AUSTRALIAN POTASH

ABN 58 149 390 394

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2021

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Corporate Information

Directors

Natalia Streltsova (Non-Executive Chair)

Matt Shackleton (Managing Director & Chief Executive Officer)

Brett Lambert (Non-Executive Director)

Cathy Moises (Non-Executive Director)

Rhett Brans (Project Director)

Company Secretary

Michelle Blandford

Registered Office & Principal Place of Business

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Solicitors

Steinepreis Paganin

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PERTH WA 6000

Share Register

Automic Registry Services

Level 2, 267 St George's Terrace

PERTH WA 6000

Auditors

KPMG

235 St George's Terrace

PERTH WA 6000

Website

www.australianpotash.com.au

Stock Exchange Listing

The following are listed on the Australian Securities Exchange:

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

Directors' Report

Your directors are pleased to present their report on the consolidated entity consisting of Australian Potash Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The names of the directors who held office during or since the end of the half-year, to the date of this report, are:

Natalia Streltsova (Non-Executive Chair)	Appointed 15 December 2021
Jim Walker (Non-Executive Chair)	Resigned 15 December 2021
Matt Shackleton (Managing Director & Chief Executive Officer)	
Brett Lambert (Non-Executive Director)	
Cathy Moises (Non-Executive Director)	
Rhett Brans (Project Director)	

Review and Results of Operations

A summary of results for the half-year is set out below:

	2021		2020	
	Income	Results	Income	Results
	$	$	$	$
Australian Potash Limited	**70,192**	**(3,627,696)**	**78,863**	**(1,889,766)**

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

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

Project Development

The focus of site activities during the period was progressing the development of the western and southern borefields. A total of 20 bores have been developed of the 79 brine bores which was identified as the optimised borefield design in the LSOP Front End Engineering Design Study (**FEED**)[1].

Figure 1: Drilling WB034

Figure 2: Step rate testing

[1] Refer ASX announcement 20 April 2021

Pump Test Program

A program of step rate testing commenced in mid-October 2021 to obtain information on the condition and efficiency of selected production bores drilled to that date.

Table 1 highlights the short term pumping testing results for the bores that were tested at the LSOP[2].

Table 1: Summary of results from short term pumping testing program to date

Bore #	Modelled flow rate (litres/sec)	Maximum flow rate* (litres/sec)	Bore diameter (inch)
WB13	**4**	**5**	**8**
WB19	**4**	**18**	**8**
WB32	**12**	**29**	**8**
WB33	**10**	**39**	**8**
WB34	**11**	**44**	**10**
WB35	**10**	**34**	**8**
WB36	**10**	**13**	**8**
WB37	**11**	**44**	**8**
WB38	**18**	**21**	**10**
WB39	**18**	**32**	**8**
WB40	**18**	**>46^**	**10**

Notes: **Based on single bore rate of operations*

^Due to undersized test pumping equipment, a maximum flow rate was not able to be determined for bore WB40

Initial pumping test analysis only provides a maximum rate that the bore can be pumped under prevailing conditions. The long-term maximum pumping rate will be lower due to drawdown interference from other pumped bores and boundary effects due to the size of the aquifer.

Reconciliation to the hydro model

During the FEED, external consultants AQ2 developed a hydrogeological model for the proposed development of the LSOP[1]. This model is constantly updated with additional data as that data is generated in the field. Short term pumping testing allows the reconciliation of the modelled early-time flow rate at each bore to the actual early-time flow rate likely to be recorded in operations. It is very encouraging to see evidence from short term testing consistent with the currently modelled flow rates.

Figure 3: Borefield Drilling

[2] Refer ASX announcements 23 November 2021 & 31 January 2022

Lake Wells Village

During the period the first stage of the Lake Wells Village was completed. This stage comprised 20 permanent ensuited rooms, 28 mobile rooms, kitchen and dining facilities, tavern, first aid facilities and potable and wastewater treatment plants.

Figure 4: Aerial view of Lake Wells Village

Power Plant

In early September 2021, the Company advised that PWR Hybrid had been awarded Preferred Proponent status to build, own and operate the circa 35MW Lake Wells high renewable energy fraction microgrid. The microgrid will be developed in a staged approach, with the thermal component to be completed within circa 15 months of the Company making a final investment decision. This timeline ensures power supply preparedness for steady state operations.

