AFRICAN POTASH

Annual Report 2014

for the year ended 30 June

DIRECTORS AND ADVISERS

Directors

Jean Pierre Conrad	Chairman
Edward Marlow	CEO
Simon Dorling	Non-executive
Andrew Groves	Non-executive

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Richmond House
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St Peter Port
Guernsey GY1 1GZ

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Cantor Fitzgerald Europe
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London E14 5RB

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

Chairman's Statement:

This has been an important year for African Potash and I am delighted to report on the development that we have achieved to date in transforming our Lac Dinga Project in the Republic of Congo ('Lac Dinga' or the 'Project') into a large-scale exploration/development property. Our most notable accomplishments during this period include the commencement of a drilling programme at Lac Dinga and the resulting discovery of potash mineralisation, which firmly underpins the value of our Project, in line with our expectations, as a commercial potash asset.

Lac Dinga is located in a renowned potash region, notable for high grade sylvinite (KCl) mineralisation at commercially attractive depths. Local operators include the Sintoukola Potash deposit, owned by Elemental Minerals Limited ('Elemental'), which we are contiguous to, and the Mengo Potash Project, owned by Evergreen Resources Holdings (BVI) Ltd.

Our exploration efforts have focussed on identifying high grade sylvinite mineralisation characteristic of the Congo basin, and in August 2014 the Company commenced its maiden drilling programme. The location of these holes was based on the interpretation of approximately 415 line kilometres of 2D oil industry seismic data. Holes LDDH_001 and LDDH_002 were drilled to a collective depth of 994m. These were located over 10km apart near the margin of the basin, in the southern and central part of the Project, where a potash-bearing salt sequence was interpreted to be located at shallow depth and below a uniformly developed anhydrite layer at the top of the salt. I am delighted to report that both holes intersected uniform potash mineralisation in three laterally continuous and up to 20m thick potash horizons, with individual sample grades of up to 25% KCl (~15.8% K2O).

It is significant that the mineralisation is remarkably similar in grade despite the distance between the drill holes. This gives a valuable indication into the potential extent of the mineralisation within the licence area; of which about 250km2 is interpreted to be underlain by salt-bearing strata which occur, as proven through our drill programme, at depths of about 300m to 420m below surface. Significant further upside opportunity exists which we plan to target in the coming year with a view to delineating a maiden Mineral Resource.

The potash horizons comprise predominantly high grade carnallitite mineralisation, however mineralogical studies have demonstrated that the carnallite-bearing potash beds have undergone partial conversion to the higher grade potash mineral sylvinite. This is a significant outcome as it validates our exploration concept and justifies future exploration for high-grade sylvinite mineralisation which as mentioned, we will continue to target in 2015.

Importantly, the Lac Dinga region is supported by cheap energy and good infrastructure, including proximal access to the port of Pointe-Noire, which is approximately 50 km away. This stands us in good stead as we look to advance the Project, and will positively impact capital expenditure and operating expenditure for the Project.

Financial Review

The Company is reporting a loss for the year of $1m compared with a loss of $0.2m in the prior year, which had benefitted from the write back of an impairment provision of $1.4m. Net Assets have increased to $16.1m (2013: $15.4m) and at 30 June 2014, cash balances were $2.2m (2013: $3.5m).

Chairman's Statement (continued)

Outlook

With strong foundations in place from which to advance the Project, I am confident that 2015 will be one of significant opportunity for Lac Dinga. Planning is currently underway for the Company's 2015 exploration campaign; this will be based upon the excellent results received from the recently completed drill programme and reconnaissance work. It is our intention that future exploration, the extent of which will be dependent on the availability of future funding, will lead to the delineation of a Mineral Resource suitable for exploitation. This will represent a significant step in further unlocking the Project's high value potash assets and we look forward to providing investors with timely updates on this in due course. In the wider context, I believe the long-term outlook for potash remains strong and the strategic importance of potash as a commodity is clearly evident, particularly in light of global food production requirements. Consequently, with forecast low operational costs, proximal access to a deep water port, and excellent, high grade potash potential, the Lac Dinga Project has considerable strategic value.

