AFRICAN POTASH

Annual Report 2017

for the year ended 30 June

DIRECTORS AND ADVISERS

Directors

Chris Cleverly	Executive Chairman
Simon Dorling	Non-executive
Peter Hain	Non-executive
Elias Pungong	Non-executive
Declan O'Brien	Non-executive
Mark Simmonds	Non-executive

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Corporate Adiviser and Broker
Alexander David Securities Limited
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Independent Auditor
PKF Littlejohn LLP
1 Westferry Circus
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Solicitors
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Bankers
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Registrars
Capita Registrars (Guernsey) Limited
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Guernsey Company Number
53855

Chairman's Statement

Two years ago, African Potash was a junior exploration company with an early stage project which had just completed a proof of concept drilling program confirming extensive lateral seams of Potash Salts, extending to the edge of the Congolese coastal basin. Notwithstanding the positive results, the funding environment for early stage resource projects has remained difficult. Recognising this, the Company has implemented a strategy to develop opportunities for generating revenue in the fast developing and related fertiliser industry, with a long-term view of ultimately providing access to the market for its resource products.

Fertiliser Trading

The initial emphasis was on government-focussed trades introduced by COMESA (Common Market for Eastern and Southern Africa). Several Memoranda of Understanding were entered into, and the Company invested significant time and resources in pursuing these opportunities. Severe regional drought adversely affected demand, elections postponed decisions and, most importantly, budget restrictions meant that our customers could not, despite assurances to the contrary, secure the necessary payment required either by way of letters of credit or any other satisfactory payment instruments to enable us to conclude the potential trades.

Clearly there is a sizeable business opportunity within this area and that we will be well placed to take advantage of it as time progresses as a result of our established relationship with COMESA. That said, throughout this period, we have learnt that dealing with governments can be slow and unpredictable. As a result our strategy has developed such that we are now looking towards both wholesale and retail trading, with a view to focussing our operations closer to the end user of fertiliser products.

Last year, we commenced trading operations in Zambia with Nutri-Aid Trust ('Nutri-Aid'), which has over 2,500 agro-outlets certified by COMESA. This pilot scheme commenced with a partially secured credit-based model whereby the agri-dealers within the Nutri-Aid network would pay 50% upon collection and the balance within 45 days. The pilot revealed not only the inherent risks in a partially secured credit based model but also showed us that many customers were happy to pay cash on collection.

Following the pilot we have entered into an exclusive agreement with Nutri-Aid to lease their network of small community warehouses which had been established in conjunction with US AID, and to use these to build a warehouse and retail business. The first three warehouses have been refurbished and are ready to start trading in the season getting underway.

A key driver of demand is the Zambian government's eVoucher program which is replacing their former government subsidy program, whereby registered individual farmers receive a prepaid card which can be used to purchase fertiliser and certain other inputs from registered suppliers. We are a registered eVoucher supplier.

In July 2017 the Government announced that the budget for the current season is $175m. In addition to the warehouses we have also recently launched the One Farm program, running social media groups where we engage with individual and groups of farmers to identify their input requirements. We also use these groups to disseminate data and information, weather, agronomical information, timing of planting, market data for sale of outputs amongst others. This enables us to establish close relationships with small scale farming groups and add value over and above the supply of fertiliser.

We have also taken the decision to "buy into" an existing business. As announced on 31 March 2017, we have agreed to take a 21% stake in Advanced Agricultural Holdings (Pty) Limited ("Advanced Agri"), an excellent example of a successful fertiliser and speciality input distributor in South Africa. Advanced Agri will provide us with additional agronomic expertise and speciality products which will enable us to distinguish our product offering to larger commercial farming groups and agri-dealers in the region and give us an advantage when concluding deals with governments and multi-laterals.

Chairman's Statement (continued)

Lac Dinga
African Potash retains its interest in the exploration side of the fertiliser industry through its 70% interest in La Société des Potasses et des Mines S.A. ('SPM'), which holds the exclusive right to conduct exploration activities for potash salts over the Lac Dinga Project Area ('Lac Dinga' or the 'Project') in the highly prospective Kouilou region in the Republic of Congo which has been renewed until 25 April 2018, following which, the license is renewable for a further two years.

During the period the board undertook an impairment review. In the continued absence of any recovery in potash prices and to reflect that no further progress had been made in securing additional funding or a suitable earn-in partner, the board decided to impair the valuation of the project to $3m. Based on a re-assessment of the available information as at 30 June 2016 the board have therefore decided that this impairment should be treated as a prior year adjustment, and the comparative financial statements for the year ended 30 June 2016 have been restated accordingly.

In order to develop the asset and issue a maiden resource statement, the Group announced on 19 July 2017 that it has entered an agreement with African Agronomix Limited ("AAX"), whereby AAX has the right to acquire up to 100% of the Company's interest in Lac Dinga project structured over four distinct phases (the "Earn-In"). During each phase AAX will have funding and performance obligations, completion of which result in AAX acquiring a greater interest in the Project. Upon completion of a maiden resource statement, AAX will hold 65% of our interest in the project. At this point, the Company may elect to participate in co-funding the feasibility studies alongside AAX.

Financial Results
Net income from trading for the year ending 30 June 2017 was $9,000 (2016: $15,000). Operating expenses were reduced to $1.3m (2016: $ 5.1m). After the impairment charge in respect of exploration assets of $0.7m (2016 as restated: $7.8m) and the reversal of deferred consideration in the prior year of $3.6m, the loss before taxation for the period was $2.3m (2016 as restated: $9.5m). Cash balances at 30 June 2017 were $11,000 (2016: $298,000).

Since the year end the Company has raised, by way of placings, $143,000 before expenses, to fund the further development of its fertiliser trading operations.

Outlook
On 21 April 2017, the Company announced that it had signed a Letter of Intent in connection with the proposed acquisition by the Company of Onshore Energy Limited and requested that the Company's shares be suspended. The Company is no longer pursuing this transaction.

Over the past few months, during our suspension from NEX, there have been some key developments that combine to strengthen the African Potash proposition giving us a clearer path to long-term profitability. Our goals and business strategy align with the Feed Africa initiative - the African Development Bank Group's agricultural transformation strategy for a competitive and inclusive agribusiness sector that creates wealth, improves lives and secures the environment. Led by the private sector and enabled by the public sector, using innovative financing mechanisms, the strategy aims to end hunger and rural poverty in Africa in the next decade.

As part of our strategy to be an African fertiliser trader, we have completed a transaction to acquire a strategic 21% equity stake in Advanced Agri. We plan to work with Advanced Agri to develop their business regionally outside their South African market. We have seen an increasing trend in the market over the past year where commercial farmers are opting to purchase a higher quality specialty fertiliser over and above the more common generic NPK and Urea products. Advanced Agri is one of South Africa's leading 'specialty fertiliser' distributors, and this investment positions us well for attracting business and improving margins from the distribution of Advanced Agri's specialty products across Africa.

Chairman's Statement (continued)

The earn in agreement with African Agronomix Limited to develop our Lac Dinga potash resource is a hugely positive move for all concerned. We have been looking for the right partner to push this forward for a considerable time. The transaction endorses our belief in the long-term viability of the Lac Dinga project and, as the earn-in work progresses, will realise value in the project for existing shareholders. Importantly, shareholders have a free carry to a maiden resource statement.

Since restructuring our business model in Zambia we have built a very competent team on the ground. We are now well engaged with three community groups in relation to establishing "Agri-Hubs" from their respective warehouses. Initially we will focus on the supply of fertiliser and over time expect this will naturally expand into other agriculture related products. Once these warehouses have bedded down the most efficient business model, we intend is to gradually roll the same model out across the full Nutri-Aid network of 32 community warehouses each of which is situated in the centre of an agricultural region, to give us a significant national distribution platform. In addition we will continue to develop our One Farm program, which is already generating some significant leads.

The Board believe that we now have firm foundations from which to build a growing revenue generating business and look forward to continued progress in the current year.

Chris Cleverly
Executive Chairman

20 October 2017

DIRECTORS' REPORT for the year ended 30 June 2017

The directors of African Potash Limited ("African Potash" or the "Company") hereby present their report together with the audited Consolidated Financial Statements for the year ended 30 June 2017.

