



20 ANNUAL
REPORT
20

Corporate Information

Directors

Jim Walker (Non-Executive Chairman)

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Cathy Moises (Non-Executive Director)

Rhett Brans (Project Director)

Company Secretary

Sophie Raven

Registered Office & Principal Place of Business

Suite 31, 22 Railway Road

Subiaco WA 6008

Telephone: +61 8 9322 1003

Solicitors

Steinepreis Paganin

Level 4, The Read Building

16 Milligan Street

PERTH WA 6000

Share Register

Automic Registry Services

Level 2, 267 St Georges Terrace

PERTH WA 6000

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

PERTH WA 6000

Website

www.australianpotash.com.au

Stock Exchange Listing

The following are listed on the Australian Securities Exchange:

Australian Potash Limited shares (ASX code APC)

Australian Potash Limited 12 cent options expiring on 8 August 2021 (ASX code APCOB)

Table of Contents

Corporate Information	inside front cover
Chairman’s Letter	2
Operations Report	3
Mineral Resource Statement	18
Directors’ Report	21
Auditor’s Independence Declaration	33
Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	38
Directors’ Declaration	64
Independent Auditor’s Report	65
ASX Additional Information	70





Chairman's Letter

Dear Shareholders,

On behalf of the Board of Australian Potash Limited, I am pleased to present the Company's 2020 Annual Report.

Building on the successful delivery in 2019 of the Company's Definitive Feasibility Study on its 100% owned Lake Wells Sulphate of Potash Project (**LSOP**), the Company has achieved many milestones during the 2020 financial year, highlights of which include:

- EPA board recommendation for approval of full LSOP development made to the Minister for the Environment;
- Binding offtake term sheets signed with tier 1 partners Helm AG, Redox, Migao and Mitsui, with output under offtakes reaching 130,000 tpa or >85% of DFS projected output;
- Boosting board and project-level expertise with the appointment of Rhett Brans as Project Director, and experienced non-executive director Cathy Moises;
- Successful raising of ~\$6m raised during the financial year, including a heavily oversubscribed placement;
- Continuing strategic assessment and formal due diligence by the Northern Australia Infrastructure Facility of the Company's request for funding; and
- Advancement of the Company's FEED activities, which are scheduled to finalise in Q4 2020.

Again I would like to congratulate Matt Shackleton, the Company's Managing Director and CEO, for his leadership and his team for its hard work during 2020 and we remain confident that the Company will be in a position to make a final investment decision on developing the LSOP in early 2021.

Yours sincerely,

A handwritten signature in black ink that reads "Jim Walker". The signature is written in a cursive, flowing style.

Jim Walker



Operations Report

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

During the year APC focused on the methodical technical and financial derisking of the Project with a focus on progressing the Front End Engineering Design (**FEED**) programs, executing offtake agreements, finalising environmental and other approvals, and securing project development capital.

Lake Wells Sulphate of Potash Project

Front End Engineering Design (FEED)

During the year APC has continued with its FEED programs for the Project with a focus on optimising and derisking the key DFS outputs. These programs include:

- Optimising the borefield design and brine abstraction profile;
- Further testwork to optimise the process flow sheet seeking to improve product quality and product type;
- Power solution program focused on a high penetration renewable-hybrid power station that will significantly reduce carbon emissions over the LSOP's long mine life;
- Defining the contracting and delivery strategy for the LSOP including clearly demarcating battery limits across packages and delivering major packages under an engineering, procurement, and construction (**EPC**) contract arrangement to mitigate schedule, cost and performance risk; and
- Tendering all material construction and operating contracts to support robust capital and operating costs to be finalised at FEED conclusion.

The FEED program is scheduled to deliver optimised CAPEX, OPEX and production models through Q4 CY2020.

Lake Wells Potash Project Map



Debt Financing

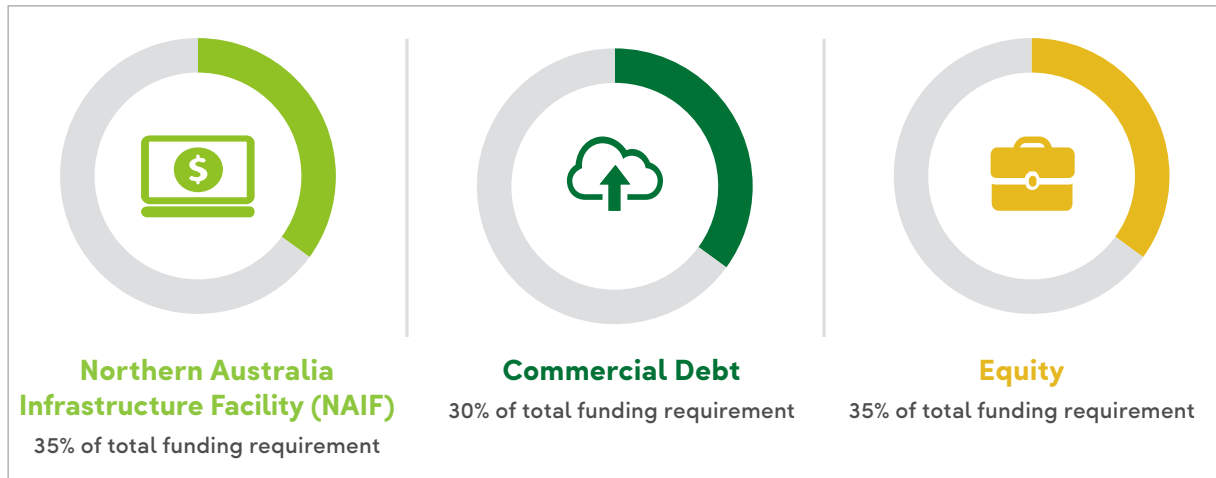


Figure 1: Funding Plan

The completion of the DFS and progress made with FEED ensured that the LSOP was appropriately technically derisked to commence formal discussions with lending institutions to provide project debt financing.

At the commencement of 2020 APC made an application to the Northern Australian Infrastructure Facility (NAIF) for funding the LSOP development. In April 2020, APC was advised by NAIF that it had approved the commencement of due diligence on the LSOP based on the financing application made by the Company. An agreed term sheet formed the basis of due diligence commencement for a facility sized on 35% of the total funding requirement. Due diligence has been progressing with a focus on completing the public benefits assessment and the indigenous engagement strategy. Preliminary due diligence has commenced on technical, financial, and market aspects with final due diligence to be completed alongside the conclusion of the FEED programs. An agreed timetable with NAIF, subject to the successful completion of due diligence, will see credit approval being sought late in Q4 2020.

It is expected commercial banks will provide a separate tranche alongside the NAIF facility as a multi-tranche syndicated loan. APC commenced discussions and due diligence with commercial banks in Q3 2020 based on the multi-tranche structure and the commercial bank tranche sized on 30% of the total funding requirement. Due diligence is progressing alongside the NAIF due diligence with a shortlist of domestic and international commercial banks, with credit approval, subject to the successful completion of due diligence, expected alongside the NAIF credit approval or shortly afterwards.

Offtake and Marketing

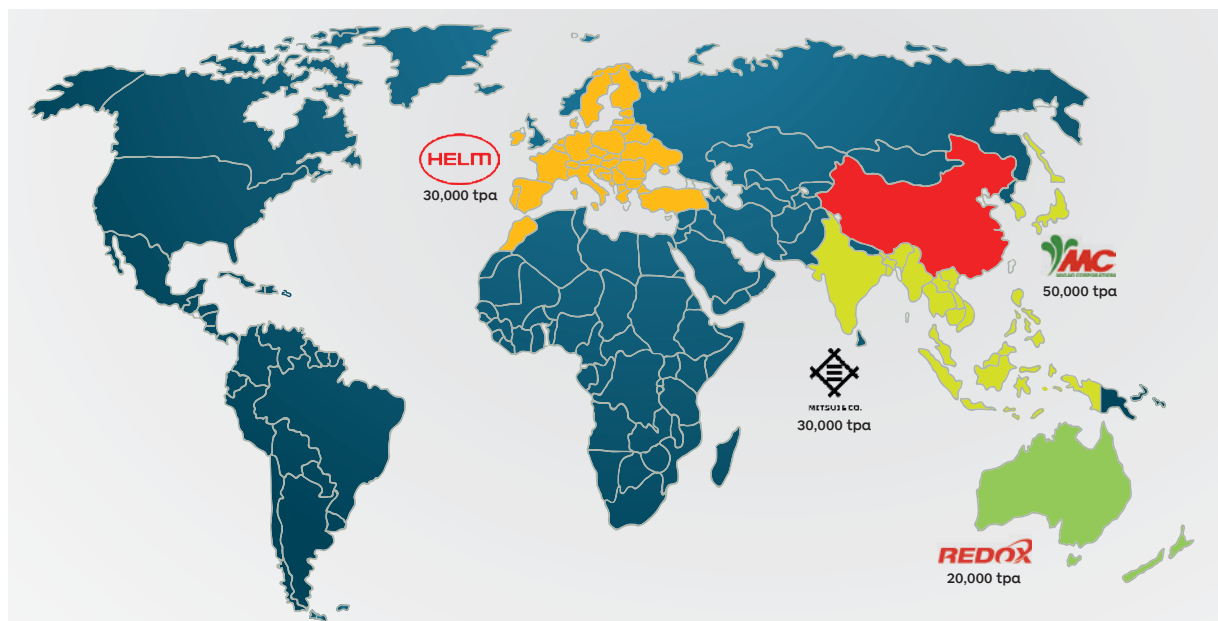


Figure 2: Offtake Program

During the year, and subsequent to year end, the Company finalised offtake positions aligned with its strategy to diversify markets and counterparty risks and maximise the netback to mine gate the Company will receive. The offtake strategy executed sought to identify Tier 1 reputable partners with visible and strong balance sheets and existing distribution capabilities. The markets targeted were identified as both well-established SOP markets (Europe and China) and growth markets (Australia and Asia ex-China).

The total offtake under binding agreements at the date of this report is 130,000tpa which is 85% of the DFS projected output of 150,000tpa.

Redox (20ktpa, 10 years)

In March 2020, the Company announced its first offtake agreement with Redox Pty Ltd (**Redox**) for the supply of 20,000tpa of K-Brite™ sulphate of potash. This offtake agreement is for distribution in Australia and New Zealand.

Redox is an Australian based company which since 1965 has grown into one of the world's leading chemical and raw material distributors to industry. Redox has offices in all major Australian and New Zealand cities and reported significant year on year growth with 2019 revenues of A\$705 million.

Migao (50ktpa, 10 years)

In April 2020, the Company announced an offtake agreement with Migao International (Singapore) Pte Ltd (**Migao**) for the supply of 50,000tpa of K-Brite™ sulphate of potash. This offtake agreement is for distribution in China.

Migao is a speciality fertiliser manufacturer and distributor established in 2003. In 2019, Migao produced over 1 million tonnes of speciality potassium fertilisers, including SOP and potassium nitrate, from its seven production facilities in China.

Mitsui (30ktpa, 5 years)

In July 2020, the Company announced an offtake agreement with Mitsui & Co. (Asia Pacific) (**Mitsui**) for 30,000tpa of K-Brite™ sulphate of potash for distribution into Asia (ex China).

