AFRICAN POTASH

Annual Report 2016

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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Richmond House
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Chartered Accountants
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Solicitors
Carey Olsen LLP
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EC2N 2DL

Bankers
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Registrars
Capita Registrars (Guernsey) Limited
Longue House
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Guernsey GY2 4JN

Chairman's Statement:

The year under review has seen the development of our strategy to position the Group as a significant operator in the African fertiliser industry. African Potash has a majority interest in the Lac Dinga Potash Project in the Republic of Congo ('the Project' or 'Lac Dinga') which we believe to be a potential world class potash asset in its own right and has laid the foundations to unlock the short term fundamentals of the African fertiliser market.

Fertiliser trading

In August 2015 African Potash entered into a trading agreement with the Common Market for Eastern and Southern Africa ('COMESA') with a view to creating a vertical platform for the mining, production and distribution of fertiliser, focussed on the COMESA region and beyond.

In order to capitalise upon the opportunities the relationship with COMESA brought about, the Company entered into an agreement with Beryl Holdings Pty Limited ('Beryl Holdings'), a South African investment firm in December 2015, to collaborate and strengthen its fertiliser trading and delivery capabilities.

In January 2016, the Company entered into a contract, introduced by COMESA, to supply 20,000Mt Urea to a Zambian distributer of fertiliser, Rockwell Fertilisers Limited ('Rockwell'). In April 2016, the Company signed a participation agreement with Safyr Commodities Limited (formally Beryl Holdings) which in turn has secured conditional sales agreements with one of Zambia's leading fertiliser distributors, Nyiombo Investments Ltd ("Nyiombo"), for 50,000Mt NPK. The end user of both of these distributors is the Zambian government. Neither Rockwell nor Nyiombo have been able to secure these trades in a trading season where market demand patterns were significantly influenced by the most severe drought to affect the region in 35 years, as a result of El Nino, and uncertainties surrounding Zambian elections and government procurement programs.

Considerable resource and expenditure were incurred in pursuing these contracts together with opportunities under other MOUs previously announced, although the revenue generated has been minimal. The board is now confident of the strategy of moving into fertiliser distribution and has identified a number of revenue generating opportunities.

In June 2016, the Company announced that it had it has signed a non-binding Memorandum of Understanding ('MoU') with the Government of Uganda to support the development of a fertiliser industry in Uganda, which will seek to help ensure the availability and effective distribution of fertilisers to Ugandan farmers.

Since the year end we have commenced deliveries direct to agri-dealers under agreements with Nutri-Aid Trust ('Nutri-Aid') and Zambia Co-Operative Federation ('ZCF').

We commenced pilots with Nutri-Aid, which includes over 2,500 agro-outlets certified by COMESA, with a credit based model whereby the agri-dealers within the Nutri-Aid network could pay 50% upon collection and the balance within 45 days. The credit, on roll out, is financed under an agreement with Rockwell. The pilot revealed that the credit risks were not viable and the credit model has been stopped. The Company has since recovered the credit advanced to a material extent.

Sales under the agreement with ZCF are under the umbrella of the Zambian government e-voucher scheme, whereby subsidies are given direct to the individual farmer by means of an electronic-voucher on a pre-paid card.

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 in the highly prospective Kouilou region in the Republic of Congo. The licence was renewed for two years on 25 April 2016 and under the mining code may be renewed for a further two years thereafter.

Whilst the Project is still at an early stage of exploration, a drilling campaign undertaken in Q3 2014 confirmed the presence of multiple potash seams at depths of about 300m to 420m below the surface, and the results generated suggested the potash mineralisation to be characteristic of similar commercial deposits in the Congolese coastal basin.

Chairman's Statement (continued):

During the course of the year, global potash prices have continued to falll, an indication of impairment. Although the Board believe that the Project, like others in the basin, will have lower production costs than other global producers, some of whom may be marginal at these levels, it has conducted an impairment review and has decided to retain its valuation at last year's level of $10m. Consequently exploration expenditure in the year of $0.8m has been impaired.

The Company is currently seeking partners to farm in to the next phase of exploration in order to meet its obligations to conduct further exploration activity prior to the next renewal date in April 2018 and to realise value from Lac Dinga as part of its integrated fertiliser model. The success of the initial program has significantly de-risked the project and underlined the potential for the establishment of an economic resource in the project area.

Board Appointments

In order to execute this strategy, it is important to have a team in place with the knowledge and influence to help develop our growth objectives. With this in mind, we have built a Board with exemplary commodities and African business experience, and perhaps more importantly, a deep and intimate knowledge of doing business in Africa. In October 2015, the Company announced the appointment of Mr Elias Pungong, in November 2015 the Rt Hon Mark Simmonds and Mr Declan O'Brien were appointed and in December 2015 the Rt Hon Lord Peter Hain joined the Board; providing us with a Board comprising pre-eminent figures in the worlds of politics, finance, and business.

As part of this restructured Board, Ed Marlow and Jean-Pierre Conrad, both of whom played a significant role in developing the Lac Dinga project, left the Company to concentrate on their other business interests in October 2015. We would like to extend our thanks again for their commitment shown and wish them the very best in their future endeavours.

Financial Results

The Company is reporting a loss for the year of $6.1m compared with a loss of $8.8m in the prior year. Following the impairment charge in respect of Lac Dinga of $0.8m, (2015: $7.5m), and share based payment charges of $2.8m, (2015: $0.4m) the underlying loss before tax is $2.5m, (2015: $0.9m). The increase may be attributed to the expenditure and losses incurred of $1.4m in establishing the fertiliser trading business, additional central costs of $0.1m and additional finance costs of $0.1m. Net Assets have fallen to $7.9m (2015: $9.5m) and at 30 June 2016, cash balances were $0.3m (2015: $0.6m).

