-	581	-	-	-	6,692	-
Rhett Brans								
2018	**41,096**	**-**	**3,904**	**-**	**-**	**42,750**	**87,750**	**-**
2017	6,111	-	581	-	-	-	6,692	-
Brenton Siggs[(1)]								
2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2017	153,614	-	2,214	-	-	21,082	176,910	-
Dean Goodwin								
2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2017	32,038	-	-	-	-	21,082	53,120	-
Total key management personnel compensation								
2018	**332,192**	**-**	**31,558**	**-**	**-**	**206,628**	**570,378**	
2017	427,041	-	25,147	-	-	125,250	577,438	

(1) In addition to the remuneration included here, Reefus Geology Services (a business controlled by Brenton Siggs) was paid $8,251 (2017) for the provision of other exploration services to the Group.

Service agreements

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

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

Share-based compensation

Options

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

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number
Directors							
Matt Shackleton	30/11/2017	1,250,000	(1)	30/11/2020	16.0	7.1	-
Matt Shackleton	30/11/2017	1,250,000	(1)	30/11/2020	20.0	6.6	-
Brett Lambert	23/10/2017	750,000	09/05/2018	09/05/2020	22.5	5.7	-
Rhett Brans	23/10/2017	750,000	09/05/2018	09/05/2020	22.5	5.7	-

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

- 50% will vest upon a resolution of the Board to proceed to the development of the Lake Wells SOP Project.
- 50% will vest on delineation of JORC compliant resource of > 250,000 gold equivalent ounces (as measured at the spot price) of base, PG or precious metals.

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.

2018	**Balance at start of the year**	**Received during the year on the exercise of options**	**Number acquired during the year**	**Balance at end of the year**
Directors of Australian Potash Limited				
Ordinary shares				
Matt Shackleton	**5,624,999**	**-**	**200,000**	**5,824,999**
Brett Lambert	**-**	**-**	**200,000**	**200,000**
Rhett Brans	**-**	**-**	**-**	**-**

Option holdings

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

2018	**Balance at start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Australian Potash Limited							
Matt Shackleton	**6,226,620**	**2,500,000**	**-**	**-**	**8,726,620**	**4,000,000**	**4,726,620**
Brett Lambert	**-**	**750,000**	**-**	**-**	**750,000**	**750,000**	**-**
Rhett Brans	**-**	**750,000**	**-**	**-**	**750,000**	**750,000**	**-**

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 five meetings of directors. The attendance of directors at meetings of the board and committees were:

	Directors Meetings		Audit Committee Meetings	
	A	B	A	B
Matt Shackleton	5	5	2	2
Brett Lambert	5	5	2	2
Rhett Brans	5	5	2	2

Notes

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

B – Number of meetings attended.

SHARES UNDER OPTION

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

Date options issued	Expiry date	Exercise price (cents)	Number of options
25 October 2017	25 October 2019	20.0 Listed	37,594,906
30 November 2015	30 November 2018	12.5 Unlisted	4,500,000
30 November 2015	30 November 2018	17.5 Unlisted	4,500,000
2 May 2016	2 May 2019	12.5 Unlisted	5,000,000
22 April 2016	21 April 2021	10.0 Unlisted	3,430,000
22 April 2016	21 April 2021	15.0 Unlisted	3,430,000
28 November 2016	28 November 2019	17.5 Unlisted	1,861,702
28 November 2016	28 November 2019	22.5 Unlisted	2,034,883
22 December 2016	14 December 2019	17.5 Unlisted	2,559,526
22 December 2016	14 December 2019	22.5 Unlisted	2,756,412
23 October 2017	9 May 2020	22.5 Unlisted	1,500,000
30 November 2017	30 November 2020	16.0 Unlisted	1,250,000
30 November 2017	30 November 2020	20.0 Unlisted	1,250,000
8 August 2018	8 August 2021	12.0 Unlisted	21,600,000
Total number of options outstanding at the date of this report			**93,267,429**

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

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Australian Potash Limited paid a premium of $8,441 to insure the directors and secretary of the Company.

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

NON-AUDIT SERVICES

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

PROCEEDINGS ON BEHALF OF THE COMPANY

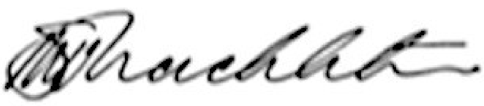
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the directors.