Mitsui is a global trading and investment company with a major fertiliser and chemicals trading department. Mitsui has a strategic focus on high-growth Asian markets and established distribution channels, providing access into these markets for the K-Brite™ sulphate of potash products.

HELM (30ktpa, 10 years)

In August 2020, the Company announced an offtake agreement with HELM AG (**HELM**) for the supply of 30,000tpa of K-Brite™ sulphate of potash for distribution into several European jurisdictions.

HELM is based in Germany and is one of the world's largest chemicals marketing companies. HELM has subsidiaries, sales offices, and presence in over 30 countries, with annual revenue in 2019 of over €5 billion.

Premium Organic SOP Products

The Company is progressing organic certification for the K-Brite™ sulphate of potash products. Certification will further bolster the credentials of the LSOP's long term environmentally friendly position. It will align with the global trend for sustainable food production, diminishing arable land and growth in higher value organic crops' markets such as Europe and North America.



Environmental Approvals

In November 2019, the Company submitted the over-arching approvals document known as the Environmental Review Document (ERD) to the Environmental Protection Authority of Western Australia (EPA).

During February 2020, the ERD for the LSOP was re-submitted to the EPA, responding to comments from Decision Making Authorities on the initial ERD submitted in November 2019.

Subsequent to year end, on 7 September 2020, the Company was advised that the board of the EPA had recommended to the Minister for the Environment that the LSOP be approved for development and that conditions for development and operations were agreed between APC and the EPA.

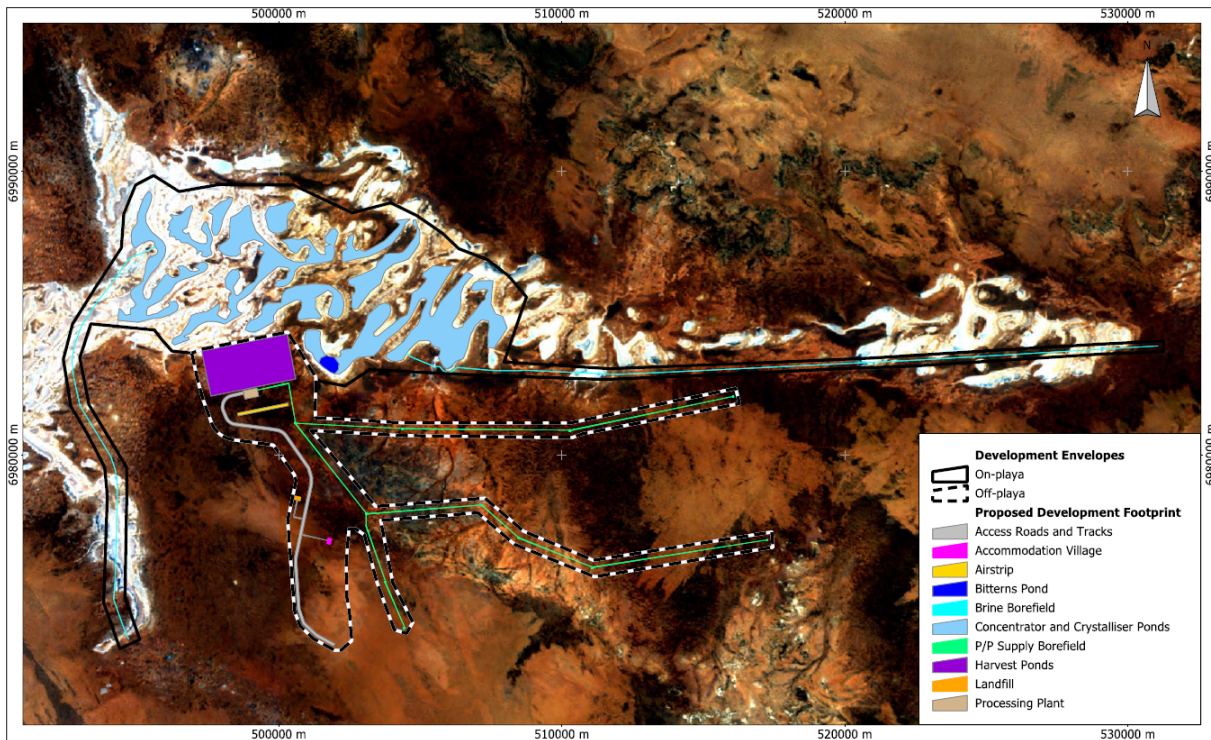


Figure 3: ERD Development Envelopes

In addition to the main EPA approval, the Company also received consent from the EPA to proceed with Minor and Preliminary Works in May 2020.

The minor and preliminary works the subject of this consent include access tracks, borefield tracks, construction village, and developing borrow pits.

Definitive Feasibility Study¹

On 28 August 2019, APC announced the completion of an AACE Class 3 DFS (+15%/-5%) on developing the LSOP into a 150,000 tonne per annum sulphate of potash operation. The DFS was prepared by Lycopodium in conjunction with industry leading consultants including Novopro, AQ2, Knight Piésold, and MBS Environmental.

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

The highlights of the DFS include:

- Compelling economics:
 - Pre-tax NPV₈ of A\$665M
 - Annual pre-tax free cash flows of A\$100M and Life of Mine (**LOM**) pre-tax free cash flows of A\$3.1Billion
 - Pre-tax Internal Rate of Return (**IRR**) of 25% on robust operational and capital efficiencies
 - 150,000 tonnes per annum (**tpa**) Sulphate of Potash (**SOP**) production rate
- Long life Project with lowest quartile production costs:
 - 30 year mine life with LOM production of 4.5Mt of premium high-grade SOP
 - LOM cash cost of US\$262/t places the LSOP in the first quartile of the SOP cost curve
- Sector leading CAPEX:
 - Development CAPEX of A\$208M
 - Competitive capital intensity of A\$1,387/t SOP
- Resources and Reserves:
 - LOM production is met using maiden 3.6Mt Probable Reserve and draws on the Measured Resource Estimate of 18.1Mt drainable SOP

Major Resource Estimate Upgrade

In August 2019, and in conjunction with the DFS referred to above, APC upgraded the JORC 2012 Compliant Mineral Resource Estimate. The upgraded JORC 2012 Compliant Mineral Resource Estimate comprises 18.1 million tonnes of drainable SOP in the measured category. Refer the Company's Mineral Resource Statement for further information.

¹ Refer to ASX Announcement 28 August 2019 'Definitive Feasibility Study Outstanding Financial Outcomes'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 28 August 2019 announcement, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 28 August 2019 announcement continue to apply and have not materially changed.

Lake Wells Gold Project

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

Under the Agreement, SBM paid APC a \$1.25 million cash consideration and has since met the minimum exploration expenditure commitment of \$1.75 million pursuant to the initial 12 month Earn-in period.

During 2019 and 2020, SBM conducted an extensive exploration program including two large programs of AC drilling at the Lake Wells Gold Project (refer to ASX announcement of 27 April 2020).

Key outcomes of work completed to date are:

- Completed framework geology study that included acquisition of detailed magnetic and gravity geophysical data;
- Defined areas of anomalous gold and pathfinder elements (As, Bi and Sb) in AC drilling that require follow-up;
- Potential target styles of mineralisation have been defined;
- Additional areas for first-pass testing have been identified; and,
- Priority follow-up targets generated and program planning advanced.

Subsequent to year end, SBM and APC agreed the Exploration program for the financial year 2021. The program commenced in September 2020 and is expected to continue through to the end of Q2 of financial year 2021. The program is planning to focus on:

- Extensive regional scale drilling program up to c.30,000 metres comprising:
 - Up to 425 Air-Core (AC) holes for approximately 25,500 metres;
 - Up to 19 Reverse Circulation (RC) holes for approximately 3,400 metres; and,
 - Up to 3 diamond drill (DDH) holes for approximately 900 metres.
- Extensive infill drilling to the Yamarna target area with the program extending into the northern tenement areas (refer Figure 4)

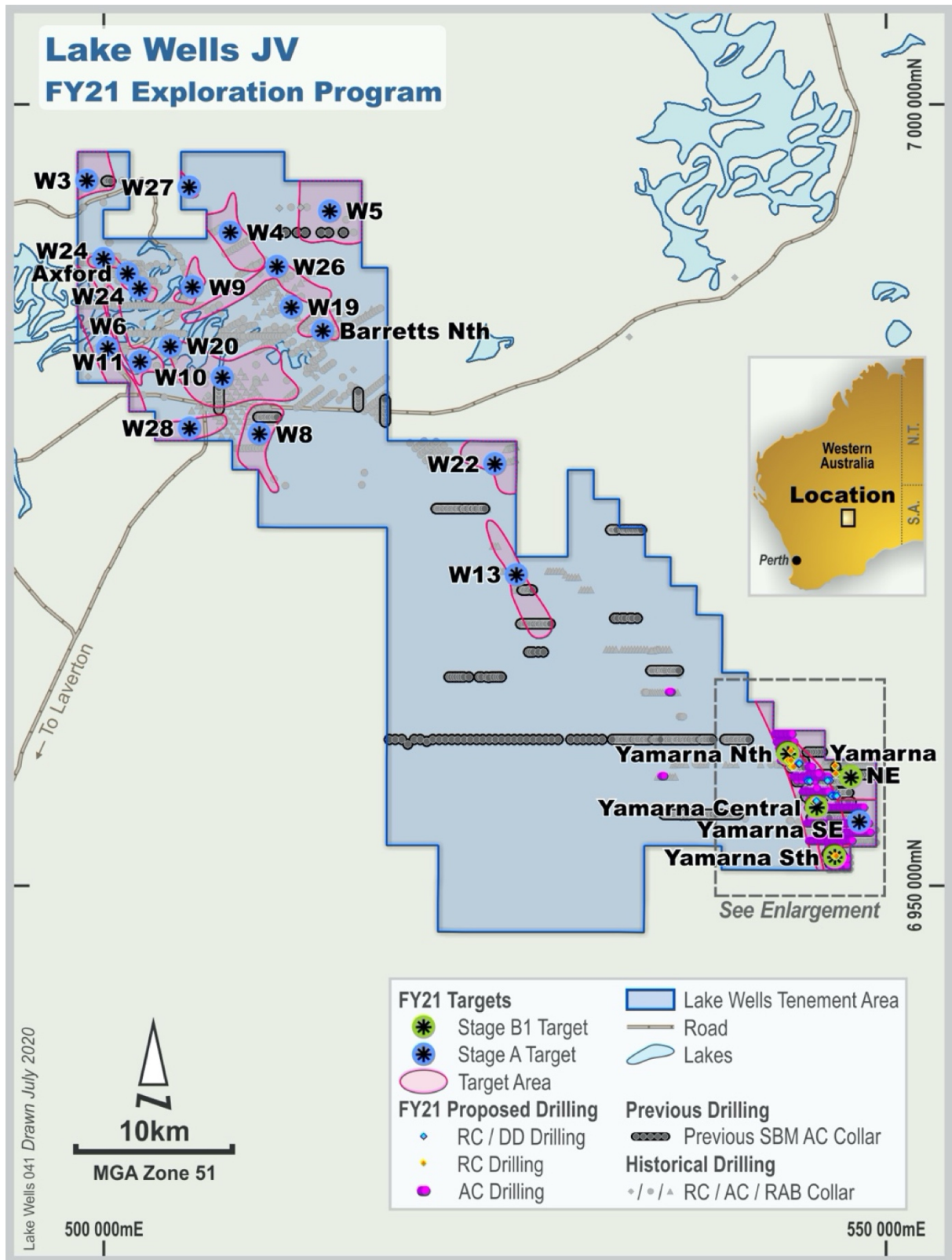


Figure 4: Summary of proposed FY21 exploration program drill locations showing the Yamarna and Lake Wells target areas