Jean-Pierre Conrad
Chairman
22 December 2014

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 2014.

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 license.

A review of the Group's activity and prospects is given in the Chairman's Statement on pages 2 to 3. A review of the risks and uncertainties impacting on the Group's long term performance is included in the Corporate Governance report on pages 7 to 9. Details of the Group's exposure to foreign exchange and other financial risks are included in note 3.

Results and dividend
The Group results show a loss after taxation for the year attributable to the equity holders of the Company of $1m (2013:$0.2m). The directors are unable to recommend a dividend (2013:$nil).

Directors
The directors who served since 1 July 2013:

JP Conrad	Chairman
EHR Marlow	CEO
S Dorling (appointed 25 July 2013)	Non-Executive Director
AS Groves	Non-Executive Director

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

	Ordinary shares	
	30 June 2014	30 June 2013
JP Conrad	526,316	-
S Dorling	-	-
AS Groves[1]	15,526,316	15,000,000
EHR Marlow	16,578,947	15,000,000

1. 10 million of the shares in Mr Groves' interest are held on trust for Eriswell International Trading Inc, a company controlled by a trust, the beneficiaries of which include relatives of Mr Groves.

No share options were granted to or exercised by directors during the year (2013:$nil).

The directors held the following warrants issued in conjunction with the placing on 12th May 2014:

Director	Date of grant	Number of options	Exercise price	Date from which exercisable	Expiry date
JP Conrad	16 May 2014	526,316	5p	16 May 2014	16 May 2016
AS Groves	16 May 2014	526,316	5p	16 May 2014	16 May 2016
EHR Marlow	16 May 2014	1,578,947	5p	16 May 2014	16 May 2016

DIRECTORS' REPORT (continued)

Directors' interests (continued)
Subsequent to the year end, the following options have been granted to directors:

Director	Date of grant	Number of options	Exercise price	Date from which exercisable	Expiry date
JP Conrad	11 July 2014	500,000	3p	11 July 2015	13 November 2018
JP Conrad	11 July 2014	1,000,000	4p	11 July 2015	11 July 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
AS Groves	11 July 2014	500,000	3p	11 July 2015	13 November 2018
AS Groves	11 July 2014	1,000,000	4p	11 July 2015	11 July 2020
EHR Marlow	11 July 2014	1,000,000	3p	11 July 2015	13 November 2018
EHR Marlow	11 July 2014	3,000,000	4p	11 July 2015	11 July 2020

There have been no other changes in directors' interests in shares or options between 1 July 2014 and 22 December 2014.

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 2014 was 63 days (2013: 86 days).

Post Balance Sheet events
On 7 August 2014, the Company entered into a convertible securities issuance deed with Bergen Opportunity Fund, LP ("Bergen") pursuant to which the Company has issued convertible loan notes of $830,000 on 7 August 2014 and $500,000 on 13 November 2014. Further details are disclosed in note 18 to the financial statements.

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.

DIRECTORS' REPORT (continued)

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 Group'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.

On behalf of the Board

E Marlow
CEO
22 December 2014

CORPORATE GOVERNANCE
The board of directors is accountable to the Company's shareholders for good corporate governance and the Company has regard to the Quoted Companies Alliance's Corporate Governance Code for Small and Mid Size Quoted Companies 2013 which the directors consider appropriate guidance for the Group's size and its stage of development. Set out below is a summary of how, at 30 June 2014, the Group was dealing with corporate governance issues.

The Board of Directors
The Group is led and controlled by a board comprising the non-executive chairman, the chief executive, and two 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 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 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 Chief Executive Officer 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 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 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.

CORPORATE GOVERNANCE (continued)

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.