Principal activities, business review and future developments
The Group holds a 70% interest in La Société des Potasses et des Mines SA ("SPM") which holds the Lac Dinga exploration licence and during the year has developed an infrastructure Company to support the distribution of fertilizer to the Small Scale Farmer in Zambia.

A review of the Group's activity and prospects is given in the Chairman's Statement on pages 2 to 4. A review of the risks and uncertainties impacting on the Group's long term performance is included in the Corporate Governance report on pages 9 to 11. Details of the Group's exposure to foreign exchange and other financial risks are included in note 4.

Results and dividend
The Group results show a loss after taxation for the year attributable to the equity holders of the Company of $2.3m (2016 as restated: $7.9m) and to non-controlling interests of $nil (2016: $1.5m). The directors do not recommend payment of a dividend (2016: $nil).

Post balance sheet events
Post balance sheet events are set out in note 25.

Directors
The directors who served since 1 July 2016 were as follows:

CJ Cleverly	Executive Chairman
S Dorling	Non-Executive Director
P Hain *	Non-Executive Director *
E Pungong	Non-Executive Director
D O'Brien	Non-Executive Director
M Simmonds *	Non-Executive Director *

* member of the audit and remuneration committees

Directors' interests
The directors serving during the year had the following beneficial interests in the shares of the Company:

	Ordinary shares	
	30 June 2017	30 June 2016
C J Cleverly	6,000,000	6,000,000
S Dorling	42,075,000	2,075,000
P Hain	38,888,888	-
M Simmonds	40,000,000	-

DIRECTORS' REPORT for the year ended 30 June 2017 (continued)

The following share options and warrants have been granted to directors and remain unexercised at the year end:

Options:

Director	Date of grant	Number of options	Exercise price	Date from which Exercisable	Expiry date
CJ Cleverly	27 February 2015	1,000,000	0.90p	27 August 2016	27 August 2020
CJ Cleverly	11 August 2015	10,000,000	0.55p	11 August 2015	11 August 2020
S Dorling	11 July 2014	1,000,000	3p	11 July 2015	13 November 2018
S Dorling	11 July 2014	2,000,000	4p	11 July 2015	11 July 2020

Warrants:

Director	Date of grant	Number	Exercise price	Date from which Exercisable	Expiry date
PG Hain	01 December 2015	2,500,000	3p	01 December 2015	30 June 2020
PG Hain	01 December 2015	5,000,000	5p	01 December 2015	30 June 2020
PG Hain	01 December 2015	2,500,000	8p	01 December 2015	30 June 2020
E Pungong	19 October 2015	2,500,000	3p	19 October 2015	30 June 2020
E Pungong	19 October 2015	15,000,000	5p	19 October 2015	30 June 2020
E Pungong	19 October 2015	15,000,000	8p	19 October 2015	30 June 2020
D O'Brien	10 November 2015	2,500,000	3p	10 November 2015	30 June 2020
D O'Brien	10 November 2015	17,475,000	5p	10 November 2015	30 June 2020
D O'Brien	10 November 2015	17,500,000	8p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	3,750,000	3p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	15,000,000	5p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	17,500,000	8p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	10,000,000	10p	10 November 2015	30 June 2020

No share options or warrants were exercised by directors during the year (2016: $nil).

There have been no changes in directors' interests in shares or options between 1 July 2017 and 20 October 2017.

DIRECTORS' REPORT for the year ended 30 June 2017 (continued)

Substantial shareholdings
To the best of the knowledge of the board, except as set out in the table below, there are no persons who, as of 20 October 2017, are the direct or indirect beneficial owners of, or exercise control or direction over 3% or more of the Ordinary Shares in issue of the Company.

	Number of Ordinary Shares	% Holding
A Broomhead	111,111,111	5.6%

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year.

Employee involvement policies
The Group places considerable value on the awareness and involvement of its employees in the Group's performance. Within bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and that are of interest and concern to them as employees.

Creditors' payment policy and practice
The Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment policy to abide by the terms of payment agreed with suppliers when agreeing the terms of each transaction. Suppliers are made aware of the terms of payment.

Social and community issues
The Group recognises the value of employment and training to the continued economic growth in the countries in which it operates. The Group is developing policies to ensure its expertise and specialist skills and facilities are made available to the broader community.

Environmental issues
The Group places great emphasis upon good environmental practice and respect for local community values.

African empowerment
As its ambitions for growth and diversification are realised The Group will seek to empower, upskill and recruit local African staff, providing new opportunities for jobs of all skills including senior management.

Provision of information to auditor
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

DIRECTORS' REPORT for the year ended 30 June 2017 (continued)

Auditors

On 12 April 2017, the Company appointed PKF Littlejohn LLP as auditors to the Company.

RSM UK Audit LLP, the outgoing auditors, have confirmed that there are no matters connected with them ceasing to hold office which they consider should be brought to the attention of the members or creditors of the Company.

PKF Littlejohn LLP has indicated its willingness to continue in office and a resolution to reappoint them will be presented to the annual general meeting.

Electronic communications

Additional information on the Company can be found on the Company's website at www.africanpotash.com.

The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in compliance with NEX exchange rule 75.

On behalf of the Board

CJ Cleverly
Executive Chairman

20 October 2017

CORPORATE GOVERNANCE
The board of directors is accountable to the Company's shareholders for good corporate governance. Although the Company is not required, by the rules of the NEX exchange, to adopt the UK Corporate Governance Code, set out below is a summary of how, at 30 June 2017, the Group was dealing with corporate governance issues.

The Board of Directors
The Group is led and controlled by a board comprising the executive chairman, and five non-executive directors. The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions.

There are no matters specifically reserved to the board for its decision, but no decision of any consequence is made other than by the directors. There is no separate Nomination Committee due to the current size of the board and any new directors are appointed by the whole board.

In the year ended 30 June 2017, the board has established a Remuneration Committee, chaired by Peter Hain and an Audit Committee chaired by Mark Simmonds.

There is no agreed formal procedure for the directors to take independent professional advice at the Company's expense.

The Company has adopted a share dealing code for directors' dealings which is appropriate for a company quoted on the NEX Exchange Growth Market. The Directors comply with Rule 71 of the NEX Exchange Rules relating to directors' dealings and take all reasonable steps to ensure compliance by the Group's employees.

The Company's directors submit themselves for re-election at the Annual General Meeting at regular intervals in accordance with the Company's Articles of Association.

Relations with Shareholders
The Executive Chairman is the Group's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, investors are given the opportunity to question the board.

Compliance with relevant legislation
All directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Group's legal advisers and auditors where appropriate. The directors have taken appropriate legal advice and implemented internal training and reporting procedures to ensure compliance with the UK Bribery Act 2010 (the "Bribery Act"). The Bribery Act prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. Although the Company does not have a presence in the UK, the Bribery Act applies to the Directors as the company is listed in the UK. In addition, Guernsey, where the Company is incorporated, is subject to the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 which contains broadly similar restrictions. Although the application of the UK and Guernsey legislation is uncertain as regards the Group, the Directors have formed the view that it is appropriate for the Group to implement relevant procedures to maintain compliance with the Bribery Act.

Internal Control
The board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

CORPORATE GOVERNANCE (continued)

The board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. The board has taken steps to ensure that announcements to the market are approved by more than one director and after careful consideration of the Company's Nex Exchange corporate adviser to ensure greater clarity. No weakness in internal financial control has resulted in material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

In light of this control environment the Board considers that there is no current requirement for a separate internal audit function.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 4 and the risks facing the business are outlined below. Note 4 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The board has detailed its considerations relating to Going Concern in note 2 of the financial statements. The Group's forecast trading cash-flows are dependent on the negotiation and fulfillment of new contracts that are not yet finalised and the successful conclusion of related financing lines. Without these trading cash-flows the Group will need to raise additional finance either through borrowing or the issue of new equity. Notwithstanding this uncertainty, the directors are confident that with an anticipated equity raise, current cash and forecasted cash flows from the trading operations, there will be sufficient cash resources to enable the Group to pay debts as they fall due and to continue its operations for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The auditors have made reference to this as a material uncertainty within their audit report.

Risks and uncertainties

There are a number of risks and uncertainties facing the Group, principally the following:

Regulatory risk

Whilst the Group believes that its operations are currently in substantial compliance with all relevant material environmental and health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced, which could have a material adverse impact on the Group.