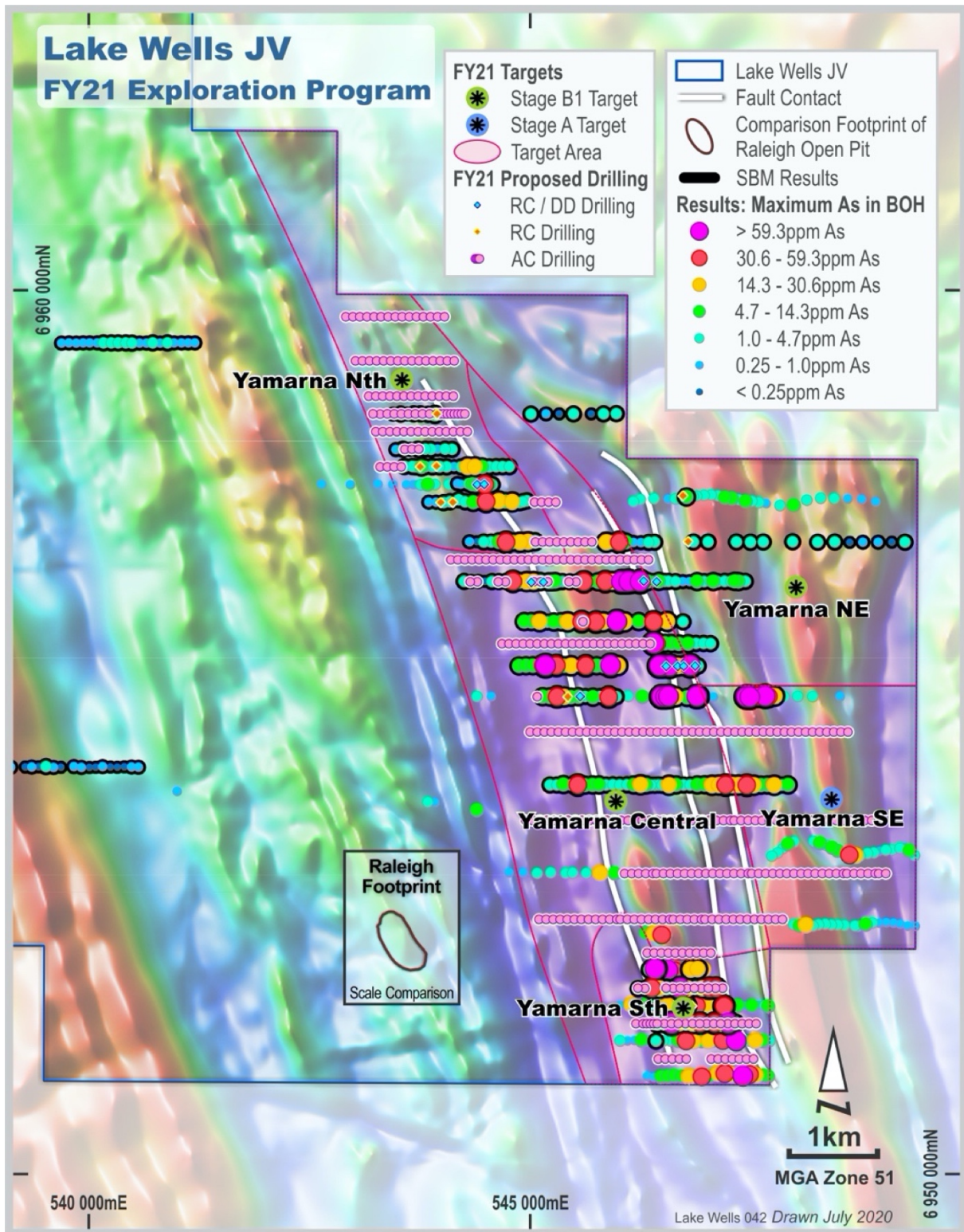


Figure 5: Location of proposed drilling and targets in the Yamarna area of the Lake Wells Gold Project.

Laverton Downs Project (Gold & Base Metals)

Work continued on the Laverton Downs Project building on the work completed in the previous year. Programs completed include integrating information on the recently granted tenement applications, and the addition of some remote sensing and sample re-assay programs. Targeting for both gold and nickel sulphide mineralisation continued through the year, with exploration programs designed to test the highest priority targets at an advanced stage.

Lake Darlot Potash Project

Building on the Company's strong inhouse potash exploration expertise new areas with high potential to host economic potash mineralisation have been evaluated. Three new tenements were applied for covering Lake Darlot, where available data confirm that both a deep palaeochannel and good potassium and sulphate grades are located. Two of the three tenements were granted through the year, and the third is imminent.

Lake Darlot is strategically located near existing infrastructure such as a gas pipeline, sealed roads, and 70km east of the regionally significant town of Leinster.

While investigating legacy drilling data through the granted tenements that focussed on gold mineralisation, several anomalous results were located that have not been fully explored. In the course of potash exploration the Company intends to complete preliminary investigations into the gold potential of the project area and follow with further exploration should the results justify it.

Corporate

Rhett Brans joined the team in an executive capacity as Project Director on 6 June 2020 after being in the role of Non-Executive Director since 2017.

Placements & Rights Issue Completed

On 17 December 2019, the Company announced the successful completion of a \$1.6m placement of 23m ordinary shares at 7c to sophisticated and professional investors. As part consideration for brokerage fees payable in respect of the Placement, 7,500,000 listed options (ASX: APCOB) exercisable at \$0.12 each on or before 8 August 2021 were issued by the Company.

On 7 May 2020 the Company announced the successful completion of a \$2m placement of 40m ordinary shares at 5c to sophisticated and professional investors.

On 3 June 2020 the Company further announced the completion of a rights issue (entitlements issue) to eligible shareholders. The rights issue raised approximately \$2.23m through subscriptions on a 1:7 basis at 5c.

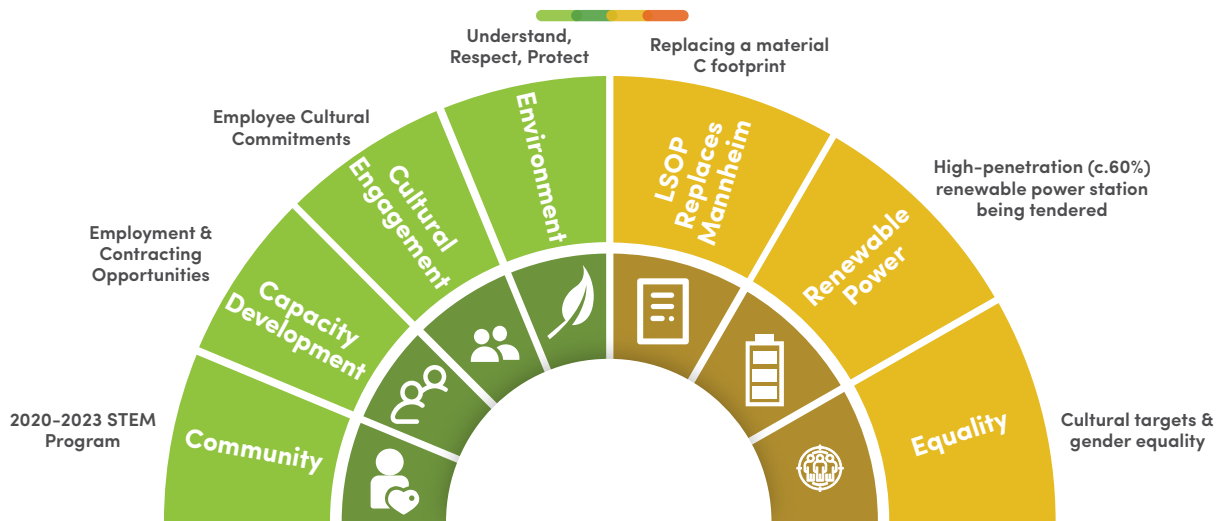
Issue of Consideration Shares

As agreed under clause 5.1(c) of the Sale of Mining Tenements Agreement dated 11 April 2011, as amended (**Goldphyre Agreement**) and entered into between the Company and Goldphyre WA Pty Ltd (**Goldphyre**), 3,000,000 fully paid ordinary shares were issued by APC during December 2019 to Goldphyre as deferred consideration for the acquisition by the Company of the Mining Tenements and Mining Information specified in the Goldphyre Agreement.

R&D Tax Incentive Received

During October 2019, the Company received a \$1.4 million refundable Research and Development (**R&D**) Tax offset from the Australian Taxation Office relating to work performed during the year ended 30 June 2019. The R&D Tax incentive recognised the innovative abstraction bore construction and pre-concentration pond testwork trials on the LSOP undertaken by the Company.

Sustainability



APC recognises that we have a role to play in contributing to global sustainable development. We are committed to conducting our business responsibly so that our people are safe and well supported, local communities benefit from our presence and we demonstrate strong environmental stewardship.



Our people

Continuous cycle to safeguard the health, safety and well-being of our people

- ✓ Plan, Do, Check, Act: ISO45001 Principles developed into OH&S Framework
- ✓ Zero total recordable injury frequency (TRIF) since 2018
- ✓ 30% female employment rate in 2019 with strategic focus to continuously develop diversity
- ✓ 100% employees and contractors First Aid trained in 2020



Environment

Commitment to sustainable production and environmental performance

- ✓ Environmentally sustainable production and minimal footprint bore abstraction (NIL trenching)
- ✓ Brine solar-salt production has significantly lower carbon footprint than Mannheim process
- ✓ Low carbon emissions from high penetration renewable power solution
- ✓ Organic certifiable product supporting sustainable agriculture for global food supply



Community

Commitment to building stronger communities

- ✓ Contracts supporting regional economies and strengthening local relationships
- ✓ Indigenous employment partnership with Wirrpanda Foundation
- ✓ Will be major local employer, contribute to state royalties and federal income taxes



Governance

Established corporate culture values ethics and integrity

- ✓ Highly experienced board strongly aligned to ASX Corporate Governance principles
- ✓ Independent Chair, rigorous ESG and risk management oversight practices
- ✓ External and internal audits

Health and Safety

OHS

The OH&S Management System applies to all matters arising out of APC business activities which may impact the health and safety of employees, contractors, the environment and the communities in which the company operates. All regions and business units of the organisation are included in the scope of the management system.

Employee Assistance Program

APC offers a free professional and confidential counselling service for all employees and their immediate family members. It focuses on a variety of issues such as stress, workplace bullying and depression to name a few. It also has a strong focus on promoting long term health and well being.

