AFRICAN POTASH

Annual Report 2012

for the period ended 30 June

CHAIRMAN'S STATEMENT:

African Potash was established in 2011 as a dedicated vehicle focused on investing in or acquiring potash assets in Sub-Saharan Africa. The Board's plan is to take advantage of the long term growth fundamentals of potash and the increasing demand for potash from the agricultural sector. Following admission to trading on AIM in September 2011 and the raising of approximately $10.9m through two equity fundraisings, each at 5p per share, the Company has concentrated on its strategy to review, acquire and advance targeted assets that met the criteria of our investment policy.

In line with this strategy, on 3 February 2012 the Company entered into a conditional share purchase agreement ('SPA') to acquire the entire issued share capital of Patagonia Capital Limited ('Patagonia'), a Mauritian company which holds a 70% interest in La Societe des Potasses et des Mines S.A. ('SPM'), a company incorporated in the Republic of Congo for the purpose of mineral exploration. The SPA was conditional, inter alia, on shareholder approval and a permis de recherches (the 'Permis de Recherches') being granted to SPM by the Government of the Republic of Congo in respect of the Lake Dinga area of the Republic of Congo.

As shareholders will be aware there were significant, unexpected delays to the grant of the Permis de Recherches, despite preliminary approval and recommendation by the Minister of Mines. When, in October 2012, it became apparent that the Permis de Recherches would not be granted prior to the contractual long stop date, the SPA was terminated. As we announced in October, the principal factors which caused the delay were outside the control of SPM and Patagonia, including the Congo national Parliamentary elections which took place on 15 July 2012.

The Board is actively seeking to conclude an acquisition in the near term and I look forward to updating shareholders shortly. I'd like to thank shareholders for their patience. The Board continues to believe that potash is a commodity with attractive commercial attributes and we look forward to reporting on further progress towards the establishment of a dedicated potash business and the creation of long term significant shareholder value.

E Marlow
Chairman

DIRECTORS AND ADVISERS

Directors

Edward Marlow	Chairman and CEO
Philippe Edmonds MA (Cantab)	Non-executive
Andrew Groves	Non-executive

Secretary

Philip Enoch MA (Oxon)

Registered Office

Richmond House
St Julians Avenue
St Peter Port
Guernsey GY1 1GZ

Nominated Adviser and Joint Broker

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Joint Broker

GMP Securities Europe LLP
Stratton House
5 Stratton Street
London W1J 8LA

Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Solicitors

As to English Law

Salans LLP
Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

As to Guernsey Law

Carey Olsen
8-10 Throgmorton Avenue
London
EC2N 2DL

Bankers
Metro Bank PLC
One Southampton Row
London, WC1B 5HA

Registrars

Capita Registrars (Guernsey) Limited
Longue House
Longue House Lane
St Sampsons
Guernsey GY2 4JN

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 period ended 30 June 2012.

Principal activities, business review and future developments
The Company was incorporated on 11 August 2011 and its entire issued share capital was admitted to trading on AIM on 30 September 2011. The Company was formed to acquire potash (and associated minerals) assets and/or acquire or invest in businesses with potash (and associated minerals) assets or projects in sub-Saharan Africa.

A review of the Company's activity and prospects is given in the Chairman's Statement on page 1. A review of the risks and uncertainties impacting on the Company's long term performance is included in the Corporate Governance report on page 5 to 7. Details of the Company's exposure to foreign exchange and other financial risks are included in note 3.

Results and dividend
The Company results show a loss after taxation for the period attributable to the equity holders of the Company of $1.4m. The directors are unable to recommend a dividend.

Directors
The directors who served since incorporation:

EHR Marlow	Chairman and CEO
PH Edmonds	Non-Executive Director
AS Groves	Non-Executive Director

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

	Ordinary shares 30 June 2012
EHR Marlow	15,000,000
PH Edmonds	15,000,000
AS Groves	15,000,000

No share options were granted to or exercised by directors during the period.

There have been no other changes in directors' interests in shares or options between 1 July 2012 and 30 November 2012.

DIRECTORS' REPORT (continued)

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

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

Creditors payment policy and practice
The Company'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 2012 was 29 days.

Political and charitable donations
During the period no political donations were made.

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

Events after the reporting period
Events after the reporting period are detailed in note 15 to the financial statements.

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.

Auditor
The Company's auditor, Baker Tilly UK Audit LLP, has indicated its willingness to continue in office.

Electronic communications
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.

By order of the Board

E Marlow
Chairman
27 December 2012

CORPORATE GOVERNANCE

The board of directors is accountable to the Company's shareholders for good corporate governance and the directors support the UK Corporate Governance Code as far as it is appropriate to the Company's size and its stage of development. Set out below is a summary of how, at 30 June 2012, the Company was dealing with corporate governance issues.