Outlook

The agreement with COMESA marked a milestone development in the establishment of the Company's fertiliser operations, giving the Company an entry into the trading sectors of the fertiliser industry to complement its established exploration interests thereby implementing part of its strategy to create a vertical platform for the production and distribution of fertiliser.

The Nutri-Aid program is being relaunched with local community warehouses providing the distribution platform and the e-voucher scheme has moved from the pilot stage with the program now being rolled out by the Zambian government. We expect to see the volumes traded through these programs to grow significantly in 2017.

The movement of government subsidy programs from government purchases and distribution to a technology based e-voucher farmer centric model is gaining traction, with Uganda recently announcing that they will be introducing such a scheme supported by the World Bank. With our MOU with the Ugandan Government and experience in Zambia, once appropriately funded, we are well placed to take advantage of the growth opportunity these programs present as they are rolled out.

Chairman's Statement (continued):

Africa has 20% of the world's population, 65% of its uncultivated arable land, 40% of its surface water yet consumes only 2% of world fertiliser usage. Shortages of fertiliser, and pricing which make fertiliser prohibitively expensive, mean that land is not being effectively utilised; accordingly much of Africa remains reliant on external sources of food, when this great continent could become the world's breadbasket. African Potash has the potential to be an important player in Africa's fertiliser market – benefitting the continent and in the process, the Company's shareholders.

Finally, I would like to thank my team both in London and in Africa for their work and commitment. I would also like to thank shareholders for their on-going support and look forward to keeping the market updated with our progress in the New Year.

Chris Cleverly
Executive Chairman

28 December 2016

DIRECTORS' REPORT

The directors of African Potash Limited ("African Potash" or the "Company") hereby present their report together with the audited financial statements for the year ended 30 June 2016.

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 the Company has commenced fertiliser trading operations.

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 $6.1m (2015: $7.2m) and to non-controlling interests of $nil (2015: $1.6m). The directors are unable to recommend a dividend (2015 :$nil).

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

Directors
The directors who served since 1 July 2015:

CJ Cleverly	Executive Chairman
JP Conrad (resigned 28 October 2015)	Non-Executive Director
S Dorling	Non-Executive Director
P Hain (appointed 1 December 2015)	Non-Executive Director *
E Marlow (resigned 19 October 2015)	Chief Executive Officer
E Pungong (appointed 19 October 2015)	Non-Executive Director
D O'Brien (appointed 10 November 2015)	Non-Executive Director
M Simmonds (appointed 10 November 2015)	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 2016 (or at date of resignation)	30 June 2015 (or at date of appointment)
C J Cleverly	6,000,000	3,000,000
JP Conrad	3,095,337	526,316
S Dorling	2,075,000	-
EHR Marlow	23,576,229	16,578,947

DIRECTORS' REPORT (continued)

The following share options and warrants have been granted to directors.

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	15 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

The following warrants have been granted to directors during the year and have lapsed before the year end.

Director	Date of grant	Number of warrants	Exercise price	Date from which Exercisable	Expiry date
CJ Cleverly	11 August 2015	1,250,000	2p	11 August 2015	16 May 2016
CJ Cleverly	11 August 2015	15,000,000	5p	11 August 2015	16 May 2016
E Pungong	19 October 2015	2,475,000	5p	19 October 2015	16 May 2016
M Simmonds	10 November 2015	2,475,000	5p	10 November 2015	16 May 2016

The following warrants have been granted to directors during the year and remain unexercised at the year end.

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 (2015: $nil).

On 11 August 2015, C J Cleverly was awarded 3,000,000 incentive shares with a market value of £17,000.

There have been no other changes in directors' interests in shares or options between 1 July 2016 and 21 December 2016.

DIRECTORS' REPORT (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 21 December 2016, 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
White Knight Investment	53,263,889	4.66%

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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. The number of days of average daily purchases included in trade payables at 30 June 2016 was 82 days (2015: 68 days).

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.

Statement as to disclosure 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 (continued)

Auditor
The Group's auditor, RSM UK Audit LLP, has indicated its willingness to continue in office.

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 AIM Rule 26.

On behalf of the Board

CJ Cleverly
Executive Chairman

28 December 2016

CORPORATE GOVERNANCE
The board of directors is accountable to the Company's shareholders for good corporate governance. Set out below is a summary of how, at 30 June 2016, 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.

Subsequent to the year end, 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 an AIM quoted company. The Directors comply with Rule 21 of the AIM 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 Nominated 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 the additional loan capital announced at the date of this report, together 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 board will not commit to a major exploration programme without raising sufficient finance to fund the planned expenditure.

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 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 raised 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. Therefore the directors consider its functional 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 Directors' 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 AIM Rules of the London Stock Exchange and the rules governing ISDX 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.

The directors confirm they have discharged their responsibilities as noted above.

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

We have audited the Group financial statements of African Potash Limited for the year ended 30 June 2016 on pages 15 to 45. 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 section 262 of The Companies (Guernsey) Law 2008. 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.

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We read the other financial and non-financial information contained in the annual report and consider the implications for our report if we become aware of any material inconsistency with the financial statements or with knowledge acquired by us in the course of performing the audit, or any material misstatement of fact within the other information. We also read the information in the directors' report and consider the implications for our report if we become aware of any material inconsistency with the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements arising from the requirements of International Standards on Auditing (UK and Ireland) is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Basis for disclaimer of opinion on financial statements

The consolidated statement of financial position includes an intangible exploration asset, with a carrying value of $10m, relating to exploration activities for potash salts at Lac Dinga in the Republic of the Congo.