Risks associated with operating in sub-Saharan Africa

Changes in government, monetary policies, taxation, exchange control and other laws can have a significant impact on the Group's assets and operations. Several countries in sub-Saharan Africa have experienced periods of political instability, and there can be no guarantees as to the level of future political stability. Changes to government policies and applicable laws could adversely affect the operations and/or financial condition of the Group. The jurisdictions in which the Group might operate in the future may have less developed legal systems than more established economies, which could result in risks such as (i) effective legal redress in the courts being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities;

CORPORATE GOVERNANCE (continued)

(iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

Risks associated with mineral exploration and mining projects

Exploration risks
The business of exploration for minerals and mining involves a high degree of risk. The successful exploration and development of potash (or associated minerals) is speculative and subject to a number of uncertainties. Geographical location can present logistical difficulties and the available resources and reserves, once established, may be significantly lower than estimated.

Early stage of operations

The Group intends to invest in projects whose operations are at an early stage and success in each stage of trading, exploration and mine development will depend on the Directors' ability to manage the current projects and to take advantage of further opportunities which may arise. The success of the Group will depend on its ability to identify prospective projects and its ability to access equity markets for its development requirements.

Potash market risk
The marketability and availability of a ready market for potash is affected by and dependent on numerous factors beyond the Group's control, the precise effects of which cannot be accurately predicted. These factors include market fluctuations, general economic activity, action taken by other potash producing nations, availability of transportation capacity and government regulations such as regulations relating to taxation, royalties, production levels, exports and the environment. Movements in market prices could render uneconomic any of the mining activities to be undertaken.

Risks associated with commodity trading operations

Early stage of operations
Significant time and resource can be expended penetrating new markets and to identify those opportunities which can lead to profitable revenue generation.

Competition
The Group competes with numerous other companies (many of which have greater financial resources than the Group) and individuals in the trading of fertiliser and other agriculture commodities and for the recruitment and retention of qualified employees.

Fertiliser distribution
Differences in terms under sales and procurement contracts can lead to significant exposure to financial loss. The logistical complications of distributing a high value product in sub-Saharan Africa can lead to loss or theft.

Foreign exchange
The Company raises its share capital in Sterling, however it's fertiliser trading and potash exploration activities and, if successful, potash production are markets which are denominated in US Dollars ($). The directors therefore consider the functional and presentational currency to be US Dollars. Some of its working capital requirements may be denominated in currencies other than US Dollars. As a result, fluctuations in currency exchange rates could have a material adverse effect on the financial condition, results, operations or cash flows of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Guernsey company law requires the directors to prepare Group Financial Statements for each financial year in accordance with generally accepted accounting principles. The directors are required by the rules of the NEX Exchange Growth Market to prepare Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements of the Group are required by law to give a true and fair view of the state of the Group's affairs at the end of the financial period and of the profit or loss of the Group for that period and are required by IFRS adopted by the EU to present fairly the financial position of the Group and the financial performance of the Group.

In preparing the Group Financial Statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain the group's and company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements are properly prepared and in accordance with The Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the board

C J Cleverly
Executive Chairman
20 October 2017

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

Opinion

We have audited the financial statements of African Potash Limited (the 'company') for the year ended 30 June 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with the Companies (Guernsey) Law 2008 ("the Companies law"). Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies law.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group incurred a net loss of US$ 2,273,000 during the year ended 30 June 2017 and at that date, the Group held net assets of US$ 492,000.

The Financial Statements have been prepared on the going concern basis, which depends on the timing of new agreements and the receipt of new funds. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company'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 judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFRICAN POTASH LIMITED (continued)

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Impairment risk of evaluation and exploration ("E&E") costs capitalised as intangible assets. The carrying value of E&E assets capitalised as intangible is the most material number in the Statement of Financial Position and, in the audit report for the year ended 30 June 2016, the previous auditors (RSM UK Audit LLP) issued a disclaimer of opinion in relation to the carrying value at 30 June 2016. The Group requires cash resources to meet minimum licence expenditure requirements, as well as to bring the assets to commercial viability. The lack of available cash resources at the year-end is an indicator impairment.	We challenged the impairment analysis and assumptions prepared and used by management (both for the current and prior year) through a combination of audit testing and consideration of external data sources. We also: • Verified that African Potash had the right to explore and good title to the exploration licence by obtaining and reviewing supporting documentation such as licence agreements. • Confirmed that management had the intention to carry out exploration and evaluation activity in the relevant exploration area and meet minimum license expenditure requirements, which included a review of management's cash flow forecast model and discussions with Directors. • Considered whether African Potash has the ability to finance planned future exploration activities. • Considered whether the results of recent exploration activity in the licence area provided indicators of impairment as to the recoverability of exploration costs. • Assessed the competency and objectivity of any third party expert engaged for the purposes of assessing the resources. • Considered the commercial viability of the exploration block based on the results of exploration and evaluation activities carried out in the relevant licence area.	On the basis of our audit procedures, we agree with management's conclusions that a prior year adjustment in respect of the carrying value of Intangible Assets in 2016 is appropriate. We have also concluded that the assumptions used by management in estimating the recoverable amount of the E&E assets fall within a reasonable range and that there is a reasonable expectation that sufficient funds will be available to meet minimum licence expenditure requirements. We have therefore concluded that the impairment in respect of the carrying value of E&E in 2016 and the associated prior year adjustment is reasonable and that the carrying value at 30 June 2017 is appropriate.

Going concern would also have been identified as a Key Audit Matter if it were not required to be separately disclosed in the audit report.

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

(continued)

Our application of materiality
Materiality is a key concept in the context of an audit. In providing an opinion on whether the financial statements provide a 'true and fair' view, we are providing an opinion on whether the financial statements as a whole are free from material misstatement whether due to fraud or error.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item, either individually or in aggregate, is considered material if omitting it or misstating it could reasonably be expected to influence decisions that users make on the basis of an entity's financial statements. Materiality has both quantitative and qualitative characteristics. It depends on the size or nature of the item or error judged in the particular circumstances of its omission or misstatement.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and the design of our audit tests;
- Calculate sample sizes where we are undertaking substantive testing; and
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

We used total assets as a basis for determining planning materiality as it was considered that this was where the core value of the Group lies and any changes to these would most impact investors. We have determined our Overall Financial Statement Materiality to be US$97,000. This has been set at 3% of total assets, taking into account the inherent uncertainty over the carrying value of exploration and evaluation intangible assets and the current loss making nature of the Group.

An overview of the scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgement by Directors and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters whether there was evidence of bias that represents a risk of material misstatement due to fraud. The Group and its subsidiaries are accounted for from one central location. Our audit was conducted from our London office where the audit team was based with regular visits from key group personnel responsible for the accounting function.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFRICAN POTASH LIMITED (continued)

Opinions on other matters prescribed by the Companies law
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies law requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Joseph Archer (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

20 October 2017

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2017

	Note	2017 $'000	2016 As restated $'000
Revenue		-	59
Cost of sales		-	(44)
Gross profit		-	15
Other trading income		9	-
Operating expenses	6	(1,251)	(5,078)
Share of loss of associate		(24)	-
Impairment of evaluation and exploration costs	2	(719)	(7,758)
Reversal of deferred consideration		-	3,600
Other gains / (losses)	14	(2)	(47)
Operating loss	6	(1,987)	(9,268)
Finance expense	8	(286)	(202)
Loss before taxation		(2,273)	(9,470)
Income tax	9	-	-
Loss for the year		(2,273)	(9,470)
Attributable to:			
Owners of the parent company		(2,273)	(7,940)
Non–controlling interests		-	(1,530)
		(2,273)	(9,470)
Earnings per share - basic and diluted (cents)			
- attributable to owners of the parent company	10	(0.17c)	(1.00c)
- attributable to non-controlling interests	10	-	(0.19c)
		(0.17c)	(1.19c)

All results relate to continuing activities.