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 year 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 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 3 and the risks facing the business are outlined below. Note 3 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 4 of the financial statements. The directors are confident that the current cash held will enable the Group to pay debts as they fall due and to continue its operations for the foreseeable future. Current cash resources however are not sufficient to enable the Group to complete evaluation of the Lac Dinga project. 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:

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; (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 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 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.

Competition
The Group competes with numerous other companies (many of which have greater financial resources than the Group) 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's exploration activity and, if successful, potash production are markets which are US Dollar denominated. 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.

Early stage of operations

The Group 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 Group 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 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 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 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 2014 on pages 12 to 33. 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 10, 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 the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies 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 Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate .

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the group financial statements have been prepared in accordance with the requirements of The Companies (Guernsey) Law 2008.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 4 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of $1,019k for the period ended 30 June 2014 and is reliant on a third party finance facility to which conditions for drawdown are attached. These conditions, along with the other matters explained in note 4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments 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
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP, Auditor
Chartered Accountants and Registered Auditors
25 Farringdon Street, London EC4A 4AB
22 December 2014

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2014

	Note	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Operating expenses		(1,020)	(1,799)
Loan impairment - reversal		-	1,441
Operating loss	6	(1,020)	(358)
Finance income	8	1	122
Loss before taxation		(1,019)	(236)
Income tax expense	9	-	-
Loss for the year		(1,019)	(236)
Attributable to :			
Owners of the parent company		(1,019)	(236)
Non–controlling interests		-	-
		(1,019)	(236)
Loss per share			
- Basic and diluted (cents)	10	(0.44c)	(0.11c)

All results relate to continuing activities.

The notes on pages 16 to 33 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Loss for the year	(1,019)	(236)
Items that may be reclassified subsequently to the income statement:		
- Foreign exchange translation differences	11	(33)
Other comprehensive income / (loss) for the year	11	(33)
Total comprehensive loss for the year	(1, 008)	(269)
Attributable to owners of the parent company	(1,008)	(269)
Attributable to non-controlling interests	-	-
	(1,008)	(269)

The notes on pages 16 to 33 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 $'000	2013 $'000
ASSETS			
Non-current assets			
Intangible assets: exploration activities	11	14,523	13,057
Property plant and equipment	13	56	52
Total non-current assets		14,579	13,109
Current assets			
Trade and other receivables	14	576	97
Cash and cash equivalents	14	2,170	3,488
Total current assets		2,746	3,585
TOTAL ASSETS		17,325	16,694
LIABILITIES			
Current liabilities			
Trade and other payables	15	(396)	(542)
Deferred consideration	20	(800)	(800)
Total current liabilities		(1,196)	(1,342)
NET ASSETS		16,129	15,352
EQUITY			
Issued capital	16	13,897	12,456
Shares to be issued	20	2,800	2,800
Share based payment reserve		356	12
Foreign exchange translation reserve		(22)	(33)
Retained earnings		(4,049)	(3,030)
Total equity attributable to the owners of the parent company		12,982	12,205
Non controlling interests		3,147	3,147
TOTAL EQUITY		16,129	15,352

The notes on pages 16 to 33 form part of the financial statements.

The financial statements on pages 12 to 33 were approved and authorised for issue by the Board of Directors on 22 December 2014 and were signed on its behalf.