An independent valuation of this asset was performed in August 2015 and suggested a range of values between $6m and $13m. Since that date, global potash prices have continued to fall and there are doubts as to whether the group will be able to fund the minimum spend requirements specified in the licence agreement. Both of these factors indicate that the asset should be tested for impairment.

Management have performed an impairment review and have determined that the recoverable amount of the asset is $10m. Their assessment of the recoverable amount takes into account imputed fair values from another unrelated potash concession and the opportunities they believe are afforded to the group through potential future vertical integration in the potash and fertiliser markets. This assessment also assumes that the Group will be able to fund the minimum spend requirements specified in the license agreement.

Due to the speculative nature of the assumptions applied, we have been unable to obtain sufficient appropriate audit evidence as to the recoverable amount of the intangible exploration asset.

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

Disclaimer of opinion on financial statements

Because of the significance of the matter described in the Basis for disclaimer of opinion on financial statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Emphasis of matter – going concern

We have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of $6.1 million during the year ended 30 June 2016 and, at that date, had net current liabilities of $2.3m. It is reliant on trading cashflows which are not yet contracted and equity finance which is not yet committed. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern.

The financial statements do not include the adjustments, including impairment of the intangible exploration asset, that would result if the Group was unable to continue as a going concern

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

• proper accounting records have not been kept by the Company; or
• the Company's financial statements are not in agreement with the accounting records; or
• we have not received all the information and explanations which, to the best of our knowledge and belief, we consider are necessary for the purposes of our audit.

RSM UK Audit LLP, Auditor
Chartered Accountants
25 Farringdon Street,
London EC4A 4AB

28 December 2016

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2016

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Revenue		59	-
Cost of sales		(44)	-
Gross profit		15	-
Operating expenses		(5,078)	(1,238)
Impairment of evaluation and exploration costs	2	(758)	(7,464)
Other losses	13	(47)	-
Operating loss	6	(5,868)	(8,702)
Finance expense	8	(202)	(134)
Loss before taxation		(6,070)	(8,836)
Income tax expense	9	-	-
Loss for the year		(6,070)	(8,836)
Attributable to :			
Owners of the parent company		(6,070)	(7,219)
Non–controlling interests		-	(1,617)
		(6,070)	(8,836)
Loss per share - basic and diluted (cents)			
- attributable to owners of the parent company	10	(0.76c)	(1.97c)
- attributable to non-controlling interests	10	-	(0.44c)

All results relate to continuing activities.

The notes on pages 19 to 45 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Loss for the year	(6,070)	(8,836)
Items that may be reclassified subsequently to the income statement:		
- Foreign exchange translation differences	(27)	(574)
Other comprehensive (loss) / income for the year	(27)	(574)
Total comprehensive loss for the year	(6,097)	(9,410)
Attributable to owners of the parent company	(6,097)	(7,793)
Attributable to non-controlling interests	-	(1,617)
	(6,097)	(9,410)

There is no taxation arising on other comprehensive income

The notes on pages 19 to 45 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Intangible assets: exploration activities	11	10,000	10,000
Investment in quoted companies	13	47	-
Property plant and equipment	14	111	131
Total non-current assets		10,158	10,131
Current assets			
Trade and other receivables	15	76	99
Cash and cash equivalents	15	298	571
Total current assets		374	670
TOTAL ASSETS		10,532	10,801
LIABILITIES			
Current liabilities			
Trade and other payables	16	(829)	(530)
Loan note	20	(1,004)	-
Deferred consideration	22	(800)	(800)
Total current liabilities		(2,633)	(1,330)
NET ASSETS		7,899	9,471
EQUITY			
Issued capital	17	17,531	15,864
Shares to be issued	22	2,800	2,800
Share based payment reserve		2,637	1,141
Foreign exchange translation reserve		(623)	(596)
Retained earnings		(15,976)	(11,268)
Total equity attributable to the owners of the parent company		6,369	7,941
Non controlling interests		1,530	1,530
TOTAL EQUITY		7,899	9,471

The notes on pages 19 to 45 form part of the financial statements.

The financial statements on pages 15 to 45 were approved and authorised for issue by the Board of Directors on 28 December 2016 and 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 earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at 1 July 2014	13,897	2,800	356	(22)	(4,049)	12,982	3,147	16,129
Loss for the year	-	-	-	-	(7,219)	(7,219)	(1,617)	(8,836)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(574)	-	(574)	-	(574)
Total comprehensive income for the year	-	-	-	(574)	(7,219)	(7,793)	(1,617)	(9,410)
Transactions with owners								
Issue of shares	1,967	-	-	-	-	1,967	-	1,967
Share based payment charge	-	-	785	-	-	785	-	785
Total transactions with owners	1,967	-	785	-	-	2,752	-	2,752
Balance at 30 June 2015	15,864	2,800	1,141	(596)	(11,268)	7,941	1,530	9,471
Loss for the year	-	-	-	-	(6,070)	(6,070)	-	(6,070)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(27)	-	(27)	-	(27)
Total comprehensive income for the year	-	-	-	(27)	(6,070)	(6,097)	-	(6,097)
Transactions with owners								
Issue of shares	1,667	-	-	-	-	1,667	-	1,667
Lapse/exercise of share based payments	-	-	(1,362)	-	1,362	-	-	-
Share based payment charge	-	-	2,858	-	-	2,858	-	2,858
Total transactions with owners	1,667	-	1,496	-	1,362	4,525	-	4,525
Balance at 30 June 2016	17,531	2,800	2,637	(623)	(15,976)	6,369	1,530	7,899

The notes on pages 19 to 45 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2016