The Board of Directors

The Company is led and controlled by a board comprising the chairman and chief executive, and two non-executive directors. The board is responsible for formulating, reviewing and approving the Company'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 are no separate Nomination, Audit and Remuneration Committees due to the current size of the board and any new directors are appointed by the whole Board.

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 Company'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 Incorporation.

Relations with Shareholders

The chairman is the company'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 Company'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 Bribery Act may not apply to the Company on the basis that it does not have a presence in the UK, it may apply to certain of the Directors (due to British citizenship). 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 Company, the Directors have formed the view that it is appropriate for the Company to implement relevant procedures to maintain compliance with the Bribery Act.

CORPORATE GOVERNANCE (continued)

Internal Control

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

The board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and 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 Company'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 page 1 and the risks facing the business are outlined below. Note 3 to the financial statements include the Company'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 4 of the financial statements.

Risks and uncertainties

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

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 Company'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 Company. The jurisdictions in which the Company 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; (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 Company's licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

CORPORATE GOVERNANCE (continued)

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.

Potash market risk

The marketability of and availability of a ready market for potash is affected by and dependent on numerous factors beyond the Company's control, the precise effects of which cannot be accurately be 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.

Competition

The Company competes with numerous other companies (many of which have greater financial resources than the Company) and individuals in the search for and acquisition of potash interests as well as for the recruitment and retention of qualified employees.

Foreign exchange

The Company raised its share capital in Sterling, however it intends to be operating in sub-Saharan Africa and therefore the directors consider its functional currency is 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 Company.

Early stage of operations

The Company intends to invest in projects whose operations are at an early stage and success in each stage of exploration, mine development and mine operation 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 Company will depend on its ability to identify prospective projects and its ability to access equity markets for its development requirements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies (Guernsey) Law 2008, as amended (the "2008 Law") requires the directors to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit and loss for that period.

The directors are required by the AIM Rules of the London Stock Exchange to prepare Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by IFRS as adopted by the EU to present fairly the financial position and the financial performance of the Company. Applicable law provides in relation to such financial statements that references to financial statements giving a true and fair view are references to their achieving a fair presentation.

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company for that period.

In preparing the Company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the Company 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 financial statements of African Potash Limited for the period ended 30 June 2012 on pages 10 to 24. 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 auditors

As more fully explained in the Statement of Directors' Responsibilities set out on page 8, 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.

We read other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements within them.

Scope of the audit

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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

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 individual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP,
Chartered Accountants and Registered Auditor
25 Farringdon Street
London EC4A 4AB

27 December 2012

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2012

	Note	Period ended 30 June 2012 $'000
Operating expenses		(2,810)
Operating loss	6	(2,810)
Finance income	8	16
Loss before taxation		(2,794)
Income tax expense	9	-
Loss for the period and total comprehensive income for the period		(2,794)
Loss per share		
- Basic and diluted (cents)	10	(1.6c)

The notes on pages 14 to 24 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	2012 $'000
ASSETS		
Non-current assets		
Loans and receivables	11	-
Total non-current assets		-
Current assets		
Trade and other receivables	11	33
Cash and cash equivalents	11	8,192
Total current assets		8,225
TOTAL ASSETS		8,225
LIABILITIES		
Current liabilities		
Trade and other payables	12	(108)
NET ASSETS		8,117
EQUITY		
Issued capital	13	10,911
Retained earnings		(2,794)
TOTAL EQUITY		8,117

The notes on pages 14 to 24 form part of the financial statements.

The financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 27 December 2012 and were signed on its behalf.

E Marlow
Chairman

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2012

	Share capital $'000	Retained earnings $'000	Total $'000
Balances at 11 August 2011	-	-	-
Loss for the period	-	(2,794)	(2,794)
Total comprehensive income for the period	-	(2,794)	(2,794)
Transactions with owners			
Share issues	10,911	-	10,911
Total transactions with owners	10,911	-	10,911
Balances at 30 June 2012	10,911	(2,794)	8,117

The notes on pages 14 to 24 form part of the financial statements.

CASH FLOW STATEMENT
For the period ended 30 June 2012

	Period ended 30 June 2012 $'000
Operating activities	
Loss before tax	(2,794)
Adjustments for:	
- Impairment of loans and receivables	1,441
- Interest income	(16)
Operating cash flow before movements in working capital	(1,369)
Working capital adjustments:	
- Increase in receivables	(33)
- Increase in payables	108
Cash used in operations	(1,294)
Interest received	16
Net cash used in operating activities	(1,278)
Investing activities	
Advance of loans and receivables	(1,441)
Net cash used in investing activities	(1,441)
Financing activities	
Proceeds from issue of share capital	10,911
Net cash from financing activities	10,911
Net increase in cash and cash equivalents	8,192
Cash and cash equivalents at start of the period	-
Cash and cash equivalents at end of the period	8,192

The notes on pages 14 to 24 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

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 page 2.