The microgrid will integrate an innovative gas-fuelled power station with solar PV, wind and battery energy storage technology which is expected to achieve a Renewable Energy Fraction above 65%[3]. This will lead to the hybrid facility becoming one of the leading remote mine site power installations in the country with engine selection to be based upon the capability to utilise gas and hydrogen, including zero emissions green hydrogen from renewable sources.

Greenhouse Gas Emissions Assessment Report

During the period, the Company commissioned a Carbon Footprint Study to determine greenhouse gas (**GHG**) emissions from APC's LSOP compared to other sources of SOP.

The LSOP's direct and indirect GHG emissions were compared against other brine SOP producers and Mannheim reaction produced SOP with results provided below.

[3] Refer ASX announcement 7 September 2021

Table 2: Comparison of GHG Emissions[3]

GHG Emissions (kg CO_2-e/tonne SOP)			
Scope	LSOP	Other brine SOP production	Mannheim SOP production
1: Direct emissions Including diesel for mobile fleet and natural gas combusted at site	20	123	135
2: Indirect emissions Including emissions from energy produced by third-party providers	64	134	35
3: Reagent emissions Including GHG emissions accounted for by third-party manufacture of major reagents	103	113	421
Total	**187**	**370**	**591**

Organic Certification

Lake Wells' premium product K-Brite™ potassium sulphate SOP has been allowed by the United States' premier organic certification body, Organic Materials Review Institute, for use in the production and processing of organic foods, in compliance with the US Department of Agriculture National Organic Program. It has also been certified as compliant with the requirements set out in the Australian Certified Organic Standard 2021 (Version 1) by ACO Certification Ltd, Australia's largest certifier for organic and biodynamic produce.

The US and Australian organic certifications join the previously secured ECOCERT classification certifying K-Brite™ as suitable for use in organic farming in Europe.

Approvals

The Company's Cultural Heritage Management Plan (**CHMP**) provides a framework for understanding the cultural context within which the LSOP will be developed. It provides for processes that directly mitigate risks of impacts on, and minimises harm to, sites and objects of cultural value to the Traditional Custodians of the country.

The CHMP is required under the Ministerial Statement issued in February 2021 and was approved by the Environmental Protection Authority during July 2021.

During October 2021, Mining Leases (M38/1287, M38/1288, M38/1289) were granted. The grant of these tenements secures mining lease tenure across the LSOP development area.

Subsequent to period end, approval was received from the Environmental Protection Authority for changes to the Lake Wells Potash Project (Ministerial Statement 1162). The changes reflect the updated operational scope since the original environmental application was submitted in December 2017. The Department of Mines, Industry Regulation and Safety also approved the Lake Wells Potash Project Mining Proposal, and Mine Closure Plan, which permits the commencement of mining operations.

Community Engagement

A heritage survey was conducted in the last week of September 2021 with heritage consultants and Traditional Custodians.

APC engaged with the Forest Products Commission to salvage a large quantity of sandalwood where the harvest ponds will be constructed at Lake Wells. Sandalwood salvaging works were completed by the team from Yonga Djena, a local indigenous company.

Figure 5: Lake Wells Sandalwood

Laverton Training Centre

The Laverton Training Centre (**LTC**) is an initiative of Australian Potash Limited which provides access to nationally accredited vocational training for long-term unemployed Aboriginal people living in this remote part of Western Australia.

The LTC training ethos is modelled on the highly successful Martu-ku Yiwarra Training Centre in Wiluna, a unique four-year pilot remote Aboriginal vocational training program which was funded by local employers, overseen by Martu Elders (ie. remote Aboriginal self-determination and empowerment), and had training delivered by Central Regional TAFE Kalgoorlie (**CRTAFE**) as the registered training organisation.

With the ongoing support of CRTAFE, the Department of Training and Workforce Development, the Department of Biodiversity, Conservation and Attractions, all existing and emerging Aboriginal Ranger programs across the north-eastern Goldfields, and the Shire of Laverton, it is intended that the LTC will quickly become a unique example of a successful industry-led training and employment endeavour, in partnership with all three levels of government (federal, state and local), and in consultation with remote Aboriginal communities.

Refurbishment of the dedicated LTC facility began in August 2021 and was substantially completed in early 2022.