E Marlow
CEO

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 30 June 2012	10,911	-	-	-	(2,794)	8,117	-	8,117
Loss for the year	-	-	-	-	(236)	(236)	-	(236)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(33)	-	(33)	-	(33)
Total comprehensive income for the year	-	-	-	(33)	(236)	(269)	-	(269)
Transactions with owners								
Issue of shares on acquisition of subsidiary	1,545	2,800	-	-	-	4,345	3,147	7,492
Share based payment charge	-	-	12	-	-	12	-	12
Total transactions with owners	1,545	2,800	12	-	-	4,357	3,147	7,504
Balance at 30 June 2013	12,456	2,800	12	(33)	(3,030)	12,205	3,147	15,352
Loss for the year	-	-	-	-	(1,019)	(1,019)	-	(1,019)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	11	-	11	-	11
Total comprehensive income for the year	-	-	-	11	(1,019)	(1,008)	-	(1,008)
Transactions with owners								
Issue of shares	1,441	-	-	-	-	1,441	-	1,441
Share based payment charge	-	-	344	-	-	344	-	344
Total transactions with owners	1,441	-	344	-	-	1,785	-	1,785
Balance at 30 June 2014	13,897	2,800	356	(22)	(4,049)	12,982	3,147	16,129

The notes on pages 16 to 33 form part of the financial statements.

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CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2014

	Note	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Operating activities			
Loss before tax		(1,019)	(236)
Adjustments for:			
- Impairment of loans and receivables		-	(1,441)
- Loss on disposal of property, plant and equipment		4	-
- Foreign exchange		(31)	-
- Share based payment		12	12
- Finance income		(1)	(122)
Operating cash flow before movements in working capital		(1,035)	(1,787)
Working capital adjustments:			
- Increase in receivables		(475)	(73)
-(Decrease) / increase in payables		(157)	163
Cash used in operations		(1,667)	(1,697)
Finance income		1	22
Net cash used in operating activities		(1,666)	(1,675)
Investing activities			
Purchase of intangible assets net of cash acquired		(1,253)	(2,814)
Purchase of property, plant and equipment		(15)	-
Advance of loans and receivables		-	(315)
Advance of related party loan	20	-	(2,000)
Repayment of related party loan	20	-	2,000
Finance income – facility fee	20	-	100
Net cash used in investing activities		(1,268)	(3,029)
Financing activities			
Proceeds from issue of share capital		1,615	-
Net cash from financing activities		1,615	-
Net decrease in cash and cash equivalents		(1,319)	(4,704)
Cash and cash equivalents at start of the year		3,488	8,192
Effect of exchange rates on cash and cash equivalents		1	
Cash and cash equivalents at end of the year		2,170	3,488

Non cash transactions
The principal non cash transactions relate to shares issued in settlement of :

	2014 $'000	2013 $'000
Consultancy fees	150	-
Consideration (see note 20)	-	1,545
	150	1,545

The notes on pages 16 to 33 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

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 3.

The presentational currency of the Group is US Dollars as this reflects the Group's business activities in the resource exploration sector 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 standards have been adopted in these financial statements:

IFRS 7 (amended)	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets (effective 1 January 2013)
IFRS 13	Fair value measurement (effective 1 January 2013)
IAS 19 (revised)	Employee Benefits (effective 1 January 2013)
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).

The adoption of these standards has had no material impact on the amounts reported in these financial statements.

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: 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 2014)
IFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2014).
IFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
IAS 27	Separate Financial Statements (as amended 2011) (effective for annual periods beginning on or after 1 January 2014).
IAS 28	Investment in Associates and Joint Ventures (as amended 2011) (effective for annual periods beginning on or after 1 January 2014).
IAS 32	Financial Instruments - Presentation - Amendment; Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
September 2014 Annual Improvements to IFRSs	Effective for annual periods beginning on or after 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 2014

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.

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 4 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 2014

2. Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency
The individual financial statements of each subsidiary company are prepared in the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated financial statements are presented in US Dollars as this best reflects the Group investment in the mineral exploration sector in Africa and the Group's financial position and performance.

(ii) Transactions and balances
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.

(iii) *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	
	2014	2013	2014	2013
Central African Franc : USD	484	503	481	504

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

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.

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 13 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

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:

Leasehold improvements	term of lease
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.

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.