COVID-19 Response

We implemented and will continue to proactively implement protocols and systems to safeguard our people, manage risk and overcome any impacts on our activities.

Key Measures implemented during the year include:

- Maintaining health and safety systems in line with formal guidance of State health authorities;
- Boosting workforce social distancing measures across workplaces; and
- Enhanced workforce communication and promotion of APC's health and wellbeing programs, including mental health.

Community

Indigenous Engagement

APC is committed to implementing an effective and transparent engagement, communication and reporting process with the Indigenous people that have cultural affiliations with the Lake Wells Sulphate of Potash Project area.

The Company has conducted heritage field surveys in consultation with senior Aboriginal Heritage Consultants. The objectives of the heritage field studies and consultation were to:

- survey the proposed project area and identify Aboriginal Sites or Heritage Places;
- record the location and nature of any identified Sites or Places;
- verify the location and nature of previously recorded Sites; and
- prepare avoidance and management strategies where applicable.



Community Engagement

APC is committed to building stronger communities. The Project enjoys strong community support. As part of the planned development APC is committed to supporting jobs, economic development and building capability in local communities. The Company has always been committed to making real substantive change to the Laverton community through our close working relationship with the Shire and the township. The Company has extended this endeavour by pledging jobs through the Wirrpanda Foundation's excellent and sector leading programs that encompass work skills, on the job mentoring and on-going employment support for Indigenous new hires. In 2020/21, APC looks forward to developing the relationship into one delivering real, productive outcomes for the Company, the Wirrpanda Foundation and most importantly, the local and regional people of Laverton.

The Project will provide opportunities for a drive-in/drive-out workforce from Laverton and surrounding communities. In addition to the significant regional benefit the Project will deliver, there are tangible benefits that will accrue to the Western Australian agricultural industry with the creation of a local supply of premium SOP. The Project also represents a brand-new export industry for WA.

Laverton Regional Schools STEM Innovation Day

Subsequent to year end, APC implemented the inaugural Science, Technology, Engineering and Mathematics (STEM) Innovation Day at Laverton. Students from five regional and remote communities attended the STEM Innovation Day.

The 2020 inaugural STEM Innovation Day was supported by local and regional stakeholders, including the Laverton Shire, Laverton School, including the remote schools of Mt Margaret, Cosmo Newberry and Mulga Queen, and Leonora School. Local miners Anglo Gold Ashanti and St Barbara Limited also supported the day, continuing their long established financial and in-kind support for regional community initiatives and local employment. The program was delivered by Firetech, a national education services provider head-quartered in Perth and specialised in digital technology and STEM education.

At the commencement of term 4 2020, the STEM Augmentation Program commenced at the Laverton School. Designed as a 'pilot program' to determine the shape, duration and content of the longer term, 3 year STEM Program being planned for 2021-2023, the STEM AP comprises on-site and remote STEM tuition for 20 students across an 8 week workshop program. In addition, there will be Professional Development provided to the teaching staff at Laverton School to equip them for the optimum delivery of STEM programs into the future.

The Laverton School comprises the Laverton, Mulga Queen and Cosmo Newberry remote campuses.



Corporate Governance

APC is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations, 3rd Edition".

The Board of Directors of APC is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of APC on behalf of the shareholders by whom they are elected and to whom they are accountable.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

APC's corporate governance policies and procedures are available at www.australianpotash.com.au.

About Australian Potash Limited



K-Brite is a registered trademark brand of Australian Potash Limited (ASX: APC), representing the premium Sulphate of Potash (**SOP**) to be produced from the Company's flagship Lake Wells Sulphate of Potash Project (**LSOP**).

APC holds a 100% interest in the LSOP, located approximately 500kms northeast of Kalgoorlie, in Western Australia's Eastern Goldfields.

Forward Looking Statements

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Mineral Resource Statement

As At 30 June 2020

The Company has upgraded mineral resource estimates for the LSOP as new information has come to hand. Confidence in the resource has grown along with the size of the resource with each exploration or test pumping program adding significant amounts of information building the robustness of the geologic and hydrologic models.

A Probable Ore Reserve for the LSOP was announced in conjunction with a Definitive Feasibility Study on the 28 August 2019 of 3.6Mt SOP. Recovering 81.5 percent of the Probable Reserve (pond and process losses) is sufficient to supply the LSOP with 95 percent of the brine required to produce 100,000t premium SOP per annum from brine for the proposed 30 year mine life.

Supporting the Probable Ore Reserve is a Measured Mineral Resource Estimate that was reported on the 5th August 2019. In accordance with the JORC code the results of the MRE are reported in terms of potassium (**K**), and SOP.

Lake Wells Sulphate of Potash Project - Mineral Resource Estimate

In compliance with Australian and internationally recognised reporting standards, APC has reported a Measured Resource estimate using **specific yield**, or **drainable porosity** that contains 8.1Mt of potassium. The Company believes this is an accurate estimate of the amount of potassium that can be abstracted from the measured aquifers and used in the production of sulphate of potash (**SOP**).

A Mineral Resource Estimate (**MRE**)¹ has been calculated on the LSOP's potassium deposit under the guidelines of both JORC 2012 and the recently adopted Guidelines for Resource and Reserve Estimation for Brines 2019. Under these internationally recognised guidelines the mineral resource is reported in terms of gravity recoverable brine as measured by the Specific Yield (**Sy**) of the host lithology.

The Measured Resource is a static estimate; it represents the volume of potentially recoverable brine that is contained within the defined aquifer. It takes no account of modifying factors such as the design of a borefield (or other pumping scheme), which will affect both the proportion of the Resource that is ultimately recovered and changes in grade associated with mixing between each aquifer unit and the surrounding geology, which will occur once pumping starts. The Measured Resource also takes no account of recharge to the upper-most aquifer which is a modifying factor that may increase brine-recovery from this unit.

With combined resources of 8.1 Mt potassium, that results in 18.1Mt SOP, APC has delineated a substantial resource on which to base its planned operation for a sustained period. The measured potassium content in brine can be expressed in units of sulphate of potash (SOP or K_2SO_4) by multiplying by 2.229 and assuming complete conversion and no limiting reagent.

The MRE covers the four key parameters as outlined in the brine resource guidelines:

- Determination of the Specific Yield (**Sy**) of the brine-aquifer;
- Definition of the brine-aquifer geometry;
- Determination of the concentration of the elements of interest; and
- Determination of appropriate boundaries for the Mineral Resource Estimate.

¹ Refer to ASX announcement 8 August 2019 'Major Resources Estimate Upgrade'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 8 August 2019 announcement, and 2. State that all the material assumptions and technical parameters underpinning the production target and the forecast financial information derived from a production target in the 8 August 2019 announcement continue to apply and have not materially changed.

Measured Resource for APC Lake Wells Sulphate of Potash Project (JORC Compliant)

Hydrogeological Unit	Volume of Aquifer MCM	Specific Yield Mean	Drainable Brine Volume MCM	K Conc (mg/l) Wgt Mean Ave	K Tonnes Mt	SOP ¹ Mt
Loam	5180	10%	518	4009	2.08	4.6
Upper Aquitard	10772	7%	754	3020	2.28	5.1
Crete	479	5%	24	2386	0.06	0.1
Upper Sand	801	17%	136	3435	0.47	1.0
Lower Aquitard	9502	8%	760	3367	2.56	5.7
Mixed Aquifer	440	17%	75	3645	0.27	0.6
Basal Sand	503	23%	116	3415	0.40	0.9
Total	27677	9%	2383	3402	8.11	18.1

Table 1: Indicated and Inferred Mineral Resource estimate measured using Specific Yield (drainable porosity)

- 1 The measured potassium content in brine can be expressed in units of sulphate of potash (SOP and K_2SO_4) by multiplying by 2.229 and assuming complete conversion and no limiting reagent.

Lake Wells Sulphate of Potash Project – Probable Ore Reserve

As part of the LSOP DFS report² APC reported a Probable Ore Reserve estimate of 3.6Mt SOP. Where the Measured Resource is a static estimate of the volume of potentially recoverable brine, an Ore Reserve is calculated from a groundwater flow model that was developed to simulate brine abstraction scenarios, and other modifying factors, including pond evaporation and processing plant.

The model predictions indicate that for the first 20 years of abstraction the target SOP production of 100,000 tpa can be achieved from a borefield comprising 78 bores, located along the thalweg of the paleochannel at approximately 800 m spacing. Modelled bore yields, drawing from both the upper and basal sand aquifers, range between 4 L/s to 17 L/s per bore, based on the variable aquifer parameters and sand intervals. Target production can be sustained for a further 10 years (i.e. 30 years in total) with the progressive addition of 30 additional bores pumping only from the upper sand aquifer. The potassium concentrations are predicted to range between 3,570 mg/L to 3,255 mg/L over the 30 year life of mine.

There is inherent uncertainty in the modelling of groundwater systems for long periods into the future. This uncertainty limits the Reserve categorisation to Probable and is addressed with sensitivity and risk analysis, using a plausible range of more conservative aquifer parameters. Over 30 years, the base case SOP abstraction is 3.8 Mt (which represents 21% of the in-situ Measured Mineral Resource). For all sensitivity scenarios, brine production remains within 5% of the base-case estimate. The Reserve has been conservatively limited to the lower end of the sensitivity analysis which provides 3.6 Mt SOP for a 30 year mine life.

2 Refer to ASX announcement 28 August 2019 'Australian Potash Ltd Announces Definitive Feasibility Study'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document.

Annual Statement of Mineral Resources

The Annual Statement of Mineral Resources as at 30 June 2020 presented in this Report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and ASX listing Rules.

On the 8th of August 2019, APC announced an upgrade to the JORC 2012 Compliant Mineral Resource Estimate³. Ore Reserves were declared as part of the Definitive Feasibility Study released on the 28 of August 2019⁴.

APC is not aware of any other new information or data that materially affects the information included in this Annual Statement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

Mineral Resources Corporate Governance

Due to the nature, stage and size of APC's existing operations, the Board believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring APC's processes for estimating mineral resource and ore reserves and for ensuring that the appropriate internal controls are applied to such estimates. However, APC ensures that any mineral reserve and ore resource estimations are prepared by competent geologists and hydrogeologists and are reviewed independently and verified including estimation methodology, sampling, analytical and test data. APC reports mineral resources estimates in accordance with the 2012 JORC Code.

Competent Persons Statement

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

The information in this report that relates to Exploration Results is based on information compiled by Christopher Shaw who is a member of the Australian Institute of Geoscientists (AIG). Mr. Shaw is an employee of Australian Potash Ltd. Mr. Shaw has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Shaw consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Forward Looking Statements Disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

-
- 3 Refer to ASX announcement 8 August 2019 'Major Resources Estimate Upgrade'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document, Australian Potash Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 8 August 2019 announcement, and 2. State that all the material assumptions and technical parameters underpinning the production target and the forecast financial information derived from a production target in the 8 August 2019 announcement continue to apply and have not materially changed.
- 4 Refer to ASX announcement 28 August 2019 'Australian Potash Ltd Announces Definitive Feasibility Study'. That announcement contains the relevant statements, data and consents referred to in this announcement. Apart from that which is disclosed in this document.