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Operating activities			
Loss before tax		(6,070)	(8,836)
Adjustments for:			
- Impairment of evaluation and exploration assets	4	758	7,464
- Impairment of investments		47	-
- Foreign exchange		(113)	(192)
- Share based payment		3,010	391
- Finance expense		202	134
Operating cash flow before movements in working capital		(2,166)	(1,039)
Working capital adjustments:			
- Decrease / (increase) in receivables		23	(9)
- Increase / (decrease) in payables		302	155
Cash used in operations		(1,841)	(893)
Finance expense		(202)	(134)
Net cash used in operating activities		(2,043)	(1,027)
Investing activities			
Purchase of evaluation and exploration assets		(756)	(2,689)
Purchase of investments		(106)	-
Purchase of property, plant and equipment		(11)	(121)
Net cash used in investing activities		(873)	(2,810)
Financing activities			
Proceeds from issue of share capital		1,515	1,758
Drawdown of convertible loan	19	-	1,250
Repayment of convertible loan	19	-	(760)
Drawdown of loan note	20	1,127	-
Net cash from financing activities		2,642	2,248
Net decrease in cash and cash equivalents		(274)	(1,589)
Cash and cash equivalents at start of the year		571	2,170
Effect of exchange rates on cash and cash equivalents		1	(10)
Cash and cash equivalents at end of the year		298	571

Non cash transactions
The principal non cash transactions relate to:

	2016 $'000	2015 $'000
Shares issued in settlement of :		
- Advisory and consultancy and directors fees	152	84
- Bergen facility fees and collateral shares	-	372
Share based payments	3,010	391
	3,162	847

The notes on pages 19 to 45 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

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 Company's operations and its principal activities are set out in the Chairman's Statement on pages 2 to 4.

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.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

During the year the following principal standards have been adopted in these financial statements:

- IAS 19 (Amended) 'Defined Benefit Plans: Employee Contributions', effective 1 February 2015.
- Annual improvements to IFRSs 2011-2013 Cycle, effective 1 January 2015.
- Annual improvements to IFRSs 2010-2012 Cycle – amendments to IFRS 8, IAS 16, IAS 24 and IAS 38, effective 1 February 2015.

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
- IAS 1 (Amended), 'Disclosure Initiative', effective 1 January 2016.
- IAS 7 (Amended), 'Statement of Cash Flows', effective 1 January 2017
- 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.
- Annual Improvements to IFRSs 2012 – 2014 Cycle, effective 1 January 2016.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. 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
In February 2013, the group purchased a 70% interest in the Lake Dinga licence which the board believes is highly prospective for commercial deposits of potash. The initial three year licence period expired on 3 December 2015 and was renewed for a further 2 years on 25 April 2016. In renewing the licence, in line with custom and practice, the Company gave up 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 Company can demonstrate that it has continued to meet its obligations under the mining code which require it to continue exploration activity.

In December 2014, the Group announced the results of a successful proof of concept drilling campaign confirming laterally extensive potash mineralisation which is characteristic of the Congolese coastal basin and further underpins the project's potential to host significant potash deposits. In order to develop the asset and issue a maiden resource statement, the Group will need to raise additional capital to fund a comprehensive drilling programme to support a resource estimate. 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 commenced on planning the next phase of drilling. The planned work program which will involve drilling a further 4,000m to 5,000m is estimated to cost $8m. The board remains confident that the highly prospective nature of the asset will enable them to either bring in a strategic partner or raise the additional capital to fund these programmes.

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. In August 2015, an independent valuation of the Group's interest in the Lake Dinga licence indicated that market conditions had resulted in a fall in value compared to that at the time of the original acquisition. Consequently in the year ended 30 June 2015 the board decided to write down the value of the asset to $10m to reflect the results of that valuation.

During the course of the year, global potash prices have continued to fall, an indication of impairment. Although the Board believe that the project, like others in the basin, will have lower production costs than other global producers, some of whom may be marginal at these levels, it has conducted an impairment review. The review also focused on the implied values of comparable early stage projects in the Republic of Congo which are attracting new investment. The board has decided to retain its valuation at last year's level of $10m. Consequently exploration expenditure and the associated administrative costs in the year of $0.8m has been impaired.

Management's critical judgements in determining the value of assets, liabilities and equity within the financial statements relate to the valuation of intangible exploration and evaluation assets of $10m (post impairment) (2015: $10m post impairment), the timing volume and margins of anticipated trading contracts and the going concern assumptions.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and judgements are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in future periods if applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. Critical accounting estimates and judgements (continued)

Sharebased payment
The fair value of options and warrants granted is determined using the Black-Scholes option pricing model. Input assumptions, which are set out in note 18, are by their nature judgemental and small variations in input assumptions can lead to different valuations.

Going concern
As indicated above, current cash resources and anticipated cash flows from trading activities are not sufficient to enable the Group to complete a full evaluation of the Lac Dinga project or to continue to invest in exploration activities in order to meet its obligations under the licence

During the year the Group commenced fertiliser trading operations. These are subject to commodity price and foreign exchange fluctuations, credit risk, together with the practical and logistical challenges of operating in sub-Saharan Africa. Policies are in place to address these risks.

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

The start-up of trading operations has incurred significant losses to date. However the group has developed a pipeline of opportunities and the board is confident that it will be able to conclude new contracts which will be cash generative. Without these improvements to trading cash-flows the group will need to raise additional finance either through borrowing or the issue of new equity.

The Company is in meaningful discussions with a new Nominated Adviser. Should the Company not be able to appoint a new Nominated Advisor, then its shares will cease to be traded on AIM. Although its shares will continue to be traded on ISDX, it is possible that the Company will find it more difficult to raise additional equity finance.