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 Group 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 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 2014

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

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

3. Financial risk factors

The Group is principally financed by equity share capital to finance the Group's operations and expansion. The Group has financial instruments of cash, loan receivables, short term deposits, 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:

	2014 $'000	2013 $'000
Trade and other receivables	576	97
Cash and cash equivalents	2,170	3,488
	2,746	3,585

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 2014 the Group held cash deposits of $2.2m (2013: $3.5m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

3. 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% (2013: 0.41%).

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

	2014 $'000	2013 $'000
Financial assets at floating rates - Cash and cash equivalents	2,170	3,488

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

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

	Sterling $'000	CFA $'000	Other $'000	USD $'000	Total $'000
Cash and cash equivalents	472	71	-	1,627	2,170
Trade and other receivables	-	519	-	-	519
Total financial assets at 30 June 2014	**472**	**590**	**-**	**1,627**	**2,689**
Trade payables	92	15	-	29	136
Other payables and accruals	74	23	-	163	260
Deferred consideration	-	-	-	800	800
Total financial liabilities at 30 June 2014	**166**	**38**	**-**	**992**	**1,196**
Cash and cash equivalents	518	7	-	2,963	3,488
Trade and other receivables	-	-	-	56	56
Total financial assets at 30 June 2013	518	7	-	3,019	3,544
Trade payables	134	65	20	44	263
Other payables and accruals	104	158	-	17	279
Deferred consideration	-	-	-	800	800
Total financial liabilities at 30 June 2013	238	223	20	861	1,342

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 2014 and at 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

3. 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.

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 $'000
2014		
+ 5% US$ Sterling	24	47
- 5% US$ Sterling	(24)	(47)
+ 5% US$ CFA	-	-
- 5% US$ CFA	-	-
2013		
+ 5% US$ Sterling	15	15
- 5% US$ Sterling	(15)	(15)
+ 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
2014		
+ 20 bp increase in interest rates	4	1
+ 50 bp increase in interest rates	2	2
- 20 bp increase in interest rates	(1)	(1)
- 50 bp increase in interest rates	(2)	(2)
2013		
+ 20 bp increase in interest rates	7	7
+ 50 bp increase in interest rates	17	17
- 20 bp increase in interest rates	(7)	(7)
- 50 bp increase in interest rates	(17)	(17)

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 2014

4. 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. Since the year end, the Group has conducted 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. The board remains confident that the highly prospective nature of the asset will enable them to raise the additional capital to fund these programmes. Accordingly there are no indications of impairment and the asset is carried at cost, grossed up for the 30% non controlling interest.

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.

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 $14.5m (2013: $13.1m) 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.

Going concern
As indicated above, current cash resources and available facilities are not sufficient to enable the Group to complete a full evaluation of the Lac Dinga project. The board will not commit to a major exploration programme without raising sufficient finance to fund the planned expenditure.

The Board has prepared forecasts for the Group covering the period to 31 December 2015.

The directors are confident that with the current cash and at least a further $1m remaining to be drawn under the facility with Bergen Opportunity Fund, LP ("Bergen"), 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.

As set out in note 18 the Company has the right to at any time to terminate the Bergen facility. Should the share price fall below 1.5p, then Bergen, under certain circumstances, have the right to postpone a draw down by up to 60 days and, should the share price not recover to above 1.5p, Bergen may, by notice to the Company, immediately terminate the facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

5. Segment reporting

As set out in the operating review, the directors consider that the Group operates in a single segment, Potash exploration, and in one geographical segment, Africa.

6. Operating loss

Operating loss has been arrived at after charging:

	2014 $'000	2013 $'000
Credit impairment of loan	-	(1,441)
Net foreign exchange (gain) / loss	(14)	58
Operating lease rentals – land and buildings	58	21
Staff costs (see note 7)	482	528

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

	2014 $'000	2013 $'000
Audit services - statutory audit	49	75
Corporate transactions services	-	66

7. Staff costs

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

	2014 Number	2013 Number
Office and Management	8	4
Operational	21	7
	29	11

The aggregate remuneration comprised:

	2014 $'000	2013 $'000
Wages and salaries	957	650
Social security costs	107	30
Share based payment charge	12	12
	1,076	692
Less: capitalised and included in intangible assets - exploration and evaluation expenditure	(594)	(164)
	482	528

Directors' remuneration:		2014 $'000	2013 $'000
J P Conrad	(appointed 22 February 2013)	50	18
E H R Marlow*		218	247
P H Edmonds	(resigned 30 June 2013)	-	104
S Dorling	(appointed 25 July 2013)	28	-
A S Groves		75	71
		371	440

* includes a bonus award of $100,000 on completion of the acquisition of AFPM in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

8. Finance income

	2014 $'000	2013 $'000
Finance income:		
- Interest income from loans and short-term bank deposits	1	22
- Facility fee (see note 19)	-	100
	1	122

9. Income tax expense

	2014 $'000	2013 $'000
Loss before tax from continuing activities:	(1,019)	(236)
Tax at the Republic of Congo corporation tax rate 30% (2013: 30%)	(306)	(71)
Tax effect of expenses that are not deductible in determining taxable profit	5	6
Tax effect of losses not allowable	301	64
Current 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 $261,000 (2013: $87,000). 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 (2013: 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:

	2014 $'000	2013 $'000
Loss for the purposes of basic earnings per share	(1,019)	(236)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	233,784,359	208,478,170
Loss per share	(0.44c)	(0.11c)

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 2014

11. Intangible assets

	Evaluation and exploration costs
	$'000
At 1 July 2012	-
On acquisition	12,454
Additions	617
Exchange rate adjustment	(14)
At 1 July 2013	13,057
Additions	1,411
Exchange rate adjustment	55
At 30 June 2014	14,523

The asset comprises the Lac Dinga exploration licence in the Republic of Congo held by La Société des Potasses et des Mines SA ("SPM") in which the Group has a 70% interest.

12. Investment in subsidiaries
The Group had the following subsidiaries at 30 June 2013 and 2014

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

[1] Held directly by the Company
[2] Held by African Potash Mauritius 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 (2013: $nil). At 30 June 2014 the total non-controlling interest is $3,147,000 (2013:$3,147,000).

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

	2014	2013
	$'000	$'000
Non Current Assets	1,125	1,210
Current		
- Assets	610	44
- Liabilities	(3,268)	(1,593)
Total Current Liabilities	(2,658)	(1,549)
Net Liabilities	(1,533)	(339)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

13. Property, plant and equipment

	Leasehold improvements $'000	Office equipment $'000	Total $'000
Cost			
At 1 July 2012	-	-	-
On acquisition	4	54	58
Exchange rate adjustment	-	(1)	(1)
At 1 July 2013	4	53	57
Additions	-	15	15
Disposals	(4)	-	(4)
Exchange rate adjustment	-	2	2
At 30 June 2014	-	70	70
Depreciation			
At 1 July 2012	-	-	-
Charge for the year	-	5	5
At 1 July 2013	-	5	5
Charge	-	9	9
At 30 June 2014	-	14	14
Net book value			
At 30 June 2014	**-**	**56**	**56**
At 30 June 2013	4	48	52

Depreciation arising in the year has been included in attributable overhead capitalised as project development costs.

14. Current assets

30 June 2014	2014 $'000	2013 $'000
Current assets		
Prepayments	57	41
Other receivables	519	56
Cash and cash equivalents	2,170	3,488
	2,746	3,585

Cash balances include $53,000 (2013: $53,000) of restricted cash relating to cash held on deposit as security for credit card expenditure.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

15. Financial liabilities

	2014 $'000	2013 $'000
Current liabilities		
Trade payables	136	263
Other payables	140	183
Accruals	120	96
	396	542

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

Other payables include amounts payable to related parties (see note 19).

The directors consider that the carrying amount of financial liabilities approximates their fair value. The average credit period taken for trade purchases is 63 days (2013: 86 days).