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 2020.

Directors

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

Jim Walker

Non-Executive Chairman

Mr Walker has over 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 was a member of the Macmahon board since 2013, and was the non-executive Chair from 14 July 2015 until 27 June 2019.

Other current directorships:

Mr Walker is currently Chairman of Austin Engineering Limited (appointed November 2016) and Mader Group Limited (appointed 1 January 2019).

Former directorships (last 3 years):

Non-executive Chairman of Macmahon Holdings Ltd (resigned 27 June 2019).

Matt Shackleton

Managing Director & Chief Executive Officer, member of the Audit committee

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, 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):

None

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 several 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.

Directors (continued)

Other current directorships:

Mr Lambert is currently Chairman of Mincor Resources NL (appointed January 2017) and Saturn Metals Limited (appointed 9 April 2020).

Former directorships (last 3 years):

Non-executive Director of Metals X Limited (resigned 10 July 2020), De Grey Mining Limited (resigned 22 July 2019) and Tao Commodities Limited (resigned 11 August 2017).

Cathy Moises

Non-Executive Director, member of the Audit and Remuneration committees

Appointed 29 July 2020

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

Other current directorships:

Ms Moises is currently a Non-Executive Director of Arufura Resources (appointed December 2019) and W.A. Kaolin Holdings Pty Ltd (appointed May 2020).

Rhett Brans

Project Director, member of the Audit and Remuneration committees

Appointed 9 June 2020 (prior to this Mr Brans was a Non-Executive Director)

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 AVZ Minerals Limited and Carnavale Resources Ltd. Previously, Mr Brans was a founding director of Perseus Mining Limited and served on the boards of Tiger Resources Limited, Monument Mining Limited and Syrah Resources. 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.

Other current directorships:

Mr Brans is currently a 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 (resigned 31 December 2017).

Company Secretary

Sophie Raven

Ms Raven is a corporate lawyer and company secretary, with extensive experience in Australia and internationally, including as a corporate lawyer in Santiago, Chile advising Australian and Canadian resources and drilling companies. Ms Raven has held positions as Company Secretary with Austin Engineering Limited, Craig Mostyn Holdings Pty Ltd, and Cradle Resources Limited. Ms Raven holds a Bachelor of Laws from the University of Western Australia and is a member of the Australian Institute of Company Directors. Ms Raven is a board member of The Place of Keeping Ltd, a charitable organisation. Ms Raven has not held any former directorships in the last 3 years.

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

	Ordinary Shares	Options over Ordinary Shares
Jim Walker	1,255,142	1,277,496
Matt Shackleton	7,351,429	6,292,156
Brett Lambert	525,613	-
Cathy Moises	-	-
Rhett Brans	220,000	-

Principal Activities

During the year the Group carried out exploration and feasibility studies 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 \$1,952,751. The Group raised funds during the year via the issue of shares and options. Total gross funds raised during the year amounted to \$6,083,517.

During the year, the Group capitalised exploration costs amounting to \$4,381,780 (2019: \$5,053,765). Exploration expenditure not at the definitive feasibility stage of \$153,144 (2019: \$353,246) was expensed as incurred.

The Group reported an operating loss after income tax for the year ended 30 June 2020 of \$775,551 (2019: Profit \$142,446).

At 30 June 2020 cash assets available totalled \$3,379,177.

Operating Results for the Year

Summarised operating results are as follows:

	2020	
	Revenues \$	Results \$
Revenues and loss from ordinary activities before income tax expense	1,961,381	(775,551)

Shareholder Returns	2020	2019
Basic (loss) / earnings per share (cents)	(0.20)	0.04

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

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

Likely Developments and Expected Results

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

Environmental Regulation and Performance

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

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

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

Remuneration Report

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

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 longterm incentives based on key performance areas affecting the Group's financial and operating results. The board of Australian Potash Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives (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 longterm growth in shareholder wealth.

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

The directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2020 financial year. Some individuals may choose to sacrifice part of their salary or fees to increase payments towards superannuation.

Remuneration Report (continued)

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 BlackScholes methodology.

The board policy is to remunerate nonexecutive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the nonexecutive 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 nonexecutive directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). Fees for nonexecutive 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 Company's Incentive Performance Rights Plan.

Performance Based Remuneration

Short Term Incentive

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

Long Term Incentive (LTI)

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

Incentive Option Plan

The Group implemented an Incentive Option Plan which enables the provision of options to executives and employees. During the 2020 financial year, no options were issued to executives. In the prior year, options issued to executives will vest subject to pre-defined performance hurdles. The grant of options was to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. During the year the Incentive Option Plan was replaced with the Incentive Performance Rights Plan.

Incentive Performance Rights Plan

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

During the 2020 financial year, performance rights which will vest subject to pre-defined performance hurdles were allocated to all executives. The grant of performance rights aims to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Refer to page 29 for the number and value of performance rights issued to executives during the year.

Performance Measures to Determine Vesting of Options and Performance Rights

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

The performance measures for the 2020 performance rights related to:

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

During the 2020 financial year, no options were issued to executives. The performance measures for the prior year options 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 base, PG or precious metals.

Remuneration Report (continued)

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 2020 (2019: Nil).

Voting and Comments made at the Company's 2019 Annual General Meeting

The Company received 100% of "yes" votes on its remuneration report for the 2019 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 21 and 22 above.

Key Management Personnel of the Group

	Short-Term		Post-Employment		Share-based Payments		Total	Performance Related
	Salary & Fees \$	Other \$	Super-annuation \$	Retirement benefits \$	Shares \$	Options \$	\$	%
Directors								
Jim Walker								
2020	56,538	-	5,371	-	-	-	61,909	-
2019	61,884	-	5,879	-	-	10,220	77,983	-
Matt Shackleton								
2020	272,811	15,000	22,390	-	-	(11,169)	299,032	-
2019	250,000	-	23,750	-	-	76,263	350,013	21.8%
Brett Lambert								
2020	33,192	-	3,153	-	-	-	36,345	-
2019	41,096	-	3,904	-	-	-	45,000	-
Cathy Moises								
2020	-	-	-	-	-	-	-	-
Rhett Brans								
2020	44,768	-	2,828	-	-	-	47,596	-
2019	41,096	-	3,904	-	-	-	45,000	-
Total directors' compensation								
2020	407,309	15,000	33,742	-	-	(11,169)	444,882	-
2019	394,076	-	37,437	-	-	86,483	517,996	-

Remuneration Report (continued)

	Short-Term		Post-Employment		Share-based Payments		Total	Performance Related
	Salary & Fees \$	Other \$	Super-annuation \$	Retirement benefits \$	Shares \$	Options \$	\$	%
Executives								
Scott Nicholas								
2020	257,335	-	23,030	-	-	49,726	330,091	15.1%
2019	33,273	-	3,161	-	-	-	36,434	-
Total executives' compensation								
2020	257,335	-	23,030	-	-	49,726	330,091	15.1%
2019	33,273	-	3,161	-	-	-	36,434	-
Total key management personnel compensation								
2020	664,644	15,000	56,772	-	-	38,557	774,973	
2019	427,349	-	40,598	-	-	86,483	554,430	

Service agreements

Managing Director and Chief Executive Officer

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

- Paid annual salary of \$250,000 (plus statutory superannuation). Effective 1 July 2019 Mr Shackleton's annual salary increased to \$280,000 (plus statutory superannuation).
- The Company may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice to the Executive.
- The Company pays \$15,000 per annum towards the cost of a novated lease for a motor vehicle.

Project Director

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

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

Chief Financial Officer

Scott Nicholas (Appointed 18 May 2019):

- Paid annual salary of \$264,840 (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.

Remuneration Report (continued)

Share-based Compensation

Options

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

Grant Date	Value per option at grant date (cents)	Exercise Price (cents)	Expiry Date	Vesting Date
28/11/2016	4.7	17.5	28/11/2019	(1)
28/11/2016	4.3	22.5	28/11/2019	(1)
30/11/2017	7.1	16.0	30/11/2020	(2)
30/11/2017	6.6	20.0	30/11/2020	(2)

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

- One third will vest upon the completion of a feasibility program (Class 3) into the Project;
- One third will vest on listed ordinary shares in the Company trading at \$0.25 or above for 5 consecutive trading days; and
- One third will vest upon finalisation of board approved finance package to commence development of the Lake Wells Potash Project.

(2) 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 Project; and
- 50% will vest on delineation of JORC compliant resource of > 250,000 gold equivalent ounces (as measured at the spot price) of base, PG or precious metals.

Rights

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

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

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

Remuneration Report (continued)

Share-based Compensation (continued)

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

Financial Year	Options /rights awarded during the year No.	Grant Date	Value per option / right at grant date (cents)	Vesting Date	Exercise Price (cents)	Expiry Date	No. Vested during the year	No. Lapsed during the year	Value of options /rights granted during the year	Value of options /rights exercised during the year
Directors										
Brett Lambert										
2018	-	23/10/17	-	09/05/18	-	09/05/20	-	750,000	-	-
Rhett Brans										
2018	-	23/10/17	-	09/05/18	-	09/05/20	-	750,000	-	-
Matt Shackleton										
2017	-	28/11/16	-	30/06/19	-	28/11/19	-	742,207	-	-
2017	-	28/11/16	-	31/08/19	-	28/11/19	-	742,207	-	-
2017	-	28/11/16	-	-	-	28/11/19	-	742,207	-	-
2020	3,550,886	18/11/19	9.0	(i)	-	04/03/24	-	-	319,580	-
Executives										
Scott Nicholas										
2020	1,665,039	04/03/20	9.9	(i)	-	04/03/24	-	-	164,839	-

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

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

Equity Instruments held by Key Management Personnel

Share holdings

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

2020	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
Ordinary shares				
Directors				
Jim Walker	398,000	-	857,142	1,255,142
Matt Shackleton	6,432,499	-	918,930	7,351,429
Brett Lambert	459,911	-	65,702	525,613
Rhett Brans	220,000	-	-	220,000

Remuneration Report (continued)

Share-based Compensation (continued)

2020	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
Ordinary shares				
Executives				
Scott Nicholas	-	-	386,531	386,531

Option and Rights Holdings

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

2020	Balance at start of the year	Granted as compensation	Exercised	Expired	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors								
Jim Walker								
Options	1,277,496	-	-	-	-	1,277,496	1,277,496	-
Matt Shackleton								
Options	4,967,870	-	-	(2,226,620)	-	2,741,250	241,250	2,500,000
Rights	-	3,550,906	-	-	-	3,550,906	-	3,550,906
Brett Lambert								
Options	859,666	-	-	(750,000)	-	109,666	109,666	-
Rhett Brans								
Options	849,688	-	-	(750,000)	-	99,688	99,688	-
Executives								
Scott Nicholas								
Rights	-	1,665,039	-	-	-	1,665,039	-	1,665,039

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

	Directors Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B
Jim Walker	14	13	2	2	3	3
Matt Shackleton	14	13	2	1	3	3
Brett Lambert	14	14	2	2	3	3
Cathy Moises	-	-	-	-	-	-
Rhett Brans	14	14	2	2	3	3

Notes

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

B – Number of meetings attended.