Subsequent to period end, it was announced that the LTC had received a $250,000 grant from the WA Government's Regional Economic Development (**RED**) Grants program. Minister for Regional Development, Agriculture & Food, Hydrogen Industry, the Hon. Alannah MacTiernan, announced the successful recipients of several RED grants at the Laverton Training Centre in February 2022. The RED grant will enable the improvement of key facilities and be applied to the purchase of vehicles to provide transport for trainees to attend the LTC.

Figure 6: Minister MacTiernan with APC Managing Director Matt Shackleton, GEDC Directors Sabina Shugg (Chair) & Tracey Rathbone and CEO Kris Starcevich, with local member Ali Kent at the LTC

The LTC started training its first cohort of students on 28 February 2022 with two classes of 12 students – being full capacity. Students will undertake units in Certificate II Rural Operations. Skills learnt through the LTC are applicable to the Aboriginal Ranger program overseen by the Department of Biodiversity, Conservation and Attractions.

Lake Wells Gold Project (LWGP)

The Lake Wells Gold Project is a joint venture with St Barbara Limited (**SBM**) for the exploration, development and mining of non-potash minerals. On 8 April 2021 it was announced that SBM had met the necessary expenditure commitment to earn a 70% interest in the LWGP. APC is free carried at 30% until the completion of a bankable feasibility study in the development of any non-potash resource.

Preliminary exploration work conducted by APC, and continued by SBM, has sought to understand the geology and mineralisation potential of the Yamarna area which hosts the fertile Yamarna Shear Zone.

Results from a first phase of reverse circulation (18 holes, 2,328m) and diamond drilling (three holes for 1,034m) were announced during the period.

Significant results[4] included:

- **2020LWDD0002** **1.9m @ 14.35 g/t Au from 73.5m including 1m @ 26.9 g/t Au from 73.5m**

- **2020LWDD0001** **1.1m @ 1.14 g/t Au from 78.9m**
  1.8m @ 0.53 g/t Au from 82m
  1.6m @ 3.46 g/t Au from 109.2m including 0.8m @ 6.51 g/t Au from 109.2m
  2.5m @ 0.85 g/t Au from 116.5m including 1m @ 1.62 g/t Au from 117m
  1.0m @ 0.52 g/t Au from 128m
  7.0m @ 0.52 g/t Au from 140m including 2m @ 1.07 g/t Au from 144m

Towards the end of the period APC was advised by SBM that the 2021 program of stratigraphic and follow-up diamond drilling had been completed. The program comprised 16 diamond core holes, with RC pre-collars, that totalled 4,407m from 16 holes. Logging and sampling of the drill core will continue into early Q1 2022.

Laverton Downs Project (LDP)

The Laverton Downs Project is 100% owned by APC and located approximately 20km north of Laverton. Regional geology highlights the potential for gold and nickel sulphide mineralisation. Project evaluation undertaken by APC incorporating regional datasets, detailed magnetic data and high precision geochemical assay results derived from historical bottom of hole drill samples confirmed that a Kambalda-style nickel deposit host rock type is present within the LDP.

In early June 2021, a diamond drill rig was mobilised to the LDP. Two holes were drilled to depths of 213.3 metres and 300.5 metres. Through the period the preliminary assay results from the diamond drill program were received. Results confirm the geology logging where the Versatile Time Domain Electromagnetic (**VTEM**™) geophysical response is best explained by a stringer sulphide mineralised graphitic shale.

In keeping with the gold mineralisation model for the project, several intervals returned elevated gold and arsenic results, with a peak interval of 8m @ 147ppb Au and 782ppm As from 274m in hole 21LDDD002[5]. Along with the ongoing collection and assay of legacy drill spoils, these results build on strong gold focussed targets for future drilling campaigns.

[4] Refer ASX announcement 3 August 2021
[5] Refer ASX announcement 29 October 2021

Table 3: LPD Diamond Drill Program - Collar Location Table

LDP Diamond Drill Program – Collar Location Table[5]									
Hole ID	Hole Type	Grid ID	East	North	RL	Dip	Azimuth	Survey Method	Maximum Depth
21LDDD001	DD	MGA94_51	445575	6853360	490	-60	270	GPS	213.3
21LDDD002	DD	MGA94_51	445951	6850663	488	-60	270	GPS	300.5

Corporate

Capital Raising

On 9 July 2021 the Company held a general meeting of shareholders to consider various resolutions in relation to capital raisings conducted in November 2020 and May 2021. A total of 9,207,144 shares representing the second tranche of shares associated with the May 2021 placement to sophisticated and professional investors was issued on 16 July 2021 following the meeting.