The notes on pages 21 to 45 form part of the financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	2017 $'000	2016 As restated $'000
Loss for the year	(2,273)	(9,470)
Other comprehensive (loss) / income for the year		
Items that may be reclassified subsequently to profit or loss		
- Foreign exchange translation differences	46	(27)
Total comprehensive loss for the year	(2,227)	(9,497)
Attributable to owners of the parent company	(2,227)	(7,967)
Attributable to non-controlling interests	-	(1,530)
	(2,227)	(9,497)

There is no taxation arising on other comprehensive income.
The notes on pages 21 to 45 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 $'000	30 June 2016 As restated $'000	1 July 2015 $'000
ASSETS				
Non-current assets				
Intangible assets: exploration activities	12	3,000	3,000	10,000
Investment in associate	13	101	-	-
Investment in quoted companies	14	-	47	-
Property, plant and equipment	15	99	111	131
Total non-current assets		3,200	3,158	10,131
Current assets				
Trade and other receivables	17	25	76	99
Cash and cash equivalents	17	11	298	571
Total current assets		36	374	670
TOTAL ASSETS		3,236	3,532	10,801
LIABILITIES				
Current liabilities				
Trade and other payables	18	(1,574)	(829)	(530)
Loan note	19	(1,170)	(1,004)	-
Deferred consideration	23	-	-	(800)
Total current liabilities		(2,744)	(1,833)	(1,330)
NET ASSETS		492	1,699	9,471
EQUITY				
Share capital	20	18,551	17,531	15,864
Shares to be issued		-	-	2,800
Share based payment reserve		2,633	2,637	1,141
Foreign exchange translation reserve		(577)	(623)	(596)
Retained losses		(20,115)	(17,846)	(11,268)
Total equity attributable to the owners of the parent company		492	1,699	7,946
Non controlling interests		-	-	1,530
TOTAL EQUITY		492	1,699	9,471

The notes on pages 21 to 45 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2017and were signed on its behalf.

C J Cleverly
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Attributable to owners of the parent company							
	Share capital	Shares to be issued	Share-based payment reserve	Foreign exchange translation reserve	Retained losses	Total	Non-controlling interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at 1 July 2015	15,864	2,800	1,141	(596)	(11,268)	7,941	1,530	9,471
Prior year adjustment (note 11)	-	-	-	-	-	-	-	-
Balances at 1 July 2015 (restated)	15,864	2,800	1,141	(596)	(11,268)	7,941	1,530	9,471
Loss for the year as restated	-	-	-	-	(7,940)	(7,940)	(1,530)	(9,470)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(27)	-	(27)	-	(27)
Total comprehensive income for the year	-	-	-	(27)	(7,940)	(7,967)	(1,530)	(9,497)
Transactions with owners								
Issue of shares	1,667	-	-	-	-	1,667	-	1,667
Reversal of deferred consideration	-	(2,800)	-	-	-	(2,800)	-	(2,800)
Lapse /exercise of share options as restated	-	-	(1,362)	-	1,362	-	-	-
Share based payment charge	-	-	2,858	-	-	2,858	-	2,858
Total transactions with owners	1,667	(2,800)	1,496	-	1,362	1,725	-	1,725
Balance at 30 June 2016 (restated)	17,531	-	2,637	(623)	(17,846)	1,699	-	1,699
Loss for the year	-	-	-	-	(2,273)	(2,273)	-	(2,273)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	46	-	46	-	46
Total comprehensive income for the year	-	-	-	46	(2,273)	(2,227)	-	(2,227)
Transactions with owners								
Issue of shares	1,020	-	-	-	-	1,020	-	1,020
Lapse of share based payments	-	-	(4)	-	4	-	-	-
Total transactions with owners	1,020	-	(4)	-	4	1,020	-	1,020
Balance at 30 June 2017	18,551	-	2,633	(577)	(20,115)	492	-	492

The notes on pages 21 to 45 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2017

	Note	2017 $'000	2016 As restated $'000
Operating activities			
Loss before tax		(2,273)	(9,470)
Adjustments for:			
- Profit on disposal of investments		(37)	-
- Impairment of evaluation and exploration assets	12	719	7,758
- Reversal of deferred consideration		-	(3,600)
- Impairment of investments		-	47
- Share of loss of associate		24	-
- Foreign exchange		(4)	(113)
- Share based payment		98	3,010
- Finance expense		286	202
Operating cash flow before movements in working capital		(1,188)	(2,166)
Working capital adjustments:			
- Decrease in receivables		51	23
- Increase in payables		659	302
Cash used in operations		(478)	(1,841)
Finance expense		(152)	(202)
Net cash used in operating activities		(630)	(2,043)
Investing activities			
Purchase of evaluation and exploration assets	12	(626)	(756)
Sale / (purchase) of investments	14	80	(106)
Purchase of property, plant and equipment	16	(14)	(11)
Net cash used in investing activities		(560)	(873)
Financing activities			
Proceeds from issue of share capital		713	1,515
Drawdown of loan note	19	190	1,127
Net cash from financing activities		903	2,642
Net decrease in cash and cash equivalents		(287)	(274)
Cash and cash equivalents at start of the year		298	571
Effect of exchange rates on cash and cash equivalents		-	1
Cash and cash equivalents at end of the year		11	298

Non cash transactions
The principal non cash transactions relate to:

	2017 $'000	2016 $'000
Shares issued in settlement of:		
- Advisory and consultancy and directors fees	182	152
- Acquisition of associate	125	-
Share based payments	-	3,010
	307	3,162

The notes on pages 21 to 45 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. General Information

African Potash Limited is incorporated and domiciled in Guernsey. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 5 to 8.

The presentational currency of the Group is US Dollars as this reflects the Group's business activities in the fertiliser trading and resource exploration sectors in sub-Saharan Africa, and therefore the Group's financial position and financial performance.

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union (EU), IFRIC Interpretations and those parts of the Companies (Guernsey) Law 2008 applicable to companies reporting under IFRS. The financial statements have been prepared under historical cost convention as modified by certain financial instruments at fair value.

a) New standards, amendments and interpretations adopted by the Group
During the year the following principal standards and amendments to standards have been adopted in these financial statements. Their adoption has not had any material impact on the disclosure or on the amounts reported in the financial statements:

- Annual Improvements to IFRSs 2012 – 2014 Cycle, effective 1 January 2016
- IAS 1 (Amended), 'Disclosure Initiative', effective 1 January 2016
- IAS 7 (Amended), 'Statement of Cash Flows', effective 1 January 2016
- IAS 27 (Amended), 'Equity Method in Separate Financial Statements', effective 1 January 2016
- IAS 16 and IAS 38 (Amended), 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective 1 January 2016
- IFRS 11 (Amended), 'Accounting for Acquisitions of Interests in Joint Operations', effective 1 January 2016

b) New and amended standards not yet adopted by the Group
At the date of authorisation of these financial statements, the following principal Standards and Interpretations relevant to the Group's operations that have not been applied in these financial statements were in issue but not yet effective (unless otherwise stated):

- IFRS 9 'Financial Instruments', effective 1 January 2018
- IFRS 15 'Revenue for Contracts with Customers', effective 1 January 2018
- IFRS 16 'Leases', effective 1 January 2019*
- Annual Improvements to IFRSs 2014 – 2016 Cycle, effective 1 January 2018*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group. There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

*Not yet EU endorsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. Significant accounting policies

The principal accounting policies adopted are set out below and are consistent with those adopted in the prior period.

Basis of consolidation
The financial statements consolidate the financial statements of African Potash Limited and the financial statements of its subsidiary undertakings made up to 30 June 2017.

Subsidiaries are 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control is transferred to the Group

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method if they meet the criteria of IFRS 3. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The assets, liabilities and contingent liabilities of the acquiree are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and Director's report. In addition note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial management objectives; details of its financial instruments and approach to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. The Group's assets are not generating revenues, an operating loss has been reported, operating cash outflows have been incurred and the Group will need to raise funds to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. The earn-in agreement with AAX enables the Group to retain an interest in the Lac Dinga project without the need to commit additional cash resources in the first two phases of work scheduled under the agreement.

The board has prepared forecasts for the Group covering the period to 31 December 2018. The principal assumption is that fertiliser trading will pick up during 2017/18, with the Group scaling up deliveries direct to local Agro dealers and direct to small scale farmers in Zambia as well as working with the government of Uganda to develop its fertiliser industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

2. Significant accounting policies (continued)

The directors are confident that additional equity will be available and that there will be sufficient cash resources to enable the Group to pay debts as they fall due and to continue its operations for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Going concern is referred to in the audit report as a material uncertainty. No modification is made in the audit report in this respect.