16. Share capital

	Allotted and fully paid	
Ordinary shares of no par value	Number	$'000
At 1 July 2012	198,700,000	10,911
Issue of shares	27,883,062	1,545
At 30 June 2013	226,583,062	12,456
Issue of shares	58,410,520	1,441
At 30 June 2014	284,993,582	13,897

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

On 22 February 2013, 27,883,062 ordinary shares were issued at 3.6p per share as part of the initial consideration for the acquisition of AFPM with a fair value of $1.5m.

On 12 May 2014, 53,762,073 were issued at 1.9p for cash to fund the Phase 1 drilling and exploration programme.

On 12 May 2014 4,648,447 were issued at 1.9p under the terms of the management agreement with Hedgestone Advisory (Pty) Ltd to lead and facilitate the infrastructure and logistics operations supporting the drilling programme.

Share Options:

At 30 June 2014, the following options over ordinary shares have been granted to directors and employees to the company and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period
14 November 2012	1,150,000	3p	14 November 2013 to 13 November 2018
1 May 2013	500,000	3p	1 May 2014 to 13 November 2018
	1,650,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

16 Share capital (continued)

Warrants:

At 30 June 2014 the following warrants over ordinary shares have been granted to the investors and Hedgestone Advisory (Pty) Ltd pursuant to the placing and management agreement on 12 May 2014 and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period
16 May 2014	1,250,000	2p	16 May 2014 to 16 May 2016
16 May 2014	55,012,073	5p	16 May 2014 to 16 May 2016
16 May 2014	1,250,000	7.5p	16 May 2014 to 16 May 2017
16 May 2014	1,250,000	10p	16 May 2014 to 16 May 2018
	58,762,073		

17. 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. The minimum 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 2013 and 30 June 2014	1,650,000	3p
Exercisable at year end	1,650,000	3p

On 14 November 2012, options over 5 million shares with an exercise price of 3p were issued to Ely Place Nominees Limited to be held on trust to be issued at the discretion of the Board to directors, employees or consultants to the company. At 30 June 2014 3,350,000 remain unallocated from this reserve.

No options were granted during the year.

At 30 June 2014 the weighted average remaining contractual life of the options outstanding was 4.4 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. The fair value of options granted in the prior year ranged from 0.8p to 1p. A charge has been recognised in the income statement of $12,000 (2013:$12,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

17. Share based payments (continued)
Warrants

On 16 May 2014 warrants over ordinary shares have been granted to the investors and Hedgestone Advisory (Pty) Ltd pursuant to the placing on 12 May 2014 and remain unexercised:

	Warrants Number	Weighted average exercise price
Warrants at 1 July 2013	-	-
Issued during the year	58,762,073	5.1p
Warrants at 30 June 2014	58,762,073	5.1p
Exercisable at year end	58,762,073	5.1p

At 30 June 2014 the weighted average remaining contractual life of the warrants outstanding was 2 years.

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, 2p
- The risk free rate ranged from 0.47% to 1.51% 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 109% and is derived from the daily share prices of the Company over the year preceding the date of grant.
- The warrants vest immediately and the weighted average exercise period is 2.1 years being 100% of the exercise period.
- The fair value of warrants granted during the period ranged from 0.14p to 0.83p.

18. Post balance sheet events

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").

The Convertible Securities will (subject to the satisfaction of certain conditions) be issued in four tranches and the Company will make an announcement of the issue of each Convertible Security. The initial Convertible Security issued on 14 August 2014 had a nominal value of US$830,000 and a purchase price of $750,000. Each of the three subsequent tranches of Convertible Securities will be issued 90 days after the date of issuance of the previous Convertible Security and have a nominal value of between US$500,000 and US$1,000,000.

The Convertible Securities will have a term ending on 7 February 2017.

African Potash will have the right to repurchase the Convertible Securities for cash at 105% of their nominal value (and without a fee or penalty) within a certain redemption period. The Company will additionally have the right to terminate the Agreement at any time and not to issue the remaining Convertible Securities on payment of a modest termination fee.