Matt Shackleton

Managing Director & Chief Executive Officer

Perth, 19 September 2018

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit partner for the audit of the financial statements of Australian Potash Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 19th day of September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
REVENUE			
Finance revenue		**1,854**	16,281
Research and development tax incentive		**1,821,743**	421,715
Other Income		**50,500**	21,135
EXPENDITURE			
Administration expenses		**(744,608)**	(786,376)
Depreciation and amortisation expenses		**(20,189)**	(7,374)
Employee benefits expenses		**(641,226)**	(483,875)
Exploration expenses		**(5,270,983)**	(5,747,151)
Share-based payments expense	20(e)	**(197,012)**	(244,681)
LOSS BEFORE INCOME TAX		**(4,999,921)**	(6,810,326)
Income tax benefit/(expense)	5	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		**(4,999,921)**	(6,810,326)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	19	**(1.9)**	(3.4)

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

Consolidated Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	6	**2,201,681**	1,960,557
Trade and other receivables	7	**143,246**	231,049
TOTAL CURRENT ASSETS		**2,344,927**	2,191,606
NON CURRENT ASSETS			
Plant and equipment	8	**119,993**	76,129
Intangibles		**13,557**	17,333
TOTAL NON CURRENT ASSETS		**133,550**	93,462
TOTAL ASSETS		**2,478,477**	2,285,068
CURRENT LIABILITIES			
Trade and other payables	9	**575,518**	2,554,736
Provisions		**63,824**	25,844
TOTAL CURRENT LIABILITIES		**639,342**	2,580,580
TOTAL LIABILITIES		**639,342**	2,580,580
NET ASSETS		**1,839,135**	(295,512)
EQUITY			
Issued capital	10	**19,963,387**	13,025,831
Reserves		**1,399,098**	1,202,086
Accumulated losses		**(19,523,350)**	(14,523,429)
TOTAL EQUITY		**1,839,135**	(295,512)

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 2018

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
	$	$	$	$
BALANCE AT 1 JULY 2016	7,446,664	957,405	(7,713,103)	690,966
Loss for the period	-	-	(6,810,326)	(6,810,326)
TOTAL COMPREHENSIVE LOSS	-	-	(6,810,326)	(6,810,326)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	5,909,678	-	-	5,909,678
Share issue transaction costs	(330,511)	-	-	(330,511)
Issue of employee options	-	244,681	-	244,681
BALANCE AT 30 JUNE 2017	13,025,831	1,202,086	(14,523,429)	(295,512)
BALANCE AT 1 JULY 2017	**13,025,831**	**1,202,086**	**(14,523,429)**	**(295,512)**
Loss for the period	**-**	**-**	**(4,999,921)**	**(4,999,921)**
TOTAL COMPREHENSIVE LOSS	**-**	**-**	**(4,999,921)**	**(4,999,921)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	**7,391,785**	**-**	**-**	**7,391,785**
Share issue transaction costs	**(454,229)**	**-**	**-**	**(454,229)**
Issue of employee options	**-**	**197,012**	**-**	**197,012**
BALANCE AT 30 JUNE 2018	**19,963,387**	**1,399,098**	**(19,523,350)**	**1,839,135**

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 2018

	Notes	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Expenditure on exploration		**(6,476,059)**	(3,147,988)
Payments to suppliers and employees		**(1,397,579)**	(1,300,542)
Interest received		**4,356**	15,509
Research and development refund received		**1,821,743**	421,715
Payment for tenements		**(150,000)**	-
Proceeds on sale of tenements		**50,000**	-
Net cash outflow from operating activities	**18**	**(6,147,539)**	(4,011,306)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(60,276)**	(81,952)
Payments for intangibles		**-**	(18,884)
Net cash outflow from investing activities		**(60,276)**	(100,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		**6,891,785**	5,909,678
Payments of share issue transaction costs		**(454,229)**	(330,511)
Net cash inflow from financing activities		**6,437,556**	5,579,167
Net increase in cash and cash equivalents		**229,741**	1,467,025
Cash and cash equivalents at the beginning of the year		**1,960,557**	495,173
Effect of exchange rate changes on cash and cash equivalents		**11,383**	(1,641)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6**	**2,201,681**	1,960,557

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

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 19 September 2018. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

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

(iii) Early adoption of standards

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

(iv) Historical cost convention

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

(v) Going concern

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

The Group incurred a loss for the period of $4,999,921 (2017: $6,810,326) and net cash inflows of $229,741 (2017: $1,467,025). 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

(ii) Changes in ownership interests

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(c) Segment reporting

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

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

(d) Revenue recognition

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

(e) Income tax

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(f) Impairment of assets

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

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

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other 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.