Foreign exchange
(i) Transactions and balances
The individual financial statements of each company in the Group are prepared in the currency of the primary economic environment in which it operates (its "functional currency"). The consolidated financial statements are presented in US dollars ($).

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in in the income statement.

(ii) Consolidation
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case exchange rates at the date of transactions are used. Exchange differences arising from the translation of the net investment in foreign operations and branches are recognised as a separate component of equity. Such translation differences are recognised as income or expense in the year in which the operation or branch is disposed of.

The following exchange rates have been used in preparing the consolidated financial statements:

	Average Rate		Closing Rate	
	2017	2016	2017	2016
GBP	1.27	1.48	1.30	1.34
Central African Franc (CFA)	602	591	574	592

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, value added taxes and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location, and the risks and rewards of ownership have been transferred to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

Current and deferred income tax
The tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is based on taxable profit for the year. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon rates enacted and substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible exploration and evaluation assets
All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off to the income statement as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include technical expenses and allocated administrative overheads. Exploration assets are carried at historical cost less any impairment losses recognised.

If an exploration project is successful and it is brought into production, the related expenditures are transferred to property, plant and equipment as a mineral reserve or resource and depleted on a unit of production basis, or until the properties are sold, allowed to lapse, abandoned or determined not to be economically viable, at which time they are charged to the income statement.

Capitalised exploration expenditures are reviewed for impairment losses (see accounting note below) at each reporting date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding results of exploration or evaluation work to date and the Group's intentions for development of the related property.

The recoverability of exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposal thereof.

2. Summary of significant accounting policies (continued)

Impairment of intangible assets – Exploration and evaluation costs
Impairment reviews for exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- Unexpected geological occurrences that render the resource uneconomic;
- Substantive expenditure on further exploration expenditure for and evaluation of mineral resources is neither budgeted or planned;
- Variations in the commodity price that render the project uneconomic;
- Title to the asset is compromised; or
- The Group determines it no longer wishes to continue with or develop the project.

Property, plant and equipment
All items of property, plant and equipment are stated at historical cost less depreciation (see below) and impairment. Historical cost includes expenditure that is directly attributable to the acquisition. Subsequent costs are included in the asset's carrying value when it is considered probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Assets in course of construction for production, rental or administrative purposes not yet determined are carried at cost, less any identified impairment loss. Cost includes professional fees and associated administrative expenses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, as follows:

Motor vehicles	25%
Office equipment	10% – 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Financial Assets
Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. The Group currently have financial assets in the category of 'loans and receivables' and FVTPL.

Loans and receivables
Trade receivables, bank balances, cash in hand and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

Fair Value through Profit and Loss (“ FVTPL”)
Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL upon initial recognition. The Group holds certain investments in quoted companies which are designated as held for trading. Financial assets at FVTPL are stated at fair value, with any gains and losses arising on re-measurement recognised in profit or loss. The net gain or loss incorporates any dividends, interest earned, or foreign exchange gains and losses on the financial asset and is included within other gains and losses in the income statement. Fair value is determined in the manner described in note 13.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For loans and receivables carried at amortised cost, the amount of the impairment is the differences between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

Trade and other payables
Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Loan notes
Loan notes are measured at amortised cost.

Equity instruments
Equity instruments issued by the Group are recorded at fair value on initial recognition, net of transaction costs.

Shares to be issued
Asset acquisitions to be settled by issuing a fixed number of shares are accounted in accordance with IFRS 2, with the fair value at the date of acquisition being recognised as a separate component of equity. On settlement and issue of shares, a corresponding transfer between equity reserves will be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

Investment in associate
Associates are all entities over which the Group has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an equity-accounted investee the carrying amount of the investment, including any other unsecured receivables, is reduced to zero, the recognition of further losses is discontinued, unless the Group has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and equity-accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity–accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in equity–accounted investees are recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are recorded in equity.

Share based payments – share options and warrants
The Company issues equity-settled share-based payments to certain employees. These payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant and the value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for non market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted in the EU 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Intangible exploration and evaluation assets
The valuation of the Group's exploration, evaluation and development expenditure is dependent upon the success of the Group in discovering and having the economic ability to develop recoverable mineral resources in a country of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets are uncertain and will be affected by competition, relative exchange rates and potential new legislation and related environmental requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

3. Critical accounting estimates and judgements (continued)

The Group's ability to continue its exploration program and develop its project is dependent on future fundraising and the ability of the Group to find a partner to develop its asset. Whilst the Group believes it has achieved this through the agreement with Africa Agronomix Limited ("AAX") there is no certainty that this will proceed as planned.

Deferred Consideration
When acquiring assets or investments the purchase price has included an element of deferred consideration that is potentially payable by the Group provided that certain established milestones are achieved by the investee. At each financial year end the Directors make an assessment as to the amount of deferred consideration payable. Details of the amounts potentially payable can be found in note 23 to the financial statements.

4. Financial risk management

The Group is principally financed by equity share capital to finance the Group's operations and expansion together with short term borrowings. The Group has financial instruments of cash, loan receivables, short term deposits, a loan note, deferred consideration and others such as trade and other receivables and payables.

The Group has not entered into any derivative or other hedging instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Board reviews and agrees policies for managing each of these risks and these are summarised below. The interest receivable relates to interest earned on bank deposits.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from financial assets, cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables. The Group's principal deposits are held with a bank with a high credit rating. Receivables are regularly monitored and assessed for recoverability.

The fair value of financial assets and liabilities is not materially different to the carrying values presented.

Credit risk continued
Maximum exposure to credit risk is as follows:

	2017 $'000	2016 $'000
Trade and other receivables	25	36
Cash and cash equivalents	11	298
	36	334

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital which it achieves through monitoring cash flows and forecasts and preserving cash through minimising burn rate through cost reduction. At 30 June 2017 the Group held cash deposits of $11,000 (2016: $298,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

4. Financial risk management (continued)

Market risk
Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates, will affect the Group's income on the value of its holding in financial instruments. The objective is to manage and control market risk exposures with acceptable parameters whilst optimising the return. The significant market risks to which the Group is exposed are currency risk and interest rate risk.

These are discussed further below:

- *Interest rate risk*
  The Group finances operations through the use of cash deposits at variable rates of interest for a variety of short term periods, depending on cash. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average interest rate on deposits was 0.01% (2016: 0.01%).

  The exposure of the financial assets to interest rate risk is as follows:

	2017 $'000	2016 $'000
Financial assets at floating rates - Cash and cash equivalents	11	298

- *Currency risk*
  The Group holds cash balances and has transactions denominated in currencies other than the reporting currency and which therefore are subject to fluctuations in exchange rates. These risks are monitored by the board on a regular basis. The Group does not hedge against the effects of exchange rates.

The exposure of the Group's financial assets and liabilities to currency risk is as follows:

	Sterling $'000	CFA $'000	Other $'000	USD $'000	Total $'000
Cash and cash equivalents	1	-	-	10	11
Trade and other receivables	12	13	-	-	25
Total financial assets at 30 June 2017	**13**	**13**	**-**	**10**	**36**
Trade payables	62	166	1	49	278
Other payables and accruals	263	785	-	248	1,296
Loan note	1,170	-	-	-	1,170
Total financial liabilities at 30 June 2017	**1,495**	**951**	**1**	**297**	**2,744**
Listed Investments	47	-	-	-	47
Cash and cash equivalents	19	2	2	275	298
Trade and other receivables	40	22	-	-	62
Total financial assets at 30 June 2016	106	24	2	275	407
Trade payables	140	168	22	5	335
Other payables and accruals	96	267	-	132	495
Loan note	1,004	-	-	-	1,004
Total financial liabilities at 30 June 2016	1,240	435	22	137	1,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

4. Financial risk management (continued)

Fair values
The Directors have reviewed the financial statements and have concluded that there is no significant difference between the carrying values and the fair values of the financial assets and liabilities of the Group as at 30 June 2017 and at 30 June 2016.

Capital risk management
The Group regularly reviews its capital management requirements. The requirement for capital is satisfied by the issue of shares and short term loan notes.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group places funds which are not required in the short term on deposit at the best interest rates it is able to secure from its bankers.

The Group is under no obligation to meet any externally imposed capital requirements.

Sensitivity analysis
Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables and payables. The following analysis, required by IFRS 7 Financial Instruments: Disclosures, is intended to illustrate the sensitivity of the Group's financial instruments (at period end) to changes in market variables, being exchange rates and interest rates.