Shares Under Option/Right

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

Date issued	Expiry date	Exercise price (cents)	Number
Options			
8 August 2018	8 August 2021	12.0 Listed	55,350,135
22 April 2016	21 April 2021	10.0 Unlisted	3,430,000
22 April 2016	21 April 2021	15.0 Unlisted	3,430,000
30 November 2017	30 November 2020	16.0 Unlisted	1,250,000
30 November 2017	30 November 2020	20.0 Unlisted	1,250,000
27 December 2018	27 December 2021	22.5 Unlisted	1,277,496
15 April 2020	15 April 2022	25.0 Unlisted	1,787,865
Rights			
4 March 2020	4 March 2024	NIL Unlisted	9,850,347
Total number outstanding at the date of this report			77,625,847

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

Insurance of Directors and Officers

During the financial year, Australian Potash Limited paid a premium of \$13,670 to insure the directors and officers 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 nonaudit 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 33.

Signed in accordance with a resolution of the directors.



Matt Shackleton

Managing Director & Chief Executive Officer

Perth, 16 September 2020

Auditor's Independence Declaration



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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

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

bentleys.com.au

To the Board of Directors

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

As lead audit Partner for the audit of the financial statements of Australian Potash Limited for the financial year ended 30 June 2020, 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
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 16th day of September 2020



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

- ▶ Advisors
- ▶ Accountants
- ▶ Auditors

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2020

	Note	2020 \$	2019 \$
REVENUE			
Revenue from contracts with customers	4	163,380	-
Finance revenue		3,019	1,039
Other income	5	1,794,982	2,306,822
		1,961,381	2,307,861
Cost of sales		(186,777)	-
Gross Profit		1,774,604	2,307,861
EXPENDITURE			
Administration expenses		(989,827)	(923,416)
Depreciation and amortisation expenses		(87,779)	(31,444)
Employee benefits expenses		(1,175,922)	(754,469)
Exploration expenses		(153,144)	(353,246)
Interest expense		(6,527)	-
Share-based payments expense	25(f)	(136,956)	(102,840)
(LOSS)/PROFIT BEFORE INCOME TAX		(775,551)	142,446
Income tax benefit/(expense)	7	-	-
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		(775,551)	142,446
(Loss)/earnings per share (cents per share)			
Basic, (loss)/profit attributable to the ordinary equity holders of the Company	24	(0.20)	0.04
Diluted, (loss)/profit attributable to the ordinary equity holders of the Company	24	(0.20)	0.04

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 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	8	3,379,177	1,952,751
Trade and other receivables	9	258,635	1,630,202
TOTAL CURRENT ASSETS		3,637,812	3,582,953
NON CURRENT ASSETS			
Plant and equipment	10	133,186	131,152
Right-of-use assets	11	188,746	-
Intangibles		5,375	3,476
Exploration and evaluation	12	9,435,545	5,053,765
TOTAL NON CURRENT ASSETS		9,762,852	5,188,393
TOTAL ASSETS		13,400,664	8,771,346
CURRENT LIABILITIES			
Trade and other payables	13	1,903,575	2,666,143
Lease liabilities – current	14	81,152	-
Provisions		184,306	87,731
TOTAL CURRENT LIABILITIES		2,169,033	2,753,874
NON CURRENT LIABILITIES			
Lease liabilities – non current	14	113,743	-
TOTAL NON CURRENT LIABILITIES		113,743	-
TOTAL LIABILITIES		2,282,776	2,753,874
NET ASSETS		11,117,888	6,017,472
EQUITY			
Issued capital	15	29,628,277	23,896,438
Reserves		1,646,066	1,501,938
Accumulated losses		(20,156,455)	(19,380,904)
TOTAL EQUITY		11,117,888	6,017,472

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 2020

	Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2018	19,963,387	1,399,098	(19,523,350)	1,839,135
Profit for the period	-	-	142,446	142,446
TOTAL COMPREHENSIVE PROFIT	-	-	142,446	142,446
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	4,409,050	-	-	4,409,050
Share issue transaction costs	(475,999)	-	-	(475,999)
Issue of employee options	-	102,840	-	102,840
BALANCE AT 30 JUNE 2019	23,896,438	1,501,938	(19,380,904)	6,017,472
BALANCE AT 1 JULY 2019	23,896,438	1,501,938	(19,380,904)	6,017,472
Loss for the period	-	-	(775,551)	(775,551)
TOTAL COMPREHENSIVE LOSS	-	-	(775,551)	(775,551)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	6,271,017	-	-	6,271,017
Share issue transaction costs	(539,178)	-	-	(539,178)
Issue of supplier options	-	7,172	-	7,172
Issue of employee options	-	136,956	-	136,956
BALANCE AT 30 JUNE 2020	29,628,277	1,646,066	(20,156,455)	11,117,888

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 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		163,380	-
Expenditure on exploration		(197,715)	(330,978)
Payments to suppliers and employees		(2,383,067)	(1,640,518)
Interest received		2,738	1,047
Research and development refund received		2,734,534	-
Government grants		50,000	-
Joint venture agreement participation fee	5	-	1,250,000
Net cash inflow/(outflow) from operating activities	23	369,870	(720,449)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(42,405)	(38,826)
Payments for evaluation and exploration		(4,720,317)	(3,435,687)
Reimbursement of gold expenditure		318,022	-
Net cash outflow from investing activities		(4,444,700)	(3,474,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		5,831,517	4,250,050
Payments of share issue transaction costs		(286,811)	(316,999)
Payments of lease liabilities		(47,746)	-
Net cash inflow from financing activities		5,496,960	3,933,051
Net increase/(decrease) in cash and cash equivalents		1,422,130	(261,911)
Cash and cash equivalents at the beginning of the year		1,952,751	2,201,681
Effect of exchange rate changes on cash and cash equivalents		4,296	12,981
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	3,379,177	1,952,751

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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 16 September 2020. 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. Adoption of new and revised Accounting Standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

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

- AASB 16 Leases

iv. Early adoption of standards

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

v. Historical cost convention

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

vi. Going concern

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

The Group generated a loss for the period of \$775,551 (2019: Profit \$142,446) and net cash inflows of \$1,422,130 (2019: Outflows \$261,911). 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation (continued)

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

- In February 2020, the Group entered into a Controlled Placement Agreement (CPA) with Acuity Capital (refer note 15). The CPA provides APC with up to \$5 million of standby equity capital to January 2022. APC retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, APC has agreed to place 18.5 million shares using the Company's existing capacity under ASX Listing Rule 7.1 at nil consideration to Acuity Capital (**Collateral Shares**) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval);
- The Group has a history of successfully raising equity with \$5,831,517 raised during the year following placements to professional and sophisticated investors and rights issues;
- The Group has no loans or borrowings; and
- The Group has the ability to adjust its expenditure commitments subject to operational plans and its funding position.

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

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

b. Principles of consolidation

i. Subsidiaries

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

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

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

ii. Changes in ownership interests

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

c. Segment reporting

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

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

d. Revenue recognition

i. Revenue from contracts with customers

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

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

Sale of SOP

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

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

ii. Interest Revenue

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

e. Government grants

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Income tax

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

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

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

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

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

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

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

g. Impairment of assets

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

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

h. Cash and cash equivalents

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Trade and other receivables

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

j. Exploration and evaluation costs

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

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

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

Refer to note 2 for further information.

k. Financial Instruments

i. Classification of financial instruments

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

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

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

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

ii. Financial assets measured at amortised cost

Debt instruments

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

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

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

iii. Financial assets measured at fair value through other comprehensive income

Equity instruments

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Financial Instruments (continued)

iv. Items at fair value through profit or loss

Items at fair value through profit or loss comprise:

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

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

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

Financial instruments held for trading

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

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

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

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

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

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

v. Impairment of financial assets

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

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

No ECL is recognised on equity investments.

Determining the stage for impairment

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Financial Instruments (continued)

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

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

vi. Recognition and derecognition of financial instruments

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

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

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

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

vii. Offsetting

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

l. Leases

The Group as lessee

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Leases (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. 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.

n. 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.

o. Share-based payments

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

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

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

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

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

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

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

p. 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.

q. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. 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.

s. 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 2020. 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 2018-7 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*

t. Critical accounting judgements, estimates and assumptions

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

Environmental Issues

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

Taxation

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

Share-based payments

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

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

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

2. FINANCIAL RISK MANAGEMENT

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

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 Managing Director and Chief Executive Officer, 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 \$3,379,177 (2019: \$1,952,751) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 0.2% (2019: 0.1%).

Sensitivity analysis

At 30 June 2020, 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 \$16,221 lower/higher (2019: \$15,947 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

b. Credit Risk

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

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

c. Liquidity Risk

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

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

2. FINANCIAL RISK MANAGEMENT (continued)

d. Fair Value Estimation

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

3. SEGMENT INFORMATION

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

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 \$	2019 \$
Sale of goods	163,380	-
Research and development tax incentive	1,406,955	1,048,612
Proceeds from Joint Venture Farm-In Agreement ⁽ⁱ⁾	-	1,250,000
Other ⁽ⁱⁱ⁾	388,027	8,210
	<u>1,794,982</u>	<u>2,306,822</u>

(i) The Company and St Barbara Limited (SBM) entered into an Earn in & Joint Venture Agreement, covering tenure at the Lake Wells Gold Project over various tenements. Under the terms agreed, SBM paid APC \$1.25M in cash consideration for entering into the Agreement.

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

6. EXPENSES

	2020 \$	2019 \$
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	88,001	70,380
Depreciation of plant and equipment	37,119	27,667
Amortisation of intangibles	1,353	3,777

7. INCOME TAX

	2020 \$	2019 \$
a. Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
b. Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit from continuing operations before income tax expense	(775,551)	142,446
Prima facie tax benefit at the Australian tax rate of 27.5%	(213,276)	39,173
Tax effect of not deductible expenses in calculating taxable income	(347,539)	(287,214)
Movements in unrecognised temporary differences	(92,717)	(554,498)
Tax effect of current period tax losses for which no deferred tax asset has been recognised	653,532	802,539
Income tax expense	-	-
c. Unrecognised temporary differences		
Deferred Tax Assets (at 27.5%)		
<i>On Income Tax Account</i>		
Accruals and other provisions	77,372	109,451
Capital raising costs	239,067	186,234
Carry forward tax losses	4,457,298	3,803,766
	4,773,737	4,099,451
Set off of deferred tax liabilities	(997,389)	(561,088)
Net deferred tax assets	3,776,348	3,538,364
Less deferred tax assets not recognised	(3,776,348)	(3,538,364)
	-	-
Deferred Tax Liabilities (at 27.5%)		
Prepayments	27,240	11,450
Exploration	970,148	549,638
	997,389	561,088
Set off against deferred tax assets	(997,389)	(561,088)
	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

8. CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank and in hand	3,354,177	1,927,751
Short-term deposits	25,000	25,000
	3,379,177	1,952,751

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

9. TRADE AND OTHER RECEIVABLES

	2020 \$	2019 \$
GST receivable	108,270	230,263
Research and development tax incentive receivable	-	1,327,579
Other receivables	150,365	72,360
	258,635	1,630,202

10. PLANT AND EQUIPMENT

Cost	Computer Equipment \$	Plant and Equipment \$	Motor Vehicles \$	Furniture and Fittings \$	Total \$
Balance at 1 July 2018	10,241	89,984	42,093	-	142,228
Additions	11,955	26,871	-	-	38,826
Balance at 30 June 2019	22,196	116,765	42,093	-	181,054
Additions	13,656	8,252	-	17,245	39,153
Balance at 30 June 2020	35,852	125,017	42,093	17,245	220,207
Accumulated Depreciation					
Balance at 1 July 2018	3,190	17,292	1,753	-	22,235
Depreciation for the year	4,515	14,733	8,419	-	27,667
Balance at 30 June 2019	7,705	32,025	10,172	-	49,902
Depreciation for the year	6,976	18,218	8,419	3,506	37,119
Balance at 30 June 2020	14,681	50,243	18,591	3,506	87,021
Net Book Value					
Balance at 30 June 2019	14,491	84,740	31,921	-	131,152
Balance at 30 June 2020	21,171	74,774	23,502	13,739	133,186

11. LEASES (GROUP AS LESSEE)

	2020 \$	2019 \$
RIGHT-OF-USE ASSETS		
COST		
Beginning of the period	-	-
Additions	238,053	-
End of the period	238,053	-
ACCUMULATED DEPRECIATION		
Beginning of the period	-	-
Charge for the period	49,307	-
End of the period	49,307	-
CARRYING AMOUNT	188,746	-

The Group entered into leases for office space during the year. The average lease term is 3 years (30 June 2019: nil years). The maturity analysis of lease liabilities is presented in note 14.