Notwithstanding the above uncertainty, the directors are confident that with the additional loan capital announced at the date of this report, together with an anticipated equity raise of up to $0.6m, 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 board will not commit to a major exploration programme without raising sufficient finance to fund the planned expenditure.

3. Significant accounting policies

Basis of preparation
The financial statements have been prepared on the historical cost basis except for certain financial instruments and share based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price in directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)
Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.'

The principal accounting policies adopted are set out below.

Basis of consolidation
(i) *Subsidiaries*
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(ii) *Transactions eliminated on consolidation*
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 board has detailed its considerations relating to Going Concern in note 2 of the financial statements.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to pay debts as they fall due and to continue its operations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

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 foreign currencies at year end exchange rates are recognised 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 balance sheet 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	
	2016	2015	2016	2015
GBP	1.48	1.57	1.34	1.57
Central African Franc : USD	591	549	592	586

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.

Operating loss
Operating loss consists of operating expenses and the impairment charge and any subsequent reversal thereof in respect of loans and receivables and excludes interest income and expense.

Taxation
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

Taxation (continued)
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.

Leasing
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term. At 30 June 2016 the Group had no operating leases with a term greater than one year (30 June 2015: none).

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 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 costs 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

Investment in subsidiaries
'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and other off balance sheet vehicles. Details of the Company's subsidiaries are disclosed in note 12 to the financial statements.

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 2016

3. Summary of significant accounting policies (continued)

Financial assets at 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 balance sheet 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.

Deferred consideration
Deferred consideration is measured at fair value.

Loan notes
Loan notes are measured at amortised cost using the effective interest method.

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 2016

3. Summary of significant accounting policies (continued)

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.

4. Financial risk factors

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 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.

Maximum exposure to credit risk is as follows:

	2016 $'000	2015 $'000
Trade and other receivables	36	25
Cash and cash equivalents	298	571
	334	596

Liquidity risk
The Group's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital. At 30 June 2016 the Group held cash deposits of $0.3m (2015: $0.6m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

4. Financial risk factors (continued)

Market risk
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% (2015: 0.01%).

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

	2016 $'000	2015 $'000
Financial assets at floating rates - Cash and cash equivalents	298	571

- *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
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
Deferred consideration	-	-	-	800	800
Loan note	1,004	-	-	-	1,004
Total financial liabilities at 30 June 2016	**1,240**	**435**	**22**	**937**	**2,634**
Cash and cash equivalents	392	28	55	96	571
Trade and other receivables	26	22	-	51	99
Total financial assets at 30 June 2015	418	50	55	147	670
Trade payables	35	144	-	6	185
Other payables and accruals	118	96	-	131	345
Deferred consideration	-	-	-	800	800
Total financial liabilities at 30 June 2015	153	240	-	937	1,330

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 2016 and at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

4. Financial risk factors (continued)

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 $'000
2016		
+ 5% US$ Sterling	(9)	(9)
- 5% US$ Sterling	9	9
+5% US$ CFA	-	-
-5% US$ CFA	-	-
2015		
+ 5% US$ Sterling	20	20
- 5% US$ Sterling	(20)	(20)
+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.

Interest Rates: The Group does not hold any financial derivatives. Only cash is affected by changes in interest rates.

	Income Statement $'000	Equity $'000
2016		
+ 20 bp increase in interest rates	1	1
+ 50 bp increase in interest rates	1	1
- 20 bp decrease in interest rates	(1)	(1)
- 50 bp decrease in interest rates	(1)	(1)
2015		
+ 20 bp increase in interest rates	1	1
+ 50 bp increase in interest rates	3	3
- 20 bp decrease in interest rates	(1)	(1)
- 50 bp decrease in interest rates	(3)	(3)

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

- fluctuating trade payable balances
- fluctuating cash balances
- changes in currency mix

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

5. Segment reporting
As set out in the chairman's statement, 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 ending 30 June 2016	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Revenue	59	-	-	59
Segment results				
- Operating loss	(1,385)	-	(3,678)	(5,063)
- Impairment	-	(758)	(47)	(805)
- Interest expense	-	-	(202)	(202)
Loss before tax	(1,385)	(758)	(3,927)	(6,070)
Income tax	-	-	-	-
Loss after tax	(1,385)	(758)	(3,927)	(6,070)

Year ending 30 June 2015	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Revenue	-	-	-	-
Segment results				
- Operating loss	-	-	(1,238)	(1,238)
- Impairment	-	(7,464)	-	(7,464)
- Interest expense	-	-	(134)	(134)
Loss before tax	-	(7,464)	(1,372)	(8,836)
Income tax	-	-	-	-
Loss after tax	-	(7,464)	(1,372)	(8,836)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

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 2016 and capital expenditure for the year then ended are as follows:

	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Assets	-	10,136	396	10,532
Liabilities	-	1,235	1,398	2,633
Capital expenditure	-	767	-	767

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

At 30 June 2016	Assets $'000	Liabilities $'000
Segment assets and liabilities	10,136	1,235
Unallocated:		
Investments	47	-
Other receivables	54	-
Cash	295	-
Trade payables	-	241
Accruals and deferred income	-	153
Loan Note	-	1,004
Total	10,532	2,633

The segment assets and liabilities at 30 June 2015 and capital expenditure for the year then ended are as follows:

	Trading $'000	Exploration $'000	Unallocated $'000	Total $'000
Assets	-	10,181	620	10,801
Liabilities	-	1,041	289	1,330
Capital expenditure	-	2,811	-	2,811

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

At 30 June 2015	Assets $'000	Liabilities $'000
Segment assets and liabilities	10,181	1,041
Unallocated:		
Other receivables	77	-
Cash	543	-
Amounts due to related parties	-	117
Accruals and deferred income	-	172
Total	10,801	1,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

6. Operating loss

Operating loss has been arrived at after charging:	2016 $'000	2015 $'000
Net foreign exchange (gain) / loss	(52)	5
Operating lease rentals – land and buildings (see note 24)	49	65
Travel and accommodation	528	26
Legal and professional	505	240
Consultancy fees	354	86
Loss on grain venture	378	-
Staff costs (see note 7)	3,182	818

During the year, the Company incurred a loss of $378,000 on a prospective grain trading venture which was not consummated following the ban on the export of maize from Zambia, which was imposed in response to the severe regional drought.