On 2 November 2021, the Company announced a $12 million capital raising comprising a two tranche placement to sophisticated and professional investors and a share purchase plan at an issue price of $0.08. The first tranche of the placement comprising 97,488,039 shares was completed on 9 November 2021. The share purchase plan opened on 22 November 2021 and closed on 13 December 2021.

The issue of the shares the subject of both the share purchase plan and the second tranche of the placement was conditional upon shareholder approval, which was received at the Company's annual general meeting (**AGM**). A total of 52,511,961 placement shares and 5,962,500 share purchase plan shares were issued in mid-December 2021.

Other equity movements during the period comprised the expiry of unlisted options and issue and lapse of employee performance rights.

Annual General Meeting

The Company's AGM was held on 15 December 2021, at which the requisite majority passed all resolutions presented to shareholders.

Board Appointment

On 15 December 2021, Non-Executive Chair Jim Walker resigned as a director of the Company due to his other corporate commitments. Dr Natalia Streltsova was formally appointed as a director and was elected unopposed to the role of Chair.

Dr Streltsova is a PhD qualified Chemical Engineer with over 25 years' minerals industry experience, including more than 10 years in senior technical and corporate roles with mining majors Western Mining Corporation, BHP and Vale. She has a strong background in mineral processing and project development across multiple commodities, including potash and phosphate fertilisers.

Dr Streltsova has considerable international experience covering project development and acquisitions in several jurisdictions including North and South America, Africa and Central Asia. She is currently a non-executive director with ASX-listed Ramelius Resources Limited, Western Areas Limited and Neometals Limited.

Auditor Appointment

At the AGM, shareholders considered the appointment of a new auditor to the Company. The change of auditor was made to align with the expectations of project financiers and KPMG's appointment follows the Australian Securities and Investment Commission's approval for the resignation of Hall Chadwick.

Significant Events after the Balance Date

No matters or circumstances 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.

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 10.

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

Matt Shackleton
Managing Director & Chief Executive Officer
Perth, 16 March 2022

KPMG

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

To the Directors of Australian Potash Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Potash Limited for the half-year ended 31 December 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Glenn Brooks
Partner

Perth

16 March 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Half Year Ended 31 December 2021

	Note	Six Months ended 31 Dec 2021 $	Six Months ended 31 Dec 2020 $
INCOME			
Other income		**70,192**	78,863
EXPENDITURE			
Administration expenses	4	**(2,198,379)**	(1,790,861)
Exploration expenses	5	**(1,491,845)**	(163,775)
OPERATING LOSS		**(3,620,032)**	(1,875,773)
FINANCE COSTS			
Finance income		**148**	314
Finance costs		**(7,812)**	(14,307)
NET FINANCE COSTS		**(7,664)**	(13,993)
LOSS BEFORE INCOME TAX		**(3,627,696)**	(1,889,766)
Income tax benefit/(expense)		**-**	-
LOSS FOR THE PERIOD		**(3,627,696)**	(1,889,766)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AUSTRALIAN POTASH LIMITED		**(3,627,696)**	(1,889,766)
Loss per share (cents)			
Basic (loss) per share (cents)		**(0.5)**	(0.4)
Diluted (loss) per share (cents)		**(0.5)**	(0.4)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