(h) Trade and other receivables

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

(i) Exploration and evaluation costs

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

(j) Investments and financial instruments

Recognition and derecognition

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

(k) Trade and other payables

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

(l) Employee benefits

Wages and salaries and annual leave

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

(m) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (**equity-settled transactions**), refer to note 20.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(n) Issued capital

Ordinary shares are classified as equity.

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

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and Services Tax (GST)

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New accounting standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 : Financial Instruments and associated Amending Standards

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

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

AASB 15 : Revenue from Contracts with Customers

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

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

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

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

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

The Company has performed a preliminary review of the adoption of AASB 15. As a result of this review the Company has determined that there is unlikely to be a material impact, of AASB16 on its business and, therefore, no change is necessary to Company accounting policies at this time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 : Leases

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

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

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

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

The Company has performed a preliminary review of the adoption of AASB 16. As a result of this review the Company has determined that there is unlikely to be a material impact, of AASB16 on its business and, therefore, no change is necessary to Company accounting policies at this time.

(r) Critical accounting judgements, estimates and assumptions

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

Environmental Issues

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

Taxation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

2. FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Foreign exchange risk

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

(ii) Commodity price risk

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

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $2,201,681 (2017: $1,960,557) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 2.6% (2017: 2.5%).

Sensitivity analysis

At 30 June 2018, 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 $14,198 lower/higher (2017: $20,420 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.

2. FINANCIAL RISK MANAGEMENT (continued)

(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. EXPENSES

	2018 $	2017 $
Loss before income tax includes the following specific expenses:		
Minimum lease payments relating to operating leases	**50,004**	45,669
Defined contribution superannuation expense	**69,190**	38,839
Depreciation of plant and equipment	**16,412**	5,823
Amortisation of intangibles	**3,777**	1,551

5. INCOME TAX

(a) Income tax expense

	2018 $	2017 $
Current tax	**-**	-
Deferred tax	**-**	-
	-	-

5. INCOME TAX	2018 $	2017 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(4,999,921)**	(6,810,326)
Prima facie tax benefit at the Australian tax rate of 27.5%	**(1,374,978)**	(1,872,840)
Tax effect of entertainment not deductible in calculating taxable income	**561**	700
Movements in unrecognised temporary differences	**(96,393)**	34,835
Tax effect of current period tax losses for which no deferred tax asset has been recognised	**1,470,810**	1,837,305
Income tax expense	**-**	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 27.5%)		
On Income Tax Account		
Accruals	**7,894**	52,147
Depreciation variances	**1,128**	239
Capital raising costs	**167,730**	96,084
Carry forward tax losses	**3,396,594**	2,289,740
	3,573,346	2,438,210
Set off of deferred tax liabilities	**(900,848)**	(900,848)
Net deferred tax assets	**2,672,498**	1,537,362
Less deferred tax assets not recognised	**(2,672,498)**	(1,537,362)
	-	-
Deferred Tax Liabilities (at 27.5%)		
Tenement acquisition costs	**900,848**	900,848
	900,848	900,848
Set off against deferred tax assets	**(900,848)**	(900,848)
	-	-

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.

6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**2,176,681**	1,426,298
Short-term deposits	**25,000**	534,259
	2,201,681	1,960,557

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

7. TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
GST receivable	**75,297**	195,279
Other receivables	**67,949**	35,770
	143,246	231,049

8. PLANT AND EQUIPMENT

	Computer Equipment $	Plant and Equipment $	Motor Vehicles $	Total $
Cost				
Balance at 1 July 2016	4,000	-	-	4,000
Additions	3,823	78,129	-	81,952
Disposals	(4,000)	-	-	(4,000)
Balance at 30 June 2017	**3,823**	**78,129**	**-**	**81,952**
Additions	6,418	11,765	42,093	60,276
Balance at 30 June 2018	**10,241**	**89,894**	**42,093**	**142,228**
Accumulated Depreciation				
Balance at 1 July 2016	4,000	-	-	4,000
Additions	787	5,036	-	5,823
Disposals	(4,000)	-	-	(4,000)
Balance at 30 June 2017	**787**	**5,036**	**-**	**5,823**
Additions	2,403	12,256	1,753	16,412
Balance at 30 June 2018	**3,190**	**17,292**	**1,753**	**22,235**
Net Book Value				
Balance at 30 June 2017	3,036	73,093	-	76,129
Balance at 30 June 2018	**7,051**	**72,601**	**40,340**	**119,993**

9. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade payables	**412,678**	2,236,163
Other payables and accruals	**162,840**	318,573
	575,518	2,554,736

10. ISSUED CAPITAL

	Notes	2018 Number of securities	2018 $	2017 Number of securities	2017 $
(a) Share capital					
Ordinary shares fully paid	10(c), 10(f)	**304,358,073**	**19,610,092**	221,454,213	13,008,920
(b) Other equity securities					
Options	10(d)	**54,505,576**	**353,295**	16,910,670	16,911
Total issued capital			**19,963,387**		13,025,831
(c) Movements in ordinary share capital					
Beginning of the financial year		**221,454,213**	**13,008,920**	147,583,276	7,429,753
Issued during the year:					
– Issued for cash at 10 cents per share		**35,418,860**	**3,541,886**	-	-
– Issued for services rendered at 10 cents per share		**5,000,000**	**500,000**	-	-
– Issued for cash at 7 cents per share		**42,485,000**	**2,973,950**	-	-
– Issued for cash at 8 cents per share upon exercise of listed options		**-**	**-**	73,870,937	5,909,678
Share issue transaction costs		**-**	**(414,664)**	-	(330,511)
End of the financial year		**304,358,073**	**19,610,092**	221,454,213	13,008,920
(d) Movements in other equity securities					
Beginning of the financial year		**16,910,670**	**16,911**	16,910,670	16,911
Issued during the year:					
– Issued for cash at 1 cent per option		**37,594,906**	**375,949**	-	-
Share option transaction costs		**-**	**(39,565)**	-	-
End of the financial year		**54,505,576**	**353,295**	16,910,670	16,911

10. ISSUED CAPITAL (continued)

(e) Movements in options on issue

	Number of options	
	2018	**2017**
Beginning of the financial year	**30,072,523**	94,730,937
Movements of options during the year		
Unlisted options issued, exercisable at 22.5 cents, expiring 9 May 2020	**1,500,000**	-
Unlisted options issued, exercisable at 16.0 cents, expiring 30 November 2020	**1,250,000**	-
Unlisted options issued, exercisable at 20.0 cents, expiring 30 November 2020	**1,250,000**	-
Listed options issued, exercisable at 20.0 cents, expriring 25 October 2019	**37,594,906**	-
Unlisted options issued, exercisable at 17.5 cents, expiring 28 November 2019	**-**	1,861,702
Unlisted options issued, exercisable at 22.5 cents, expiring 28 November 2019	**-**	2,034,883
Unlisted options issued, exercisable at 17.5 cents, expiring 14 December 2019	**-**	2,559,526
Unlisted options issued, exercisable at 22.5 cents, expiring 14 December 2018	**-**	2,756,412
Exercised at 8 cents, expiry 30 September 2016 (Listed)	**-**	(73,870,937)
End of the financial year	**71,667,429**	30,072,523

(f) 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.

(g) Capital risk management

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

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

10. ISSUED CAPITAL (continued)

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 2018 and 30 June 2017 are as follows:

	2018	2017
	$	$
Cash and cash equivalents	**2,201,681**	1,960,557
Trade and other receivables	**143,246**	231,049
Trade and other payables	**(639,342)**	(2,554,736)
Provisions	**(63,824)**	(25,844)
Working capital position	**1,641,761**	(388,974)

11. DIVIDENDS

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

12. 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 13.

	2018	2017
(c) Key management personnel compensation	**$**	**$**
Short-term benefits	**332,192**	427,041
Post-employment benefits	**31,558**	25,147
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**206,628**	125,250
	570,378	577,438

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 9.

(d) Transactions and balances with other related parties

Services

Reefus Geology Services, a business controlled by Mr Brenton Siggs, was engaged via a letter agreement to provide technical geological management services to the Group during the prior year. The amounts paid were at arms' length and were included as part of Mr Siggs' compensation. In addition to the remuneration for Mr Siggs' services, Reefus Geology Services was paid $8,251 in the prior year for the provision of other exploration services to the Group. Mr Siggs was a director of Australian Potash in the prior year and resigned on 9 May 2017.