Exchange rates:	Income Statement $'000	Equity $'000
2017		
+ 5% US$ Sterling	(74)	(74)
- 5% US$ Sterling	74	74
+5% US$ CFA	-	-
-5% US$ CFA	-	-
2016		
+ 5% US$ Sterling	(9)	(9)
- 5% US$ Sterling	9	9
+5% US$ CFA	-	-
-5% US$ CFA	-	-

The following assumptions were made in calculating the sensitivity analysis:
- all income statement sensitivities also impact equity
- translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from this sensitivity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

5. Segment reporting

The Chief Operating Decision Maker ("CODM") is considered to be the Directors. The directors consider that the Group's activities comprise the segments of fertiliser trading and potash exploration and other unallocated expenditure in one geographical segment, Africa.

Revenue represents sales to external customers. Unallocated expenditure relates to central costs and any items of expenditure that can not be directly attributed to an individual segment.

Year ended 30 June 2017	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Revenue	-	-	-	-
Segment results				
- Operating expenses	(806)	-	(438)	(1,244)
- Share of loss of associate	(24)	-	-	(24)
- Impairment	-	(719)	-	(719)
- Interest expense	-	-	(286)	(286)
Loss before tax	(830)	(719)	(724)	(2,273)
Income tax	-	-	-	-
Loss after tax	(830)	(719)	(724)	(2,273)

Year ended 30 June 2016	Trading $'000	Exploration (as restated) $'000	Unallocated $'000	Total (as restated) $'000
Revenue	59	-	-	59
Segment results				
- Operating expenses	(1,385)	-	(3,678)	(5,063)
- Impairment	-	(7,758)	(47)	(7,805)
- Reversal of deferred consideration		3,600	-	3,600
- Interest expense	-	-	(202)	(202)
Loss before tax	(1,385)	(4,158)	(3,927)	(9,470)
Income tax	-	-	-	-
Loss after tax	(1,385)	(4,158)	(3,927)	(9,470)

5. Segment reporting (continued)

Segment assets consist primarily of intangible assets, property, plant and equipment, other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities.

Capital expenditure comprises of additions to property, plant and equipment and intangibles.

The segment assets and liabilities at 30 June 2017 and capital expenditure for the year then ended are as follows:

	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Assets	124	3,100	12	3,236
Liabilities	15	946	1,783	2,744
Capital expenditure	10	719	-	729

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

At 30 June 2017	Assets $'000	Liabilities $'000
Segment assets and liabilities	3,224	961
Unallocated:		
Other receivables	12	-
Trade payables	-	101
Accruals and deferred income	-	512
Loan note	-	1,170
Total	3,236	2,744

The segment assets and liabilities at 30 June 2016 as restated and capital expenditure for the year then ended are as follows:

	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Assets	-	3,136	396	3,532
Liabilities	-	435	1,398	1,833
Capital expenditure	-	767	-	767

Segment assets and liabilities (as restated) are reconciled to Group assets and liabilities as follows:

At 30 June 2016	Assets $'000	Liabilities $'000
Segment assets and liabilities	3,136	435
Unallocated:		
	47	-
Other receivables	54	-
Cash	295	-
Amounts due to related parties	-	241
Accruals and deferred income	-	153
Loan note	-	1,004
Total	3,532	1,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

6. Operating loss

Operating loss has been arrived at after charging:	2017 $'000	2016 $'000
Net foreign exchange gain	(15)	(52)
Operating lease rentals – land and buildings	8	49
Travel and accommodation	256	528
Legal and professional	311	505
Consultancy fees	78	354
Loss on grain venture	-	378
Staff costs (see note 7)	449	3,182

Amounts payable to the Group's auditor PKF Littlejohn LLP (2016: RSM UK Audit LLP), and its associated entities are as follows:

	2017 $'000	2016 $'000
Audit services - statutory audit	35	69

7. Staff costs

The average monthly number of employees (including executive directors) employed by the Group for the year was as follows:

	2017 Number	2016 Number
Office and Management	8	7
Operational	25	24
	33	31

The aggregate remuneration comprised:

	2017 $'000	2016 $'000
Wages and salaries	723	662
Social security costs	49	53
Share based payment charge	-	2,824
	772	3,539
Less: capitalised (and subsequently impaired) and included in intangible assets - exploration and evaluation expenditure	(323)	(357)
	449	3,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

7. Staff costs (continued)

Directors' remuneration 2017	Short term employee benefits $'000	Share based payment $'000	Total $'000
C Cleverly	87	-	87
S Dorling	24	-	24
P Hain	34	-	34
D O'Brien	240	-	240
E Pungong	30	-	30
M Simmonds	35	-	35
	451	-	451

Directors' remuneration 2016	Short term employee benefits $'000	Other short term benefits $'000	Share based payment $'000	Total $'000
C Cleverly	100	155	82	337
S Dorling	30	-	-	30
P Hain	32	-	187	219
D O'Brien	105	-	883	988
E Pungong	30	-	713	743
M Simmonds	30	-	896	926
J Conrad	11	-	-	11
E Marlow	8	-	-	8
	346	155	2,761	3,262

The Directors are considered to be the key management.

At 30 June 2017, there were outstanding directors' fees of $201,000 (2016: $111,000).

8. Finance expense

	2017 $'000	2016 $'000
Finance expense		
- Loan note facility fee (see note 19)	(66)	(90)
- Loan note interest	(220)	(112)
Total finance expense	(286)	(202)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

9. Income tax

	2017	2016 As restated
	$'000	$'000
Loss before tax from continuing activities:	(2,273)	(9,470)
Tax at the Republic of Congo corporation tax rate 30% (2016: 30%)	(682)	(2,841)
Deferred tax credit	110	80
Deferred tax credit not recognized	(110)	(80)
Tax effect of expenses that are not deductible in determining taxable profit	4	1,262
Tax effect of losses not allowable	678	1,579
Total tax for the year	-	-

The tax reconciliation has been prepared using a 30% tax rate, the corporate income tax rate in the Republic of Congo, as this is where the Group's principal assets are located.

The Group has operations in a number of overseas jurisdictions where it has incurred taxable losses for the year of $365,000 (2016: $268,000). To date no deferred tax asset has been recognised as the requirements of IAS 12 'Income Taxes' have not been met.

The Company is resident for taxation purposes in Guernsey and its income is subject to Guernsey income tax, presently at a rate of zero (2016: zero). No tax is payable for the year due to losses incurred. Deferred tax has not been provided for, as brought forward tax losses are not recoverable under the Income Tax (Zero 10) (Guernsey) Law, 2007 (as amended).

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2017	2016 As restated
	$'000	$'000
Loss for the purposes of basic earnings per share		
- attributable to owners of the parent company	(2,273)	(7,940)
- attributable to non-controlling interests	-	(1,530)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,300,955,409	794,037,824
Loss per share		
- attributable to owners of the parent company	(0.17c)	(1.00c)
- attributable to non-controlling interests	-	(0.19c)

Due to the loss incurred during the year, there is no dilutive effect of share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

11. Prior year adjustment ("PYA")

In 2016 the previous auditors (RSM UK LLP) audit report included a disclaimer of opinion in relation to the carrying value of the evaluation and exploration asset which was valued at US$10 million. During the period, the board carried out an impairment review in accordance with IAS 36, resulting in the recognition of an impairment charge. The board has considered the timing of the impairment and after a reassessment of the circumstances in existence at 30 June 2016, concluded it was appropriate to recognise the impairment as a PYA as at 30 June 2016. The effect of this 2016 impairment reduces the value of the intangible asset in 2016 by $7,758,000, reduces the amount of deferred consideration and shares to be issued by $3,600,000, resulting in a net increase in loss for the year of $4,158,000. Following this adjustment, management believes that the asset is appropriately stated and the timing of impairment is appropriate.