as at 31 December 2021

	Note	31 Dec 2021 $	30 Jun 2021 $
CURRENT ASSETS			
Cash and cash equivalents		**7,803,927**	7,796,799
Trade and other receivables		**369,818**	735,600
Inventory		**62,719**	52,760
TOTAL CURRENT ASSETS		**8,236,464**	8,585,159
NON CURRENT ASSETS			
Plant and equipment		**159,973**	173,957
Right-of-use assets		**159,044**	110,255
Intangibles		**5,545**	6,812
Exploration and evaluation	6	**32,196,944**	20,822,722
TOTAL NON CURRENT ASSETS		**32,521,506**	21,113,746
TOTAL ASSETS		**40,757,970**	29,698,905
CURRENT LIABILITIES			
Trade and other payables	7	**3,420,078**	5,311,008
Lease liabilities - current		**145,545**	82,192
Provisions - current	8	**1,786,407**	309,426
TOTAL CURRENT LIABILITIES		**5,352,030**	5,702,626
NON CURRENT LIABILITIES			
Lease liabilities - non current		**-**	35,307
Provisions - non current	8	**475,139**	-
TOTAL NON CURRENT LIABILITIES		**475,139**	35,307
TOTAL LIABILITIES		**5,827,169**	5,737,933
NET ASSETS		**34,930,801**	23,960,972
EQUITY			
Issued capital	9	**60,283,373**	45,704,920
Reserves		**2,165,868**	2,146,796
Accumulated losses		**(27,518,440)**	(23,890,744)
TOTAL EQUITY		**34,930,801**	23,960,972

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity
for the Half Year Ended 31 December 2021

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
	$	$	$	$
BALANCE AT 1 JULY 2020	29,628,277	1,646,066	(20,156,455)	11,117,888
Loss for the period	-	-	(1,889,766)	(1,889,766)
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS	-	-	(1,889,766)	(1,889,766)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares and options issued during the period	7,002,411	-	-	7,002,411
Share issue transaction costs	(452,938)	-	-	(452,938)
Share based payment – suppliers		3,586		3,586
Share based payment – employees	-	368,796	-	368,796
BALANCE AT 31 DECEMBER 2020	36,177,750	2,018,448	(22,046,221)	16,149,977
BALANCE AT 1 JULY 2021	**45,704,920**	**2,146,796**	**(23,890,744)**	**23,960,972**
Loss for the period	**-**	**-**	**(3,627,696)**	**(3,627,696)**
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS	**-**	**-**	**(3,627,696)**	**(3,627,696)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued and options exercised during the period	**15,474,159**	**-**	**-**	**15,474,159**
Share issue transaction costs	**(895,706)**	**-**	**-**	**(895,706)**
Share based payment – employees	**-**	**19,072**	**-**	**19,072**
BALANCE AT 31 DECEMBER 2021	**60,283,373**	**2,165,868**	**(27,518,440)**	**34,930,801**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows
for the Half Year Ended 31 December 2021

	Six Months ended 31 Dec 2021 $	Six Months ended 31 Dec 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**-**	11,363
Payments for expenditure on exploration	**(262,481)**	(129,341)
Payments to suppliers and employees	**(1,313,309)**	(1,243,071)
Interest received	**275**	639
Government grants received	**-**	67,500
Net cash outflow from operating activities	**(1,575,515)**	(1,292,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**(20,199)**	(35,039)
Payments for evaluation and exploration	**(12,916,174)**	(3,963,119)
Net cash outflow from investing activities	**(12,936,373)**	(3,998,158)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and exericse of options	**15,474,159**	7,002,411
Payments of share issue transaction costs	**(883,930)**	(503,103)
Repayment of lease liabilities	**(77,828)**	(38,345)
Net cash inflow from financing activities	**14,512,401**	6,460,963
Net increase in cash and cash equivalents	**513**	1,169,895
Cash and cash equivalents at the beginning of the half year	**7,796,799**	3,379,177
Effect of exchange rate changes on cash and cash equivalents	**6,615**	(9,209)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR	**7,803,927**	4,539,863

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Australian Potash Limited is a company limited by shares, domiciled and incorporated in Australia. These condensed consolidated interim financial report (**interim financial report**) as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**"). The Group is primarily involved in the development of the Lake Wells Sulphate of Potash Project.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 are available upon request from the Company's registered office at Suite 31 / 22 Railway Road, Subiaco WA 6008 or at www.australianpotash.com.au.

2. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

This interim financial report are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*. All amounts are presented in Australian Dollars.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2021 and any public announcements made by Australian Potash Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2021. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report was authorised for issue by the directors on 16 March 2022.