12. RELATED PARTY TRANSACTIONS (continued)

Acquisitions

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

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

Mr Siggs was a director of Australian Potash in the prior year and resigned on 9 May 2017.

(e) Loans to related parties

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

13. SUBSDIARIES

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

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

Name	Country of Incorporation	Class of Shares	Equity Holding[1]	
			2018	2017
			%	%
Lake Wells Potash Pty Ltd	Australia	Ordinary	**100**	100

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

14. REMUNERATION OF AUDITORS

	2018 $	2017 $
During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:		
Audit services		
Bentleys Audit & Corporate (WA) Pty Ltd – audit and review of financial reports	**27,042**	26,903
Total remuneration for audit services	**27,042**	26,903

15. CONTINGENCIES

Tenement Acquisition Agreements

Goldphyre WA Pty Ltd

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

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

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

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

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

AusIndustry Business Services

On 13 March 2018, the Company received a notice from AusIndustry Business Services with respect to the Company's Research & Development ("R&D") application for an advance/overseas finding which has brought into question the ability of the Company to claim aspects of the R&D Incentive. On advice, the Board are 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 appeal the notice. No specific timeframe has been provided to the Company with regards to the review. The expenditure relating to the overseas finding is $649k (this relates to a tax offset of $282k). Accordingly, no adjustment has been made to the financial report with respect to this matter.

16. COMMITMENTS	**2018 $**	2017 $
(a) Exploration commitments		
The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
within one year	**1,117,021**	1,057,907
later than one year but not later than five years	**2,418,058**	1,059,814
	3,535,079	2,117,721
(b) Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**-**	37,503
	-	37,503

17. 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.

18. CASH FLOW INFORMATION	**2018 $**	2017 $
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(4,999,921)**	**(6,810,326)**
Non-Cash Items		
Depreciation and amortisation of non-current assets	**20,189**	**7,374**
Shares issued as consideration for services rendered	**500,000**	**-**
Share-based payments expense	**197,012**	**244,681**
Other	**(11,384)**	**1,641**
Change in operating assets and liabilities		
Decrease in trade and other receivables	**87,803**	**120,932**
Increase in trade and other payables	**(1,979,218)**	**2,398,548**
Increase in provisions	**37,980**	**25,844**
Net cash outflow from operating activities	**(6,147,539)**	**(4,011,306)**

(b) Non-cash investing and financing activities

On 24 November 2017 the Company issued 5,000,000 ordinary shares at a deemed cost of $500,000 to Ausdrill International Pty Ltd for services rendered. This amount was included in 'Exploration expenses' on the statement of profit or loss and other comprehensive income of the Group. No non-cash investing or financing activities occurred in 2017.

19. LOSS PER SHARE	**2018 $**	2017 $
(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	**(4,999,921)**	(6,810,326)

	Number of shares	
(b) Weighted average number of ordinary shares used in calculating loss per share	**2018**	**2017**
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**258,663,458**	203,097,066

19. LOSS PER SHARE (continued)

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2018, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

20. SHARE-BASED PAYMENTS

(a) Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. The exercise prices of the options granted ranges from 16.0 to 22.5 cents per option (2017: 17.5 to 22.5 cents). The contractual term for the options is three years (2017: three years.)

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

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

- upon a resolution of the Board to proceed to the development of the Lake Wells SOP Project.
- on delineation of JORC compliant resource of > 250,000 gold equivalent ounces (as measured at the spot price) of base, PG or precious metals.

Fair value of options granted

The weighted average fair value of the options granted during the period was 6.42 cents (2017: 4.49 cents). The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted. A Monte Carlo simulation is applied to fair value the TSR element, if applicable.

	2018	**2017**
Weighted average exercise price (cents)	**19.7**	20.1
Weighted average life of the option (years)	**2.8**	3.0
Weighted average underlying share price (cents)	**11.5**	8.6
Expected share price volatility	**111.80%**	111.04%
Risk free interest rate	**2.06%**	2.75%

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

(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 year. The exercise prices of the options granted for the year ended 2017 range from 17.5 to 22.5 cents per option and all options granted have an expiry date of 14 December 2019.

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 year. The weighted average fair value of the options granted during the prior year 4.04 cents. The price for the prior year was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted.