Amounts recognised in profit and loss:

	2020 \$	2019 \$
Depreciation expense on right-of-use assets	49,307	-
Interest expense on lease liabilities	4,588	-
Expense relating to short-term leases	20,835	50,004
Expense relating to leases of low value assets	3,595	1,797

At 30 June 2020, the Group is committed to \$nil short-term leases (2019: \$20,835).

12. EXPLORATION AND EVALUATION

	2020 \$	2019 \$
Beginning of the financial year	5,053,765	-
Additions	4,381,780	5,053,765
End of the financial year	9,435,545	5,053,765

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

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

13. TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
Trade payables	1,358,995	1,954,692
Other payables and accruals	544,580	711,451
	<u>1,903,575</u>	<u>2,666,143</u>

14. LEASE LIABILITIES

	2020 \$	2019 \$
Maturity analysis:		
Year 1	93,922	-
Year 2	86,167	-
Year 3	34,466	-
	<u>214,555</u>	-
Less Unearned interest	(19,660)	-
	<u>194,895</u>	-
Analysed as:		
Non current	113,743	-
Current	81,152	-
	<u>194,895</u>	-

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

15. ISSUED CAPITAL

	Notes	2020		2019	
		No. of securities	\$	No. of securities	\$
a. Share capital					
Ordinary shares fully paid	15(c), 15(f)	486,560,550	29,087,482	357,573,073	23,543,143
b. Other equity securities					
Options	15(d)	72,260,805	540,795	102,355,711	353,295
Total issued capital			29,628,277		23,896,438
c. Movements in ordinary share capital					
Beginning of the financial year		357,573,073	23,543,143	304,358,073	19,610,092
- Issued during the year:					
- Issued for cash at 7 cents per share		22,857,141	1,600,000	715,000	50,050
- Issued for cash at 5 cents per share		84,630,336	4,231,517		
- Issued as compensation at 8.4 cents per share	(i)	3,000,000	252,000		
- Issued to Acuity Capital	(ii)	18,500,000	-		
- Issued for cash at 8 cents per share		-	-	52,500,000	4,200,000
Share issue transaction costs		-	(539,178)	-	(316,999)
End of the financial year		486,560,550	29,087,482	357,573,073	23,543,143
(i) As agreed under clause 5.1(c) of the Sale of Mining Tenements Agreement dated 11 April 2011, as amended (Goldphyre Agreement) and entered into between the Company and Goldphyre WA Pty Ltd (Goldphyre), 3,000,000 fully paid ordinary shares were issued by the Company during the year to Goldphyre as consideration for the acquisition by the Company of the mining tenements and mining information specified in the Goldphyre Agreement.					
(ii) On 28 February 2020 and ratified by the shareholders on 9 April 2020, the Company entered into a Controlled Placement Agreement (CPA) and agreed to place 18,500,000 shares at nil consideration to Acuity Capital (Collateral Shares) but may at any time cancel the CPA and buy back the collateral shares for no consideration.					
d. Movements in other equity securities					
Beginning of the financial year		102,355,711	353,295	54,505,576	353,295
Issued during the year:					
- Free attaching listed options		-	-	13,125,135	-
- Options issued as compensation		7,500,000	187,500	13,125,000	159,000
- Reclassification of unlisted options to listed options		-	-	21,600,000	-
Expiry of listed options		(37,594,906)	-		
Share option transaction costs		-	-	-	(159,000)
End of the financial year		72,260,805	540,795	102,355,711	353,295

15. ISSUED CAPITAL (continued)

e. Movements in options on issue

	Number of options	
	2020	2019
Beginning of the financial year	106,795,060	71,667,429
Movements of options during the year		
Listed options issued, exercisable at 12 cents expiring 8 August 2021	7,500,000	47,850,135
Unlisted options issued, exercisable at 25.0 cents, expiring 15 April 2020	1,787,865	-
Unlisted options issued, exercisable at 22.5 cents, expiring 27 December 2021		1,277,496
Expired during the year	(48,307,425)	(14,000,000)
End of the financial year	67,775,500	106,795,060

f. Movements in performance rights on issue

	Number of Rights	
	2020	2019
Beginning of the financial year	-	-
Movements of performance rights during the year		
Unlisted performance rights issued, expiring 4 March 2024	9,850,347	-
End of the financial year	9,850,347	-

Note: Performance rights do not have an exercise price.

g. Ordinary shares

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

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

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

h. Capital risk management

The Group's 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.

15. ISSUED CAPITAL (continued)

h. Capital risk management (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 2020 and 30 June 2019 are as follows:

	2020 \$	2019 \$
Cash and cash equivalents	3,379,177	1,952,751
Trade and other receivables	258,635	1,630,202
Trade and other payables	(1,903,575)	(2,666,143)
Lease liabilities – current	(81,152)	-
Provisions	(184,306)	(87,731)
Working capital position	<u>1,468,779</u>	<u>829,079</u>

16. DIVIDENDS

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

17. RELATED PARTY TRANSACTIONS

a. Parent entity

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

b. Subsidiaries

Interests in subsidiaries are set out in note 18.

c. Key management personnel compensation

	2020 \$	2019 \$
Short-term benefits	679,644	427,349
Post-employment benefits	56,772	40,598
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	38,557	86,483
	<u>774,973</u>	<u>554,430</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 30.

d. Transactions and balances with other related parties

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

e. Loans to related parties

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

18. SUBSIDIARIES

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

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

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2020 %	2019 %
Lake Wells Potash Pty Ltd	Australia	Ordinary	100	100

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

19. REMUNERATION OF AUDITORS

	2020 \$	2019 \$
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	25,211	28,276
Total remuneration for audit services	25,211	28,276

20. CONTINGENCIES

Tenement Acquisition Agreements

Goldphyre WA Pty Ltd

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

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

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

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

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

21. COMMITMENTS

	2020 \$	2019 \$
a. Exploration Commitments		
The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in.		
Outstanding exploration commitments are as follows:		
- Within one year	3,642,419	4,254,637
- Later than one year but not later than five years	12,390,730	13,893,405
- Later than five years ⁽ⁱ⁾	40,249,046	43,089,604
	56,282,195	61,237,646

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

22. EVENTS OCCURRING AFTER THE REPORTING DATE

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

23. CASH FLOW INFORMATION

	2020 \$	2019 \$
a. Reconciliation of net (loss)/profit after income tax to net cash inflow/(outflow) from operating activities		
Net (loss)/profit for the year	(775,551)	142,446
NonCash Items		
Depreciation and amortisation of non-current assets	87,779	31,444
Shares issued as consideration for services rendered	7,172	-
Share-based payments expense	136,956	102,840
Loss on disposal of intangible asset	-	6,304
Other	292	(12,982)
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	1,053,544	(1,486,956)
(Decrease)/increase in trade and other payables	(236,897)	472,547
Increase in provisions	96,575	23,908
Net cash inflow/(outflow) from operating activities	369,870	(720,449)

23. CASH FLOW INFORMATION (continued)

b. Non-cash investing and financing activities

On 24 December 2019, the Company issued 3,000,000 ordinary shares at a deemed cost of \$252,000 to Goldphyre WA Pty Ltd as consideration for the acquisition by the Company of the mining tenements and mining information specified in the Sale of Mining Tenements Agreement dated 11 April 2011, as amended. This amount is included in 'Exploration and evaluation' on the statement of financial position of the Group.

On 24 December 2019, the Company issued 7,500,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$187,500 to Patersons Corporate Finance as fee for services rendered. This item is included in 'share transaction costs' on the statement of changes in equity of the Group.

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

On 15 April 2020, the Company issued 1,787,865 unlisted options exercisable at 25 cents and expiring on 15 April 2022 at a deemed cost of \$7,172 to Cannings Purple as fee for services rendered. This item is included in 'administration expenses' on the statement of profit or loss and other comprehensive income of the Group.

In the prior year on 4 April 2019, the Company issued 13,250,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$159,000 to Patersons Corporate Finance as fee for services rendered. This item is included in 'share transaction costs' on the statement of changes in equity of the Group.

24. (LOSS)/EARNINGS PER SHARE

	2020 \$	2019 \$
a. Reconciliation of earnings used in calculating (loss)/earnings per share		
(Loss)/profit attributable to the owners of the Company used in calculating basic and diluted (loss)/earnings per share	(775,551)	142,446
		Number of shares
b. Weighted average number of ordinary shares used in calculating (loss)/earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/profit per share	386,071,402	319,784,582
Effects of dilution from:		
- Share options	-	3,430,000
Weighted average number of ordinary shares adjusted for the effects of dilution	<u>386,071,402</u>	<u>323,214,582</u>

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

c. Information on the classification of options

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

25. SHARE-BASED PAYMENTS

a. Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. No options were granted during the year ended 30 June 2020. Options granted in the prior year had an exercise price of 22.5 cents per option and a contractual term for the options is three years.

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

Fair value of options granted

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

	2020	2019
Weighted average exercise price (cents)	-	22.5
Weighted average life of the option (years)	-	3.0
Weighted average underlying share price (cents)	-	6.8
Expected share price volatility	-	60.0%
Risk free interest rate	-	2.06%

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

b. Incentive Option Plan

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

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

Fair value of options granted

No options were issued during the current or comparative period.

c. Incentive Performance Rights Plan

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

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

25. SHARE-BASED PAYMENTS (continued)

d. Summary of Share-Based Payment

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

	2020		2019	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
Outstanding as at 1 July	21,350,019	17.7	34,072,523	16.1
Granted	-	-	1,277,496	22.5
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(10,712,523)	20.4	(14,000,000)	14.1
Outstanding as at 30 June	10,637,496	15.0	21,350,019	17.7
Exercisable as at 30 June	8,137,496	14.1	11,409,477	16.1

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.8 years (2019: 1.2 years), and the exercise prices range from 10 to 22.5 cents (2019: 10.0 to 22.5 cents).