The presentational currency of the Company is US Dollars as this reflects the Company's business activities in the resource exploration sector in sub-Saharan Africa and therefore the Company'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.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Company's operations that have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 (amended)	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2013)
IFRS 9	Financial Instruments: Classification (effective for annual periods beginning on or after 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
IAS 27	Separate Financial Statements (as amended 2011) (effective for annual periods beginning on or after 1 January 2013).
IAS 28	Investments in Associates and Joint Ventures (as amended 2011) (effective for annual periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements - Amendment; Presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2012). Endorsed June 2012
IAS 19 (revised)	Employee Benefits - (effective for annual periods beginning on or after 1 January 2013). Endorsed June 2012

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

1. General Information (continued)

IAS 32	Financial Instruments - Presentation - Amendment; Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
IFRIC 20	Accounting for stripping costs in the production phase of a surface mine (effective for annual periods beginning on or after 1 January 2013).

These amendments unless stated have not yet been endorsed by the EU.

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 Company.

2. Significant accounting policies

Basis of accounting
The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern
The board has detailed its considerations relating to Going Concern in note 4 of the financial statements.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currency translation
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 period end exchange rates are recognised in the income statement.

Operating loss
Operating loss consists of operating expenses and the impairment charge in respect of loans and receivables (see note 11) and excludes interest income net of finance costs.

Interest income
Interest income is accrued on an amortised cost basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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.

Taxation
The Company is resident for taxation purposes in Guernsey and its income is subject to income tax, presently at a rate of zero.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

2. Summary of significant accounting policies (continued)

Financial assets
Financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, available-for-sale (AFS) financial assets and 'loans and receivables'. The classification depends upon the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables
Loans and other receivables are not interest bearing and are initially recognised at their fair value and are subsequently stated at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

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.

Financial liabilities

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.

Provisions
Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of the resources will be required to settle the obligation and the amount can be reliably estimated.

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

3. Financial risk factors

The Company's principal financial instruments comprise cash, loans and receivables and short-term deposits. Together with the issue of equity share capital, the main purpose of these is to finance the Company's operations and expansion. The Company has other financial instruments such as trade and other receivables and trade payables.

The Company have not entered into any derivative or other hedging instruments.

The main risks arising from the Company'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 Company's principal deposits were held with various Banks with a high credit rating to diversify from a concentration of credit risk. 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:

	2012 $'000
Trade and other receivables	33
Cash and cash equivalents	8,192
	8,225

Liquidity risk
The Company's policy throughout the period has been to ensure that it has adequate liquidity by careful management of its working capital. At 30 June 2012 the Company held cash deposits of $8.2m.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

3. Financial risk factors (continued)

Market risk
The significant market risk exposures to which the Company is exposed are currency risk, and interest rate risk. These are discussed further below:

- *Interest rate risk*
  The Company 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 Company's needs. The weighted average interest rate on deposits was 0.2%.

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

	2012 $'000
Financial assets at floating rates - Cash and cash equivalents	8,192
	8,192

- *Currency risk*
  The Company 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 Company does not hedge against the effects of exchange rates.

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

	Sterling $'000	USD $'000	Total $'000
Cash and cash equivalents	4,313	3,879	8,192
Trade and other receivables	17	16	33
Total financial assets at 30 June 2012	4,330	3,895	8,225
Trade payables	28	-	28
Other payables	14	66	80
Total financial liabilities at 30 June 2012	42	66	108

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 Company as at 30 June 2012.

Capital risk management
The Company plans capital requirements regularly. The requirement for capital is satisfied by the issue of shares.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company 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 Company is under no obligation to meet any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

3. Financial risk factors (continued)

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 Company's financial instruments (at period end) to changes in market variables, being exchange rates and interest rates.

Exchange rates:

2012	Income Statement $'000	Equity $'000
+ 5% US$ Sterling	216	216
- 5% US$ Sterling	(216)	(216)

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 Company's presentation currency have been excluded from this sensitivity.

Interest Rates: The Company does not hold any financial derivatives other than cash whose value is affected by changes in interest rates.

2012	Income Statement $'000	Equity $'000
+ 20 bp increase in interest rates	16	16
+ 50 bp increase in interest rates	41	41
- 20 bp increase in interest rates	(16)	(16)
- 50 bp increase in interest rates	(41)	(41)

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

4. Critical accounting estimates and judgments

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 Company'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.