Amounts payable to RSM UK Audit LLP, and its associated entities in respect of assurance services as follows:

	2016 $'000	2015 $'000
Audit services - statutory audit	69	45

7. Staff costs

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

	2016 Number	2015 Number
Office and Management	7	8
Operational	24	23
	31	31

The aggregate remuneration comprised:

	2016 $'000	2015 $'000
Wages and salaries	662	797
Social security costs	53	63
Share based payment charge	2,824	391
	3,539	1,251
Less: capitalised and included in intangible assets - exploration and evaluation expenditure	(357)	(433)
	3,182	818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

7. Staff costs (continued)

Directors' remuneration 2016	Fees	Expenses	Share based payment	Total
	$'000	$'000	$'000	$'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

Expense returns in respect of advances made to C Cleverly have not been submitted for approval by the remuneration committee.

Directors' remuneration 2015	Fees	Share based payment	Total
	$'000	$'000	$'000
C Cleverly	35	7	42
S Dorling	30	20	50
J Conrad	43	-	43
E Marlow	163	20	183
A Groves	38	10	48
	309	57	366

At 30 June 2016, there were outstanding directors' fees of $111,000 (2015: $107,000)

8. Finance expense

	2016	2015
	$'000	$'000
Finance income:		
- Interest income from loans and short-term bank deposits	-	1
	-	1
Finance expense		
- Convertible loan termination fee (see note 19)	-	(135)
- Loan note facility fee (see note 20)	(90)	-
- Loan note interest	(112)	-
Total finance expense	(202)	(134)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

9. Income tax expense

	2016 $'000	2015 $'000
Loss before tax from continuing activities:	(6,070)	(8,836)
Tax at the Republic of Congo corporation tax rate 30% (2015: 30%)	(1,821)	(2,651)
Deferred tax credit	80	71
Deferred tax credit not recognized	(80)	(71)
Tax effect of expenses that are not deductible in determining taxable profit	242	2,245
Tax effect of losses not allowable	1,579	406
Total tax charge 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 $268,000 (2015: $238,000). 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 (2015: 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:

	2016 $'000	2015 $'000
Loss for the purposes of basic earnings per share		
- attributable to owners of the parent company	(6,070)	(7,219)
- attributable to non-controlling interests	-	(1,617)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	794,037,824	366,026,873
Loss per share		
- attributable to owners of the parent company	(0.76c)	(1.97c)
- attributable to non-controlling interests	-	(0.44c)

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 2016

11. Intangible assets

	Evaluation and exploration costs $'000
At 1 July 2014	14,523
Additions	3,248
Impairment provision	(7,464)
Exchange rate adjustment	(307)
At 1 July 2015	10,000
Additions	785
Impairment provision	(758)
Exchange rate adjustment	(27)
At 30 June 2016	10,000

Evaluation and exploration costs are capitalised in accordance with IFRS6

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 2015 and was renewed for a further 2 years on 25 April 2016. In renewing the licence, in line with custom and practice, the Company gave up 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 Company can demonstrate that it has continued to meet its obligations under the mining code which require it to continue exploration activity. Planning for the next phase of exploration is underway and the board continues to seek partners to enable it to develop the project.

In August 2015, an independent valuation of the Group's interest in the Lake Dinga licence indicated that market conditions had resulted in a fall in value compared to that at the time of the original acquisition. Consequently in the year ended 30 June 2015 the board decided to write down the value of the asset to $10m to reflect the results of that valuation. During the course of the year, global potash prices have continued to fall, an indication of impairment Although the Board believe that the project, like others in the basin, will have lower production costs than other global producers, some of whom may be marginal at these levels, it has conducted an impairment review and has decided to retain its valuation at last year's level of $10m. Consequently exploration expenditure and the associated administrative costs in the year of $0.8m has been impaired (see note 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

12. Investment in subsidiaries

The Group had the following subsidiaries at 30 June 2016

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]	Rebublic of Congo	Potash exploration	-	70	30
African Fertiliser Limited[1]	Guernsey	Intermediate holding company	100	100	-
African Fertilisers (Mauritius) Limited[3]	Mauritius	Fertiliser trading	-	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 total non-controlling interest for the year is $nil (2015: loss 1,617,000). At 30 June 2016 the total non-controlling interest is $1,530,000 (2015:$1,530,000).

Set out below is the summary financial information for La Société des Potasses et des Mines S.A. (“SPM”).

	2016 $’000	2015 $’000
Non Current Assets	2,739	2,705
Current		
- Assets	44	70
- Liabilities	(435)	(240)
Net Current Liabilities	(391)	(170)
- Loan from parent company	(6,015)	(5,511)
Net Liabilities	(3,667)	(2,976)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Investments in quoted companies

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

The company holds 8.75m shares in Blenheim Natural Resources Limited an investment company listed on AIM focussing on natural resource opportunities. As at 30 June 2016 the fair value of the Group's interest in Blenheim Natural Resources Limited, which is listed on the AIM stock exchange, was $47,000 based on the quoted market price available on the AIM stock exchange, which is a level 1 input in terms of IFRS 13.