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

	2020 Number of performance rights	2019 Number of performance rights
Outstanding as at 1 July	-	-
Granted	9,850,347	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding as at 30 June	9,850,347	-
Exercisable as at 30 June	-	-

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 3.7 years (2019: nil). Performance rights have \$nil exercise price.

25. SHARE-BASED PAYMENTS (continued)

d. Summary of Share-Based Payment (continued)

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

Options

Number	Date 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
1,277,496	27 December 2018	27 December 2021	22.5	0.8

Performance Rights

3,550,906	18 November 2019	4 March 2024	-	9.0
6,299,441	4 March 2020	4 March 2024	-	9.9

e. Shares issued to suppliers

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

On 24 December 2019, the Company issued 7,500,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$187,500 to Patersons Corporate Finance as fee for services rendered.

On 15 April 2020, the Company issued 1,787,865 unlisted options exercisable at 25 cents and expiring on 15 April 2022 at a deemed cost of \$7,172 to Cannings Purple as fee for services rendered.

In the prior year, on 4 April 2019, the Company issued 13,250,000 listed options exercisable at 12 cents and expiring on 8 August 2021 at a deemed cost of \$159,000 to Patersons Corporate Finance as fee for services rendered.

f. Expenses arising from share-based payment transactions

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

	2020 \$	2019 \$
Shares and options included in share-based payments expense	136,956	102,840

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Australian Potash Limited, at 30 June 2020. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2020 \$	2019 \$
Current assets	3,637,812	3,582,954
Non-current assets	9,762,951	5,188,493
Total assets	13,400,764	8,771,447
Current liabilities	(2,169,033)	(2,753,874)
Non-current liabilities	(113,743)	-
Total liabilities	(2,282,776)	(2,753,874)
Issued capital	29,628,277	23,896,438
Reserves	1,646,066	1,501,938
Accumulated losses	(20,156,355)	(19,380,804)
Total equity	11,117,988	6,017,572
(Loss)/profit for the year	(775,551)	142,446
Total comprehensive (loss)/profit for the year	(775,551)	142,446

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 34 to 63 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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



Matt Shackleton

Managing Director & Chief Executive Officer

Perth, 16 September 2020

Independent Auditor's Report

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 2020, 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 2020 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.



Bentleys Audit & Corporate
(WA) Pty Ltd

London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.



Independent Auditor's Report

Independent Auditor's Report

To the Members of Australian Potash Limited (Continued)



Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(a)(vi) in the financial report which indicates that the Group incurred a loss of \$775,551 during the year ended 30 June 2020. As stated in Note 1(a)(vi), 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
<p>Exploration Expenditure</p> <p>During the year the Group has capitalised exploration expenditure, for areas of interest that have progressed to a definitive feasibility stage. The policy is in line with the requirements of AASB 6, which allows exploration expenditure to be expensed in full, partially capitalised or fully capitalised, in line with the Groups accounting policies.</p> <p>During the year the Group incurred exploration expenses of \$4,534,924, of which \$4,381,780 was capitalised and remainder was expensed to the profit and loss. Exploration expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> ▶ The significance to the Group's balance sheet; and ▶ The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. ▶ The carrying value of capitalised exploration costs represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of this asset may exceed the recoverable amount; and ▶ Determining whether impairment indicators exist 	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Assessing management's determination of its areas of interest for consistency with the definition in AASB 6 <i>Exploration and Evaluation of Mineral Resources</i> ("AASB 6"); - Assessing the Group's rights to tenure for a sample of tenements; - Testing the Group's additions to mineral exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6; - By testing the status of the Group's tenure and planned future activities, reading board minutes and discussions with management we assessed each area of interest for one or more of the following circumstances that may indicate impairment of the mineral exploration expenditure: <ul style="list-style-type: none"> - The licenses for the rights to explore expiring in the near future or are not expected to be renewed; - Substantive expenditure for further exploration in the area of interest is not budgeted or planned; - Decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and

Independent Auditor's Report

Independent Auditor's Report
 To the Members of Australian Potash Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
involves significant judgement by management.	<ul style="list-style-type: none"> Data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale. <p>We also assessed the appropriateness of the related disclosures in note 12 to the financial statements.</p>

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 2020, 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.

Independent Auditor's Report

Independent Auditor's Report

To the Members of Australian Potash Limited (Continued)



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 2020. 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.

Independent Auditor's Report

Independent Auditor's Report
To the Members of Australian Potash Limited *(Continued)*



Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 16th day of September 2020

ASX Additional Information

Additional information required by Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 18 October 2020.

a. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shares	
	Number of holders	Number of shares
1-1,000	47	6,762
1,001-5,000	79	329,634
5,001-10,000	257	2,256,393
10,001-100,000	693	29,265,306
100,001 and over	434	454,702,454
	1,510	486,560,549
The number of equity security holders holding less than a marketable parcel of securities are:	53	24,004

b. Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Yandal Investments Pty Ltd	36,964,974	7.60%
2 Perth Select Seafoods Pty Ltd	22,000,000	4.52%
3 Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	18,500,000	3.80%
4 Cen Pty Ltd	14,800,000	3.04%
5 Bluedale Pty Ltd <Comb Super Fund A/C>	14,000,000	2.88%
6 Jemaya Pty Ltd <The Featherby Family A/C>	12,500,000	2.57%
7 Mr Geoffrey Donald Coultas <The Coultas Family A/C>	11,000,000	2.26%
8 Kasset Pty Ltd <JR Zito Discretionary No 2>	10,520,245	2.16%
9 Sea Corporation Pty Ltd <Seacorp Super Fund A/C>	10,000,000	2.06%
10 Trade Holdings Pty Ltd <K H & R M Allister S/F A/C>	9,750,000	2.00%
11 ACN 157 889 104 Pty Ltd <Jaguar Share Trading A/C>	9,164,811	1.88%
12 Mr Norman Surtees	7,850,000	1.61%
13 Mr Rodney James Kevan	7,000,000	1.44%
14 Goldphyre WA Pty Ltd	5,813,807	1.19%
15 Oceanic Capital Pty Ltd	5,642,858	1.16%
16 Dr Anthony Michael Burke	5,273,211	1.08%
17 Tangee Pty Ltd <Affleck A/C>	5,100,000	1.05%
18 Ausdrill International Pty Ltd	5,000,000	1.03%
18 Mr Andrew Nunn	5,000,000	1.03%
19 Mr Michael Owen Meredith	4,326,532	0.89%
20 Jemaya Pty Ltd <JH Featherby Super Fund A/C>	4,250,000	0.87%
	224,456,438	46.13%

The names of the twenty largest holders of quoted options at \$0.12 expiring 8 August 2021 (APCOB) are:

	Listed Options (APCOB)	
	Number of Options	Percentage of Options
1 Bluedale Pty Ltd <Comb Super Fund A/C>	3,551,172	6.42%
2 Mr William Tannahill Fleming	2,785,008	5.03%
3 Perth Select Seafoods Pty Ltd	2,700,000	4.88%
4 Embr Capital LLC	2,142,857	3.87%
5 Jemaya Pty Ltd <The Featherby Family A/C>	2,000,000	3.61%
6 Mr Jeremy Michael Malaxos	1,701,684	3.07%
7 Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	1,500,000	2.71%
8 Diacaf Holdings Pty Ltd <Duncan Superannuation A/C>	1,274,584	2.30%
9 Jemaya Pty Ltd <JH Featherby Super Fund A/C>	1,200,000	2.17%
10 Yandal Investments Pty Ltd	1,183,040	2.14%
11 Wythenshawe Pty Ltd	1,175,000	2.12%
12 ACN 157 889 104 Pty Ltd <Jaguar Share Trading A/C>	1,160,715	2.10%
13 P & D Instrument & Electrical Services Pty Ltd	1,016,072	1.84%
14 Mr Yannick Zowie Berthelot	1,000,000	1.81%
14 Cen Pty Ltd	1,000,000	1.81%
14 Detroit Capital Pty Ltd	1,000,000	1.81%
15 Vingo Holdings Ltd	975,000	1.76%
16 Mr Paul Leslie Jost	760,305	1.37%
17 J P Morgan Nominees Australia Pty Limited	700,001	1.26%
18 Mr Peter Alan Fielding Coffey & Mrs Janette Mary Coffey <The Trentham Super Fund A/C>	695,333	1.26%
19 Mr Peter Alan Fielding Coffey & Mrs Janette Mary Coffey <The Trentham A/C>	680,573	1.23%
20 Lipscombe Court Pty Ltd <Jj Malaxos Super Fund A/C>	599,354	1.08%
	30,800,698	55.65%

c. Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage of Ordinary Shares
Yandal Investments Pty Ltd	36,964,974	7.60%

d. Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

e. Schedule of interests in mining tenements

Area	Tenement	Interest
Lake Wells	E38/1903	100%
	E38/2113	100%
	E38/2114	100%
	E38/2505	100%
	E38/2901	100%
	E38/2988	100%
	E38/3018	100%
	E38/3021	100%
	E38/3028	100%
	E38/3224	100%
	E38/3225	100%
	E38/3226	100%
	E38/3270	100%
	ELA38/3423	100%
	M38/1274	100%
	M38/1275	100%
	M38/1276	100%
	MLA38/1287	100%
	MLA38/1288	100%
MLA38/1289	100%	
Laverton Downs	E38/2724	100%
	E38/3014	100%
	E38/3132	100%
	E38/3402	100%
	E38/3403	100%
	E38/3404	100%
Darlot East	ELA37/1388	100%
	E37/1389	100%
	E37/1390	100%

f. Unquoted Securities

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted 16 cent Options, Expiry 30 November 2020	1,250,000	1	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,250,000
Unlisted 20 cent Options, Expiry 30 November 2020	1,250,000	1	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,250,000
Unlisted 10 cent Options, Expiry 21 April 2021	3,430,000	1	Yandal Investments Pty Ltd	3,430,000
Unlisted 15 cent Options, Expiry 21 April 2021	3,430,000	1	Yandal Investments Pty Ltd	3,430,000
Unlisted 22.5 cent Options, Expiry 27 December 2021	1,277,496	1	James Allan Walker	1,277,496
Unlisted 25 cent Options, Expiry 15 April 2022	1,787,865	1	Purple Communications (Australia) Pty Ltd	1,787,865
Performance Rights – Tranche A	3,271,608	11	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,171,799
Performance Rights – Tranche B	3,271,608	11	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,171,799
Performance Rights – Tranche C	3,307,131	11	Matthew William Shackleton and Nicole Jodie Shackleton <The Harryshack Family A/C>	1,207,308

This page has been left blank intentionally.

This page has been left blank intentionally.



AUSTRALIAN POTASH LIMITED

Suite 31, 22 Railway Road, Subiaco WA 6008

PO Box 180, Subiaco WA 6904

+61 8 9322 1003

australianpotash.com.au