Loans and receivables
The Company has reviewed the recoverability of its loan receivable and considers, as the acquisition of Patagonia Capital Limited ("Patagonia") did not proceed, that, as at the date of these financial statements, there are indications of impairment. Accordingly an impairment provision for the loan balance has been made. .

Going concern
The board has prepared forecasts for the Company covering the period of 12 months from the date of approval of these financial statements.

The directors believe that, the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

5. Segment reporting

As set out in the operating review, the directors consider that the Company's is an investment company and operates in one geographical segment, Africa.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

6. Operating loss

Operating loss has been arrived at after charging:

	2012 $'000
Impairment of loan (see note 11)	1,441
Net foreign exchange loss	94
Staff costs (see note 7)	171

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

	2012 $'000
Audit services - statutory audit	38
Corporate transactions services	83

7. Staff costs

The average monthly number of employees (including executive directors) employed by the Company for the period was during the period was one.

The aggregate remuneration comprised:

	2012 $'000
Directors' fees	171

Directors' remuneration:	2012 $'000
E H R Marlow	87
P H Edmonds	42
A S Groves	42
	171

8. Finance income

	2012 $'000
Finance income:	
- Interest income on short-term bank deposits	16
	16

9. Income tax expense

The Company is resident for taxation purposes in Guernsey and its income is subject to Guernsey income tax, presently at a rate of zero.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

10. Earnings per share

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

	2012 $'000
Loss for the purposes of basic earnings per share	2,794
Number of shares	
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	174,357,632
Loss per share	(1.6c)

No options or instruments which might give rise to dilution were in issue during the year.

11. Financial assets

30 June 2012	Loans and Receivables $'000	Total $'000
Non-current assets		
Loans and receivables	1,441	1,441
Provision for impairment	(1,441)	(1,441)
	-	-
Current assets		
Other receivables	33	33
Cash and cash equivalents	8,192	8,192
	8,225	8,225

The non-current asset is a loan to Patagonia which holds a 70% interest in Societe des Potasses et des Mines S.A. ("SPM"). On 3 February 2012, the Company entered into a conditional share purchase agreement ('SPA') to acquire the entire issued share capital of Patagonia. The SPA was conditional, inter alia, on a permis de recherches (the 'Permis de Recherches') being granted to SPM by the Government of the Republic of Congo. As shareholders will be aware, there were significant, unexpected delays to the grant of the Permis de Recherches. When, in October 2012, it became apparent that the Permis de Recherches would not be granted prior to the contractual long stop date, the SPA was terminated. The loan was to fund the working capital requirements of Patagonia and SPM up to the completion of the acquisition of Patagonia. Accordingly, as at the date of these financial statements, the Company considers the loan to be fully impaired.

Cash balances include $59,000 of restricted cash relating to cash held on deposit as security for credit card expenditure.

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

12. Financial liabilities

	2012 $'000
Trade and other payables	
Trade payables	28
Other payables	80
	108

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

Other payables include amounts payable to related parties (see note 14).

The directors consider that the carrying amount of financial liabilities approximates their fair value. The average credit period taken for trade purchases is 29 days.

13. Share capital

	Allotted and fully paid	
Ordinary shares of no par value	Number	$'000
At 11 August 2011		
Issue of shares	198,700,000	10,911
At 30 June 201121	198,700,000	10,911

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

Between incorporation and 23 September 2011, 40 million ordinary shares were issued for cash at a price of 0.1p per ordinary share and 35 million ordinary shares were issued for cash at a price of 2p per ordinary share.

On 30 September 2011, 83.7 million ordinary shares were issued for cash at a price of 5p per ordinary share.

On 4 November 2011, 40 million ordinary shares were issued for cash at a price of 5p per ordinary share.

No share options or warrants were issued during the period.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2012

14. Related party disclosures

1. PH Edmonds and AS Groves, directors of the Company, are also directors African Management Services Limited ("AMS"), Sable Mining Africa Limited ("Sable") and Agriterra Limited ("Agriterra"). Related party transactions are entered into on an arm's length basis. No provisions have been made in respect of amounts owed by or to related parties.

   During the period AMS provided accounting, treasury and administrative services to the Company for a management fee of $75,000. As at 30 June 2012 the Company owed $25,000 to AMS. This has been settled after the period end.

   During the period, Sable and Agriterra incurred certain expenses on behalf the Company. As at 30 June 2012 the amount due to Sable was $nil and owed $10,000 to Agriterra. This has been settled after the period end.

2. Remuneration of key management personnel

   The remuneration of the directors, who are 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.

	2012 $'000
Short-term employee benefits	171
	171

AFRICAN POTASH