Going Concern

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

The Group incurred a loss for the period of $3,627,696 (2020: $1,889,766), operating cash outflows of $1,575,515 (2020: $1,292,910) and net cash inflows of $513 (2020: $1,169,895). The ability of the Group to continue as a going concern is reliant on the Group securing funds by raising capital from equity financing, debt financing or other means and managing cashflow in line with available funds. These conditions, and the Group's ability to raise additional capital indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

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

- The Group has a Controlled Placement Agreement (**CPA**) that provides APC with standby equity capital of 18.5 million shares to January 2024;
- The Group has a history of successfully raising equity with $15.5 million raised during the period including placements to professional and sophisticated investors;
- The Group has no loans or borrowings; and
- The Group has the ability to adjust its expenditure commitments subject to operational plans and its funding position.

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

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

Should the Group be unable to secure additional funding or curtail expenditure, or both and 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.

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 2021.

Standards and Interpretations in issue not yet adopted

The Group has reviewed the new and revised Standards and Interpretations on issue not yet adopted for the half-year ended 31 December 2021. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

Critical accounting judgements, estimates and assumptions

The interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies. Actual results may differ to these.

The critical accounting judgements, estimates and assumptions adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2021.

3. SEGMENT INFORMATION

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

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

4. ADMINISTRATION EXPENSES BY NATURE

		31 Dec 2021	31 Dec 2020
		$	$
Accounting and compliance		**100,382**	61,774
Consultants		**298,615**	364,134
Depreciation and amortisation expense		**81,016**	61,212
Employee benefits expense		**1,100,214**	602,588
Legal fees		**194,861**	28,885
Office costs		**33,938**	77,986
Telecommunications		**81,903**	-
Share-based payments	14	**19,072**	368,796
Stakeholder engagement		**115,679**	97,803
Other		**172,699**	127,683
		2,198,379	1,790,861

5. EXPLORATION EXPENSE

Research & development incentive reversal	8	**1,382,679**	-
Exploration expenditure expensed		**109,166**	163,775
		1,491,845	163,775

6. EXPLORATION AND EVALUATION

	31 Dec 2021	30 Jun 2021
	$	$
Beginning of the period	**20,822,722**	9,435,545
Additions	**11,374,222**	11,387,177
End of the period	**32,196,944**	20,822,722

The recoverability of the Group'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.

7. TRADE AND OTHER PAYABLES

Trade payables	**2,397,920**	3,099,899
Other payables and accruals	**1,022,158**	2,211,109
	3,420,078	5,311,008

8. PROVISIONS

		31 Dec 2021 $	30 Jun 2021 $
Current			
Employee entitlements		**403,728**	309,426
Research & development incentive provision	(i)	**1,382,679**	-
		1,786,407	-

(i) In February 2021 the Company received a notice from the Department of Industry, Science, Energy and Resources (**Department**) with respect to the Company's Research & Development (**R&D**) application for the 2018/2019 financial year which has brought into question the ability of the Company to claim aspects of the R&D incentive. The Company requested an independent internal review by the Department of its findings and a draft report was received in March 2022 that concluded a portion of the 2018/2019 R&D application was ineligible. On advice, the Company is of the opinion that based on the facts to hand, the costs incurred meet the definition of a core R&D Activity. The Company intends to provide further evidence to the Department before the independent internal review report is finalised. Despite the Company's opinion that the expenditure is eligible for the R&D incentive it has decided to recognise a $1.4m provision based on the draft independent internal review. This matter was previously disclosed as a contingent liability in the 30 June 2021 annual report.

Non current			
Employee entitlements		**95,488**	-
Rehabilitation provision	(ii)	**379,651**	-
		475,139	-

(ii) Provision has been made for the anticipated costs for future rehabilitation of land disturbed or mined.

9. ISSUED CAPITAL

	Notes	31 Dec 2021 No. of securities	31 Dec 2021 $	30 Jun 2021 No. of securities	30 Jun 2021 $
(a) Share capital					
Ordinary shares fully paid	9(c)	**805,882,808**	**59,742,578**	626,478,509	45,164,125
(b) Other equity securities					
Option premiums paid	9(d)	-	540,795	72,260,805	540,795
Total issued capital			**60,283,373**		45,704,920

9. ISSUED CAPITAL (continued)

(c) Movements in ordinary share capital	2021 Shares	2021 $	2020 Shares	2020 $
Balance as at 1 July	**626,478,509**	**45,164,125**	486,560,550	29,087,482
Issued for cash at 14 cents per share	**9,207,144**	**1,289,000**	-	-
Issued for cash at 8 cents per share	**155,962,500**	**12,477,000**	-	-
Issued on exercise of listed options at 12 cents per share	**14,234,655**	**1,708,159**	20,090	2,411
Issued for cash at 11.1 cents per share			63,063,064	7,000,000
Share issue transaction costs	**-**	**(895,706)**	-	(452,938)
Balance as at 31 December	**805,882,808**	**59,742,578**	549,643,704	35,636,955