20. SHARE-BASED PAYMENTS (continued)

(b) Incentive Option Plan (continued)	2018	2017
Weighted average exercise price (cents)	-	20.1
Weighted average life of the option (years)	-	3.0
Weighted average underlying share price (cents)	-	7.9
Expected share price volatility	-	111.04%
Risk free interest rate	-	2.75%

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

(c) Summary of Share-Based Payment

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

	2018		2017	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
Outstanding as at 1 July	**30,072,523**	**15.6**	**20,860,000**	**13.6**
Granted	**4,000,000**	**19.7**	9,212,523	20.1
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding as at 30 June	**34,072,523**	**16.1**	**30,072,523**	**15.6**
Exercisable as at 30 June	**24,131,981**	**14.6**	**19,298,647**	**13.9**

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.6 years (2017: 2.4 years), and the exercise prices range from 10 to 22.5 cents (2017: 10.0 to 22.5 cents).

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

Number of options	Date options issued	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
4,500,000	30 November 2015	30 November 2018	12.5	3.6
4,500,000	30 November 2015	30 November 2018	17.5	3.3
5,000,000	2 May 2016	2 May 2019	12.5	5.7
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

20. SHARE-BASED PAYMENTS (continued)

(d) Shares issued to suppliers

On 24 November 2017 the Company issued 5,000,000 ordinary shares at a deemed cost of $500,000 to Ausdrill International Pty Ltd for services rendered. No shares or options were issued to suppliers in the prior year.

(e) Expenses arising from share-based payment transactions

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

	2018 $	2017
Shares and options included in share-based payments expense	**197,012**	244,681

21. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Australian Potash Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2018 $	2017 $
Current assets	**2,344,927**	**2,191,606**
Non-current assets	**133,650**	**93,562**
Total assets	**2,478,577**	**2,285,168**
Current liabilities	**639,342**	**2,580,580**
Total liabilities	**639,342**	**2,580,580**
Issued capital	**19,963,387**	**13,025,831**
Reserves	**1,399,098**	**1,202,086**
Accumulated losses	**(19,523,249)**	**(14,523,329)**
Total equity	**1,839,235**	**(295,412)**
Loss for the year	**(4,999,921)**	**(6,810,326)**
Total comprehensive loss for the year	**(4,999,921)**	**(6,810,326)**

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 13 to 37 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 2018 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, 19 September 2018

Bentleys
THINKING AHEAD

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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 2018, 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 2018 and of its financial performance for the year then ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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

Without qualifying our opinion, we draw attention to Note 1(a)(v) in the financial report which indicates that the Group incurred a net loss of $4,999,921 during the year ended 30 June 2018. As stated in Note 1(a)(v), these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in 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
Exploration Expenditure During the year the Group incurred exploration expenses of $5,270,983. Exploration expenditure is a key audit matter due to: - The significance to the Group's statement of profit or loss and other comprehensive income; and - The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge.	Our procedures included, amongst others: - Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programs planned for those tenements. - For a sample of tenements, we assessed the Group's rights to tenure by corroborating to government registries; and - We tested exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Group's accounting policy and the requirements of AASB 6.
Research and Development As disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income the entity received R&D Income. Under the Research and Development ("R&D") tax incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure. An R&D submission was filed with AusIndustry, and the Group received $1,821,743 during the year.	Our procedures included, amongst others in assessing the R&D Claim include: - obtaining an understanding of the objectives and activities in the R&D program; - reviewing the lodgement documents and related working papers utilised by the expert engaged by the Group;

Key audit matter	How our audit addressed the key audit matter
On 13 March 2018, the Company received a notice from AusIndustry Business Services with respect to the Company's Research & Development ("R&D") application for an advance/overseas finding which has brought into question the ability of the Company to claim aspects of the R&D Incentive. The total amount in question was $648,761 of the R&D expenditure which could result in the repayment of $282,211 of funds previously received. At the date of this report, this matter has yet to be resolved and the company has exercised its right to appeal the notice. This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to estimation and recognition of the R&D tax incentive income and due to the ongoing matter with AusIndustry.	- assessing the scope of services and capabilities of the expert engaged by the Group; - comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; and - assessing the adequacy of the disclosures in the financial report. In relation to the review with AusIndustry: - We have assessed the correspondence with AusIndustry, and the R&D tax advisor - Held discussions with the Directors and R&D tax advisors - Reviewed disclosure included on the matter in note 15 of the financial report

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 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 19th day of September 2018