12. Intangible assets

	Evaluation and exploration costs $'000
At 1 July 2015	10,000
Additions	785
Impairment provision	(7,758)
Exchange rate adjustment	(27)
At 1 July 2016	3,000
Additions	636
Impairment provision	(719)
Exchange rate adjustment	83
At 30 June 2017	3,000

Evaluation and exploration costs are capitalised in accordance with IFRS 6 The asset comprises the Lac Dinga exploration licence in the Republic of Congo held by La Societé des Potasses et des Mines SA ("SPM") in which the Group has a 70% interest. The initial three year licence period expired on 3 December 2016 and was renewed for a further 2 years on 25 April 2016. In renewing the licence, in line with custom and practice, the Group relinquished 20% of the licence area. This area was, in the main, outside the margins of the salt basin and of little prospective value. Upon expiry, the license is renewable for a further two years if the Group can demonstrate that it has continued to meet its obligations under the mining code which require it to continue exploration activity. Under the terms of its licence, the Group is required to undertake some exploration activity in any nine month period and during the year work has continued on planning the next phase of drilling.

In order to develop the asset and issue a maiden resource statement, the Group announced on 19 July 2017 that it has entered an agreement with African Agronomix Limited ("AAX"), whereby AAX has the right to acquire up to 100% of the Company's interest in Lac Dinga project structured over four distinct phases, details of which are set out in note 2. The agreement was effective 17 October 2017 and AAX are acting as the operator of the project on behalf of SPM.

The valuation of intangible exploration and evaluation assets is dependent upon the discovery of economically recoverable deposits which in turn is dependent upon the future potash prices, capital expenditures and environmental and regulatory restrictions and the ability of the Group to have sufficient funds to be able to meet the minimum licence spend and to develop the asset. During the period, in the continued absence of any recovery in potash prices and to reflect that no additional funding or suitable earn in partner had been secured that could fully meet, or commit to meeting at the time of review, the costs of exploration licence requirements and the development of the asset, an impairment review was performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

12. Intangible assets (continued)

This review considered all of the impairment indicators per IFRS 6 and also included an internal valuation of the asset. The key inputs were a discount rate of 18% and that sufficient funds would be available to the Group. The result of this impairment review was a US$7.758million impairment. At the same time, and based on a reconsideration of the available information as at 30 June 2016, the impairment charge has been recognized as a prior year adjustment (see note 11).

13. Investment in subsidiaries

The Group had the following subsidiaries at 30 June 2017

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the parent %	Proportion of ordinary shares held by the group %	Proportion of ordinary shares held by non-controlling interests %
African Potash (Mauritius) Limited[1]	Mauritius	Intermediate holding company	100	100	-
La Société des Potasses et des Mines S.A. [2]	Republic of Congo	Potash exploration	-	70	30
African Fertiliser Limited[1]	Guernsey	Intermediate holding company	100	100	-
African Potash (Uganda) Limited[3]	Uganda	Fertiliser trading	-	51	49
African Potash (Zambia) Limited[3]	Zambia	Fertiliser trading	1	100	-

[1] Held directly by the Company
[2] Held by African Potash Mauritius Limited
[3] Held by African Fertiliser Limited

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The loss attributable to non-controlling interests for the year is $nil (2016: $1,530,000). At 30 June 2017, the total non-controlling interest is $nil (2016: $nil).

Set out below is the summary financial information for:

La Société des Potasses et des Mines S.A. ("SPM")	2017 $'000	2016 $'000
Non Current Assets	2,853	2,739
Current		
- Assets	34	44
- Liabilities	(951)	(435)
Net Current Liabilities	(917)	(391)
- Loan from parent company	(6,129)	(6,015)
Net Liabilities	(4,193)	(3,667)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

13. Investment in subsidiaries (continued)

African Potash (Zambia) Limited	2017 $'000	2016 $'000
Non Current Assets	10	-
Current		
- Assets	13	-
- Liabilities	-	-
Net Current Assets	13	-
- Loan from parent company	(79)	-
		-
Net Liabilities	(56)	-

14. Investments in quoted companies

	$'000
At 1 July 2015	-
Additions	106
Impairment	(47)
Exchange rate adjustment	(12)
At 1 July 2016	47
Disposals	(44)
Exchange rate adjustment	(3)
At 30 June 2017	-

During the year, the Group disposed of its holdings in Blenheim Natural Resources Plc, an investment company listed on AIM focussing on natural resource opportunities. The proceeds of disposal were $80,000 and the gain on disposal was $37,000.

15. Investments in associate

	$'000
At 1 July 2016	-
Acquisition	125
Share of loss for the period	(24)
At 30 June 2017	101

On 31 March 2017, the Group acquired a 21% interest in Advanced Agricultural Holdings (Pty) Limited ("AAH"). The initial consideration was $125,000, with deferred consideration payable in line with earnings for the years ended 28 February 2018 and 2019. AAH distributes speciality fertilisers and granulated calcium products to the South African market.

During the year, AAH has draft losses of ZAR (South African Rand) 1,968,529 (US$151,702), net assets of ZAR 103 (US$8) and revenues of ZAR 1,130,948 (US$87,155).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

16. Property, plant and equipment

	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost			
At 1 July 2015	37	134	171
Additions	-	11	11
Exchange rate adjustment	-	(2)	(2)
At 1 July 2016	37	143	180
Additions	13	1	14
Exchange rate adjustment	1	5	6
At 30 June 2017	51	149	200
Depreciation			
At 1 July 2015	-	40	40
Charge for the year	9	20	29
At 1 July 2016	9	60	69
Charge	9	19	28
Exchange rate adjustment	10	3	4
At 30 June 2017	19	82	101
Net book value			
At 30 June 2017	**32**	**67**	**99**
At 30 June 2016	28	83	111

All property plant and equipment is held in Africa. Depreciation arising in the year has been included in attributable overhead capitalised as exploration and evaluation costs. No depreciation was included in operating costs.

17. Current assets

	2017 $'000	2016 $'000
Current assets		
Prepayments	15	40
Other receivables	10	36
Cash and cash equivalents	11	298
	36	374

Cash balances include $nil (2016: $8,000) of restricted cash relating to cash held on deposit as security for credit card expenditure.

The directors consider that the carrying amount of financial assets approximates their fair value. There are no significant amounts past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

18. Financial liabilities

	2017 $'000	2016 $'000
Current liabilities		
Trade payables	279	335
Other payables	696	322
Accruals	599	172
	1,574	829

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. Accruals include unpaid interest on the loan note of $134,000 (2016: $nil).

The directors consider that the carrying amount of financial liabilities approximates to their fair value.

19. Loan Note

	$'000
At 1 July 2015	-
Drawdown	1,127
Exchange rate adjustment	(123)
At 1 July 2016	1,004
Drawdown	185
Exchange rate adjustment	(19)
At 30 June 2017	1,170

On 1 December 2015 the Company entered into a loan with a term of 9 months for an amount of £750,000. On 1 September 2016, a revised loan agreement with a term of 1 year was entered into, with an arrangement fee of 5% of the principal and an interest rate of 1.5% per month (18% per annum) payable in arrears. A further drawdown of £150,000 was made on 28 December 2016. The loan is a related party transaction (see note 21).

In the event of default under the provisions of the loan (including a failure to make interest payments), the lender may require the Company to conduct a placing (at a 30% discount to the share price on the day preceding the date on which an application is made for admitting the placing shares to trading) to raise funds to satisfy all outstanding sums plus an additional facility fee of 5%.

Subsequent to the year end, the Company, with agreement of the lender, renewed the term of the loan for a further 2 years. Unpaid interest of £145,669 was rolled into the principal outstanding. The loan is repayable on the earlier of:

- 1 September 2019;
- completion by the Company of equity financing which (in aggregate) raises more than £2.0m; and
- completion of any non-trade finance debt financing.

In addition, the lender has the right at any time to convert any amount of the loan outstanding at a conversion price of 0.045p per ordinary share or, if lower, at a price per share at which shares are issued for cash following the renewal of the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

19. Loan Note (continued)

Subject to certain trigger events noted below, the lender has agreed to reduce the interest on the loan note to 10% per annum, payable monthly. In this context, the Company will be required to make a minimum monthly payment to the lender of at least £5,000 in respect of accruing interest, and any balance of such accruing but unpaid interest shall be rolled-up as additional loan capital. Interest will be charged on the additional loan capital on 1 September 2018 and 1 September 2019 only.

- in the event that the Company fails to comply with the terms of the loan note, the Company has agreed that the reduced rate of interest noted above shall cease to be effective and the interest rate (and associated provisions) shall revert to those set out in the original loan, together with all other consequences, with effect from 1 September 2017; and

- the Company agrees to pay a facility re-arrangement fee of £50,000 in respect of the renewal at 1 September 2017. The lender has agreed to waive this fee provided that the Company complies with the terms of the loan note on an ongoing basis (failing which, such fee shall be immediately due and payable).