14. Property, plant and equipment

	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost			
At 1 July 2014	-	70	70
Additions	39	82	121
Exchange rate adjustment	(2)	(18)	(20)
At 1 July 2015	37	134	171
Additions	-	11	11
Exchange rate adjustment	-	(2)	(2)
At 30 June 2016	37	143	180
Depreciation			
At 1 July 2014	-	14	14
Charge for the year	-	31	31
Exchange rate adjustment	-	(5)	(5)
At 1 July 2015	-	40	40
Charge	9	20	29
At 30 June 2016	9	60	69
Net book value			
At 30 June 2016	**28**	**83**	**111**
At 30 June 2015	37	94	131

All property plant and equipment is held in the Republic of Congo. Depreciation arising in the year has been included in attributable overhead capitalised as project development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. Current assets

	2016 $'000	2015 $'000
Current assets		
Prepayments	40	74
Other receivables	36	25
Cash and cash equivalents	298	571
	374	670

Cash balances include $8,000 (2015: $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.

16. Financial liabilities

	2016 $'000	2015 $'000
Current liabilities		
Trade payables	335	186
Other payables	322	172
Accruals	172	172
	829	530

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of financial liabilities approximates their fair value. The average credit period taken for trade purchases is 82 days (2015: 68 days).

17. Share capital

	Authorised. allotted and fully paid	
Ordinary shares of no par value	Number	$'000
At 1 July 2014	284,993,582	13,897
Issue of shares	458,849,061	1,967
At 30 June 2015	743,842,643	15,864
Issue of shares	145,120,715	1,667
At 30 June 2016	888,963,358	17,531

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

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17. Share capital (continued)

On 8 August 2014 6,330,613 shares were issued at 3.5p in connection with the Bergen facility (see note 19). A further 1,417,686 shares were issued at 3.5p in settlement of advisory fees.

The following shares were issued upon the conversion of Bergen Convertible Securities during the prior year ending 30 June 2015:

Date	Number of Shares	Issue price
12 September 2014	4,889,914	2.5p
20 November 2014	3,709,138	1.7p
20 January 2015	8,099,512	0.8p
12 March 2015	9,402,198	0.6p

On 21 April 2015 and 22 May 2015 425,000,000 shares were issued for cash at 0.3p to redeem the outstanding loan notes under the Bergen facility and to fund the working capital requirements of the group.

On 11 August 2015 11,641,303 shares were issued in settlement of non-executive directors' fees at a price of 0.55p.

On 8 September 2015 10,000,000 shares and 25 September 10,000,000 shares were issued following the exercise of warrants at 0.3p.

On 8 September 2015 1,250,000 shares were issued at 3.15p in settlement of advisory fees.

On 12 January 2016 48,529,412 shares were issued at 1.7p to fund the working capital requirements of the group.

On 27 June 2016 63,700,000 shares were issued at 0.3p following the exercise of warrants by Bergen (see note 19).

Share Options:
At 30 June 2016, 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 2015 to 13 November 2018
01 May 2013	500,000	3p	1 May 2015 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 2016	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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Share capital (continued)

Warrants:
At 30 June 2016 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	7.5p	16 May 2015 to 16 May 2017
16 May 2014	1,250,000	10p	16 May 2015 to 16 May 2018
19 October 2015	2,500,000	3p	19 October 2015 to 30 June 2020
10 November 2015	6,250,000	3p	10 November 2015 to 30 June 2020
01 December 2015	2,500,000	3p	01 December 2015 to 30 June 2020
19 October 2015	15,000,000	5p	19 October 2015 to 30 June 2020
10 November 2015	32,475,000	5p	10 November 2015 to 30 June 2020
01 December 2015	5,000,000	5p	01 December 2015 to 30 June 2020
19 October 2015	15,000,000	8p	19 October 2015 to 30 June 2020
10 November 2015	35,000,000	8p	10 November 2015 to 30 June 2020
01 December 2015	2,500,000	8p	01 December 2015 to 30 June 2020
10 November 2015	10,000,000	10p	10 November 2015 to 30 June 2020
	128,725,000		

18. 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 2015	22,994,686	3.40p
Options granted during the year	19,000,000	0.55p
Lapsed	(7,550,000)	3.36p
Options at 30 June 2016	34,444,686	1.79p
Exercisable at the year end	34,444,686	1.79p

At 30 June 2016 the weighted average remaining contractual life of the options outstanding was 3.94 years (2015: 4.75 years)

The fair value of services received in return for the share is options granted is measured by reference to the value of the share options 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
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18. Share based payments (continued)

The fair value of the options 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.
- The risk free rate was 0.80% 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 111% and is derived from the daily share prices of the Company over the year preceding the date of grant.
- The options vest immediately. The weighted average exercise period is 2.5 years being approximately 50% of the exercise period.

- The fair value of options granted during the period was 0.45p.

A charge of $132,000 (2015:$387,000) has been recognised in the income statement.

Warrants

On 16 May 2014 warrants over ordinary shares were granted to the investors pursuant to the placing on 12 May 2014 and 2,500,000 remain unexercised.

On 8 August 2014, Warrants over 3,900,000 shares were granted to Bergen Opportunity Fund LP in connection with the convertible securities issuance deed (see note 19). The company believed that these lapsed under the settlement agreement dated 21 April 2015. The company received notice of exercise of warrants by Bergen Global Opportunity Fund, LP ("Bergen"). The adjustment mechanism in respect of the number of warrants and the exercise price were set in the original warrant instrument. The Company contested the adjustment calculation. However under the threat of a protracted legal action at the company's expense, 63,700,000 new ordinary shares were issued at an exercise price of 0.3p.