(d) Movements in other equity securities	2021 No.	2021 $	2020 No.	2020 $
Balance as at 1 July	**51,222,420**	**540,795**	**72,260,805**	**540,795**
Exercise of listed options at 12 cents per share	**(14,234,655)**	**-**	**(20,090)**	**-**
Expiry of listed options	**(36,987,765)**	**-**	**(16,910,670)**	**-**
Balance as at 31 December	**-**	**540,795**	**55,330,045**	**540,795**

10. CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date other than in relation to the R&D incentive provision described in Note 8.

11. DIVIDENDS

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

12. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivables, trade and other payables and lease liabilities. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

13. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2021, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company and Group in subsequent financial years.

14. SHARE-BASED PAYMENTS

(a) Director Options

The Group has provided benefits to directors of the Company in the form of options constituting share-based payment transactions. No options were granted during the period ended 31 December 2021. In the comparative period, 1,500,000 options were granted. Options granted had an exercise price of 17.5 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 comparative period was 5.3 cents. The price was calculated by using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted. A Monte Carlo simulation is applied to fair value the TSR element, if applicable.

	Six Months ended 31 December 2021	**Six Months ended 31 December 2020**
Weighted average exercise price (cents)	-	17.5
Weighted average life of the option (years)	-	3
Weighted average underlying share price (cents)	-	13.5
Expected share price volatility	-	70.6%
Risk free interest rate	-	0.18%

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

(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.

14. SHARE-BASED PAYMENTS (continued)

(c) Incentive Performance Rights Plan (continued)

During the current period, 1,689,772 performance rights (31 December 2020: 1,408,623) with a nil exercise price (31 December 2020: $nil) and expiry of 2.2 years (31 December 2020: 3.3 years) were granted. The average fair value of the performance rights granted during the period is 7.2 cents (31 December 2020: 13.5 cents).

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

(d) Summary of Share-Based Payments

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

	2021		2020	
	Number of options	Weighted average exercise price (Cents)	Number of options	Weighted average exercise price (Cents)
Outstanding as at 1 July	**2,777,496**	**19.8**	10,637,496	15.0
Granted	**-**	**-**	1,500,000	17.5
Forfeited	**-**	**-**	-	-
Expired	**(1,277,496)**	**22.5**	(2,500,000)	18.0
Exercised	**-**	**-**	-	-
Outstanding as at 31 December	**1,500,000**	**17.5**	9,637,496	14.6
Exercisable as at 31 December	**1,500,000**	**17.5**	9,637,496	14.6

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.6 years (31 December 2020: 1.0 years), and the exercise price is 17.5 cents (31 December 2020: range from 10.0 to 22.5 cents).

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

	Number of rights	
	2021	**2020**
Outstanding as at 1 July	**7,327,025**	9,850,347
Granted	**1,689,772**	1,408,623
Forfeited	**(964,001)**	-
Expired	**-**	-
Exercised	**-**	-
Outstanding as at 31 December	**8,052,796**	11,258,970
Exercisable as at 31 December	**-**	-

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 2.2 years (31 December 2020: 3.2 years). Performance rights have a $nil exercise price.

14. SHARE-BASED PAYMENTS (continued)

(e) Expenses arising from share-based payment transactions

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

	Six Months ended 31 December 2021 $	Six Months ended 31 December 2020 $
Shares and options included in share-based payments expense	**19,072**	**368,796**

DIRECTORS' DECLARATION

In the opinion of the directors of Australian Potash Limited (**Company**):

1. The condensed consolidated financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the six-month period ended on that date, and

   b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Matt Shackleton
Managing Director & Chief Executive Officer
Perth, 16 March 2022

Independent Auditor's Review Report

To the Shareholders of Australian Potash Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Australian Potash Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Australian Potash does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021.
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The ***Group*** comprises Australian Potash Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the Interim Financial Report. The events or conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Glenn Brooks
Partner

Perth

16 March 2022