20. Share capital

	Authorised. allotted and fully paid	
Ordinary shares of no par value	Number	$'000
At 1 July 2015	743,842,643	15,864
Issue of shares	145,120,715	1,667
At 30 June 2016	888,963,358	17,531
Issue of shares	987,149,114	1,020
At 30 June 2017	1,876,112,472	18,551

The Company has one class of ordinary share which carries no right to fixed income.

On 1 September 2016 235,294,118 shares were issued at 0.2125p to fund the working capital requirements of the Group and 17,908,235 shares were issued in settlement of advisory fees.

On 6 February 2017 279,277,777 shares were issued at 0.045p to fund the working capital requirements of the Group and 55,178,356 shares were issued at 0.045pin settlement of advisory fees.

On 27 February 2017 59,000,000 shares were issued at 0.045p to fund the working capital requirements of the Group and 118,888,888 shares were issued at 0.4 5p in settlement of non-executive directors' fees.

On 16 June 2017 221,601,740 shares were issued at 0.045p in satisfaction of the initial consideration due on the acquisition of 21% of Advanced Agricultural Holdings (Pty) Limited (see note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

20. Share capital (continued)

Share Options:
At 30 June 2017, the following options over ordinary shares have been granted to directors and employees to the Company and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period
14 November 2012	1,150,000	3p	14 November 2013 to 13 November 2018
01 May 2013	500,000	3p	1 May 2014 to 13 November 2018
11 July 2014	1,350,000	3p	11 July 2015 to 13 November 2018
11 July 2014	10,000,000	4p	11 July 2015 to 11 July 2020
27 February 2015	2,444,686	0.9p	27 August 2015 to 27 August 2020
11 August 2015	19,000,000	0.56p	11 August 2015 to 11 August 2020
	34,444,686		

Warrants:
At 30 June 2017 the following warrants over ordinary shares have been and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period
16 May 2014	1,250,000	10p	16 May 2016 to 16 May 2018
19 October 2015	2,500,000	3p	19 October 2016 to 30 June 2020
10 November 2015	6,250,000	3p	10 November 2016 to 30 June 2020
01 December 2015	2,500,000	3p	01 December 2016 to 30 June 2020
19 October 2015	15,000,000	5p	19 October 2016 to 30 June 2020
10 November 2015	32,475,000	5p	10 November 2016 to 30 June 2020
01 December 2015	5,000,000	5p	01 December 2016 to 30 June 2020
19 October 2015	15,000,000	8p	19 October 2016 to 30 June 2020
10 November 2015	35,000,000	8p	10 November 2016 to 30 June 2020
01 December 2015	2,500,000	8p	01 December 2016 to 30 June 2020
10 November 2015	10,000,000	10p	10 November 2016 to 30 June 2020
16 January 2016	2,220,588	1.7p	25 January 2016 to 11 January 2018
16 June 2017	4,000,000	0.06p	16 June 2017 to 15 June 2020
	133,695,588		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

21. Share based payments

Equity – settled share option plan
The Group unapproved share option scheme was established to provide equity incentives to the directors of, employees of and consultants to the company. The scheme rules provide that the Board shall determine the exercise price, vesting period and vesting criteria. The vesting period is generally 1 year. If options remain unexercised after a period of 4 or 5 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	Options Number	Weighted average exercise price
Options at 1 July 2016 and 30 June 2017	34,444,686	1.79p
Exercisable at the year end	34,444,686	1.79p

At 30 June 2017 the weighted average remaining contractual life of the options outstanding was 2.94 years (2016: 3.94 years).

No options were granted, lapsed or exercised during the year.

Warrants

	Warrants Number	Weighted average exercise price
Warrants at 1 July 2016	128,725,000	6.51p
Broker warrants issued 25 January 2017	2,220,588	1.70p
Issued during the year (see note 14)	4,000,000	0.06p
Lapsed	(1,250,000)	7.50p
Warrants at 30 June 2017	133,695,588	6.23p
Exercisable at year end	133,695,588	6.23p

At 30 June 2017 the weighted average remaining contractual life of the warrants outstanding was 2.94 years (2016: 3.95 year).

The fair value of services received in return for share options and warrants granted is measured by reference to the value of the share options and warrants granted. This is estimated using the Black-Scholes model which is considered the most appropriate considering the effects of the vesting criteria, exercise price and the payment of the dividend by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

21. Share based payments (continued)

The fair value of the warrants granted during the year was determined using the following assumptions:

- Share price at the date of grant was the average mid-market closing price for the three days immediately prior to grant and ranged from 1.7p to 0.045p
- The risk-free rate ranged from 0.28% to 0.41% and was based on the gilt yield over the vesting period at the date of grant.
- The annual dividend yield is expected to be nil based on management's immediate intention to reinvest operating cash flows.
- The annual volatility was ranged from 95% to 185% and is derived from the daily share prices of the Company over the year preceding the date of grant.
- The warrants vest immediately and the weighted average exercise period is 2.09 years being 100% of the exercise period.
- The fair value of warrants granted during the period ranged from 0,03p to 1.1p.

A charge of $nil (2016: $2,691,000) [CT1][NC2]has been recognised in the income statement. The charge of $32,000 in respect of broker warrants has been debited to share capital as a cost of the issue of equity and a charge of $1,000 has been included in the investment in associate (see note 15).

22. Related party disclosures

1. M. Mouanda Makosso holds an interest in the non-controlling interest in La Société des Potasses et des Mines. M. Makosso received a consultancy fee of $3,000 during the year (2016: $70,500).

2. The loan note (see note 18) has been provided by Mrs K Clayton, the wife of the Company's CFO. Interest and arrangement fees of $286,000 (2016: $202,000) were charged during the year of which $134,000 remained outstanding at 30 June 2017 (2016: $nil).

3. Mr N Clayton, the Group CFO, is a director of Global Web Pay Limited, a company providing foreign exchange services. During the year the Group paid fees and an estimated margin of $1,000 (2016: $1,000).

4. Chris Cleverly was a director of Blenhein Natural Resources Plc, a position which he resigned during the year.

5. Remuneration of key management personnel

   The remuneration of the directors, and the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *'Related Party Disclosures'*. Further information about the remuneration of individual directors is provided in note 7.

	2017 $'000	2016 $'000
Short-term employee benefits – directors	451	346
Short-term employee benefits – key personnel	105	120
Share based payment – directors	-	2,761
Share based payment – key personnel	-	42
	556	3,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

23. Deferred consideration

On 22 February 2013, the Group acquired 100% of African Potash Mauritius Limited ("AFPM") which holds a 70% interest in the equity of SPM, the company which holds the Lac Dinga exploration licence. Deferred consideration with a fair value of $3.6m was payable $0.8m in cash and the issue of 50m new ordinary shares with a fair value of $2.8m.

Pursuant to the earn-in by AAX into the Lac Dinga project, the vendors of AFPM have waived their rights to deferred consideration. Consequently, the deferred consideration was fully written back during the comparative period.

On 31 March 2017, the Company acquired 21% of Advanced Agricultural Holdings (Pty) Limited ("**AAH**") (see note 11). Deferred consideration is payable in cash or equity, at the discretion of the Company, in two tranches:

- a sum equal to 3.25 times the reported EBITDA in the audited financial statements of AAH for the year ending 28 February 2018.
- A sum equal to 2 times the difference between the reported EBITDA in the audited financial statements of AAH for the year ending 28 February 2019 and the reported EBITDA in the audited financial statements of AAH for the year ending 28 February 2018.

No deferred consideration has been recognised in the financial statements as it can not be reliably estimated at this stage.

24. Capital commitments

At 30 June 2017 and 30 June 2016, the group had no contractual commitments.

26. Ultimate controlling party

The Directors believe that there is no ultimate controlling party of the Group.

25. Post balance sheet events

On 17 July 2017, the Company raised £50,000 by way of a placing to fund its on-going working capital requirements.

On 20 October 2017, the Company raised £60,000 by way of a placing to fund its on-going working capital requirements.

AAX confirmed to the Company that the effective date of the earn-in agreement into the Lac Dinga project was 17 October 2017.

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