On 2 March 2015 warrants over 14,500,000 ordinary shares were granted as staff incentives. These have lapsed during the year.

On 22 May 2015, warrants were granted over 20,000,000 ordinary shares with an exercise price of 0.3p in connection with the placing. These were exercised during the year. These were not included in the list of warrants in the last annual report, in error, as they had been exercised prior to the date of that report.

On 11 August 2015 warrants over 32,750,000 were granted as staff and contractor incentives at a weighted average exercise price of 4.75p. These have lapsed during the year.

On 19 October 2015, 10 November 2015 and 1 December 2015, warrants over 131,175,000 ordinary shares were issued at a weighted average price of 6.4p as incentives on the appointment of the non-executive directors.

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18. Share based payments (continued)

	Warrants Number	Weighted average exercise price
Warrants at 1 July 2015	93,262,073	5.2p
Bergen warrants (originally granted)	3,900,000	5.0p
Bergen warrants (adjustment mechanism)	59,800,000	0.3p
Issued during the year	163,925,000	6.1p
Lapsed during the year	(108,462,073)	5.0p
Exercised	(83,700,000)	0.3p
Warrants at 30 June 2016	128,725,000	5.0p
Exercisable at year end	128,725,000	5.0p

At 30 June 2016 the weighted average remaining contractual life of the warrants outstanding was 3.95 years (2015: 1 year).

The fair value of the warrants granted during the year was determined using the Black-Scholes option pricing model 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 0.55p to 2.1p.
- The risk free rate ranged from 0.51% to 1.37% 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 120% 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 4.6 years being 100% of the exercise period.
- The fair value of warrants granted during the period ranged from 0.01p to 1.6p.

A charge of $2,691,000 (2015:$4000) has been recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. Convertible loan notes

On 8 August 2014 the company announced that it had entered into a convertible securities issuance deed (the "Deed") with Bergen Opportunity Fund, LP ("Bergen"), an institutional investment fund managed by Bergen Asset Management, LLC, a New York asset management firm, in connection with an issuance by the Company of zero coupon convertible securities having a nominal amount of up to US$3,750,000 (the "Convertible Securities").

On 14 August 2015 the initial Convertible Security was issued with a nominal value of US$830,000 and a purchase price of US$750,000. On 13 November 2015 the Company issued a second Convertible Security with a nominal value and purchase price of US$500,000.

During the year ended 30 June 2015, Bergen exercised its right to convert its Convertible Securities as follows:

Date	Number of Shares	Issue price
12 September 2014	4,889,914	2.5p
20 November 2014	3,709,138	1.7p
20 January 2015	8,099,512	0.8p
12 March 2015	9,402,198	0.6p

On 9 February 2015 the Deed was terminated by mutual consent of the parties.
The outstanding Convertible Securities were repaid from the proceeds of the placing on 21 April 2015 with a penalty charge of US$135,000.

20. Loan Note

On 1 December 2015 the Company entered into a loan with a term of 9 months for an amount of £750,000. The loan has an arrangement fee of 8% of the principal, payable on drawdown and an interest rate of 1.5% per month payable in arrears. 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%, or elect to convert all sums then due into new ordinary shares in the capital of the Company (at a price per share equal to 90% of the lowest daily VWAP of the 20 trading days preceding the date of the conversion request).

Subsequent to the year end, the Company, with agreement of the lender, renewed the term of the loan for a further 12 months. The loan is repayable on the earlier of:

- 1 September 2017;
- completion by the Company of equity financing which (in aggregate) raise more than £1.5m; 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 0.2125p per ordinary share or, if lower, at a price per share at which shares are issued for cash following amendment of the loan.

21. 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 $70,500 (2015:$61,000).

2. The loan drawn down on 2 December 2016 (see note 20) has been provided by Mrs K Clayton, the wife of the Company's CFO.

3. Dr C J Cleverly is a director of the Made in Africa Foundation. The Company paid consultancy fees of £35,000 to assist in negotiating a Memorandum of Understanding with the government of Uganda which was concluded on 13 June 2016 to supply fertiliser.

4. 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.

	2016 $'000	2015 $'000
Short-term employee benefits - directors	346	309
Short-term employee benefits – key personnel	120	120
Share based payment – directors	2,761	57
Share based payment – key personnel	42	73
	3,269	559

22. 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 is payable in two tranches:

- On commencement of commercial exploration activities, $0.8m is payable in cash and the balance by the issue of new ordinary shares, the number of which is based on issuing the equivalent of $3.3m at a price of 10p per share. The fair value of this tranche of shares is $1.2m.
- On issuing a maiden resource statement a further $4.3m is payable by the issue of new ordinary shares, the number of which is based on issuing the equivalent of $4.3m at a price of 10p per share. The fair value of this tranche of shares is $1.6m.

The equity element of deferred consideration is classified as shares to be issued.

The fair value of the shares issued and to be issued as consideration was determined on the basis of the market value at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

23. Capital commitments
At 30 June 2016 and 30 June 2015 the group had no contractual commitments.

24. Operating leases
At 30 June the Group had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, which fall due as follows:

	2016 $'000	2015 $'000
Within one year	10	56
	10	56

25. Post balance sheet events

On 1 September, the Company raised £500,000 by way of a placing to fund its on-going working capital requirements. In addition it agreed to extend the term of its £750,000 loan note for a further 12 months to 1 September 2017 (see note 20).

On 28 December 2016, the Company agreed to draw down an additional $185,000 on similar terms to the existing loan note.

AFRICAN POTASH