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18. Post balance sheet events (continued)

The Convertible Securities will (subject to the satisfaction of certain conditions) be convertible into ordinary shares of African Potash (the "Shares"), in whole or in part, at the option of Bergen. The Company will make an announcement each time any Convertible Securities are converted in whole or in part and will specify in such announcement the relevant conversion price, which will be the lower of (a) 91% of the average of five daily volume-weighted average prices ("VWAPs") of the Shares on AIM during a specified period preceding the relevant conversion and (b) 140% of the average of the daily VWAPs of the Shares for the 20 consecutive trading days preceding the date of execution of the Deed.

Bergen has agreed to certain limitations on its ability to dispose of the Shares following a conversion of the Convertible Securities. Additionally, Bergen has agreed to limitations on its ability to convert the Convertible Securities, including a limit on how much of the Convertible Securities can be converted in a particular time period. Further, the Investor will not, and has agreed not to, and to cause its affiliates not to, short-sell the Shares.

If the daily VWAPs per Share fall below 1.5p for any two consecutive trading days during the term of this Deed, Bergen may, by notice to the Company, postpone a subsequent tranche by up to 60 calendar days. If during this period the VWAP does not recover to be above 1.5p for 10 consecutive days, then Bergen may, by notice to the Company, immediately terminate this Deed.

19. Related party disclosures

1. AS Groves, a director of the Company during the year, is also a director of African Management Services Limited ("AMS"), Sable Mining Africa Limited ("Sable") and Agriterra Limited ("Agriterra"). No provisions have been made in respect of amounts owed by or to related parties.

   During the year AMS provided accounting, treasury and administrative services to the Company for a management fee of $172,000 (2013: $195,000). As at 30 June 2014 the Company owed to AMS $131,000 (2013: $8,000). This has been settled after the year end.

   During the year, Sable and Agriterra incurred certain expenses on behalf of the Company. As at 30 June 2014 the amount due to / from Sable was $nil (2013: $17,000 to Sable) and amounts due to / from Agriterra were $nil (2013 $56,000 from Agriterra).

   During the prior year the Company advanced Agriterra $2m. A facility fee of $100,000 was received and the loan carried a coupon of 5%. The loan, facility fee and accrued interest were repaid during the year.

2. 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 $68,000 (2013:$nil).

3. 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.

	2014 $'000	2013 $'000
Short-term employee benefits	371	440
	371	440

20. Acquisition of subsidiary in the prior year

On 22 February 2013, the Group acquired 100% of AFPM which holds a 70% interest in the equity of SPM. The acquisition has been accounted for as an asset acquisition as it does not meet the definition of a business combination set out in IFRS3

AFPM is incorporated in Mauritius and is an intermediate holding entity. SPM is incorporated in the Republic of Congo and its principal activity is mineral exploration.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	Fair value at acquisition $'000
Intangible exploration and evaluation assets	12,454
Property, plant and equipment	58
Trade and other receivables	9
Cash	4
Trade and other payables	(276)
Amount due to parent company	(1,757)
Net assets acquired	10,492
Non-controlling interests	(3,147)
Fair value of the total consideration	7,345

Consideration comprises		
Cash		2,200
Equity issued		1,545
Deferred consideration	Cash	800
	Shares to be issued	2,800
		7,345

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.

If the acquisition had been completed on the first day of the prior financial period, Group revenues for that period would have been $nil and the Group loss for that period would have remained at $0.2m

The non-controlling interest relates to the interest held by the minority shareholders of SPM.

The amount due to parent company relates to prefunding costs, and is eliminated on a group basis.

21. Capital commitments

At 30 June 2014, La Société des Potasses et des Mines S.A. had contracted with a drilling company for a exploratory drill programme at a cost of $950,000 (2013:$nil).

AFRICAN POTASH