African Potash Limited

DIRECTORS AND ADVISERS

Directors

Jean Pierre Conrad	Chairman
Edward Marlow	CEO
Simon Dorling	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

Cantor Fitzgerald Europe
One Churchill Place
London E14 5RB

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

Carey Olsen LLP
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

Chairman's Statement:

The Company has achieved numerous milestones during the year under review and the months since. The first development, formalised in January 2013, was the formal agreement to acquire an indirect 70% interest in La Société des Potasses et des Mines S.A. ('SPM'), which holds the exclusive right to conduct mining research activities for potash salts over the Lake Dinga license area. This area has long been the focus of our attention due to the combination of high grade sylvinite mineralisation at attractive depths, together with the extensive exploration and seismic data available from Société Nationale des Pétroles du Congo ('SNPC') and finally the established infrastructure in the area and its proximity to the port of Pointe-Noire, which is approximately 60km away. Together, these important fundamentals place this area of south-western Republic of Congo as a highly strategic region for potash production.

The potential of this area has been recognised by numerous other parties, and in recent years it has become one of the most exciting and prospective potash location in Africa. Our Lake Dinga project is surrounded by significant world-class potash development projects including the Sintoukola Potash deposit, owned by Elemental Minerals Limited ('Elemental'), and the Mengo Potash Project, owned by Evergreen Resources Holdings (BVI) Ltd following its acquisition of Mag Industries Corp. Elemental's Sintoukola Potash Project, which is contiguous to Lake Dinga, is probably the main value driver behind Hong Kong based Dingyi Group Investment Limited's current A$190m bid for Elemental. The stratigraphy of the high grade sylvinite and carnallitite mineralisation is thought to be very similar to the stratigraphy of our own project.

With this in mind, a primary objective during the period has been on furthering our understanding of the Lake Dinga project. A key component of this has been the signing of a joint historic data acquisition and sharing agreement with Elemental, leveraging of the considerable historic data that has been compiled for the Congo basin. This information has allowed African Potash to evaluate further the areas it plans to focus future exploration activities and generate drill targets at Lake Dinga. Furthermore, the appointment of CSA Global, the lead consultants, used on the neighbouring Sintoukola project, as exploration consultants for Lake Dinga provides a further dimension of understanding and expertise which will be invaluable during the year ahead.

The African Potash team received a further injection of operational expertise through the appointment of Dr. Simon Dorling, an exploration and structural geologist who most recently helped develop and delineate the contiguous Sintoukola potash deposit from a conceptual target to a classified resource stage as the project's Competent Person. This recent experience, and his on-going position as Principal Consultant with CSA Global Pty Ltd, makes Simon almost uniquely qualified to assist in the onward development of the Lake Dinga project and we were delighted to welcome him to the team as a Non-Executive Director. Together with the historic data sharing agreement with Elemental and the deployment of CSA Global, I am confident that African Potash is ideally positioned to launch a successful exploration programme in 2014,

Financial Results

As a result of the acquisition of the Lake Dinga project, net assets have increased to $15.4m (2012: $8.1m). The acquisition also enabled the Group to reverse the impairment provision of $1.4m made in the prior year against the prefunding loan. Consequently the Group is reporting a reduced loss for the year of $0.2m (2012: $2.8m) and, at 30 June 2013, cash balances were $3.5m (2012:$ 8.2m).

Outlook
Potash has received a great deal of publicity over recent weeks, providing significant exposure for this important commodity, which is processed and used as an agricultural fertiliser. This publicity, whilst negatively impacting on some potash producers, has highlighted the market opportunity for emerging low-cost potash explorers and developers, a niche which we believe African Potash can capitalise on as we continue to advance the Lake Dinga project in the Republic of Congo.

With attractive long-term fundamentals underpinned by increasing demand for potash from the agricultural sector, we believe that the Lake Dinga Potash Project could be one of the few remaining undeveloped commercially attractive potash projects to be held by a junior resource company. With this in mind, our focus remains centred on proving up the resource potential of this asset, and in doing so, move Lake Dinga up the value curve. We have now commissioned an Environmental and Social Impact Assessment ahead of the commencement of drilling activities in 2014, although it will be necessary to raise additional capital prior to embarking on a significant commercial exploration programme. I look forward to reporting on the advancement of our exploration efforts in due course.

I would like to thank both our shareholders and our team for their support and look forward to providing updates on the Group’s activities as we look to further our position as an emerging potash exploration and development company.

Jean-Pierre Conrad
Chairman
20 December 2013

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 2013.

Principal activities, business review and future developments
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. On 22 February 2013 the Company completed the acquisition of African Potash (Mauritius) Limited ("AFPM") (formerly Patagonia Capital Limited) which holds a 70% interest in La Societe des Potasses et des Mines SA ("SPM")

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 6 to 8. 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 period attributable to the equity holders of the Company of $0.2m (2012:$2.8m). The directors are unable to recommend a dividend.

Directors
The directors who served since 1 July 2012:

JP Conrad (appointed 22 February 2013)	Chairman
EHR Marlow	CEO
S Dorling (appointed 25 July 2013)	Non-Executive Director
PH Edmonds (resigned 30 June 2013)	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 2013	30 June 2012
JP Conrad	-	-
S Dorling	-	-
PH Edmonds[1]	15,000,000	15,000,000
AS Groves[2]	15,000,000	15,000,000
EHR Marlow	15,000,000	15,000,000

1. 10 million of the shares in Mr Edmonds' interest are held on trust for Eglinton Management Inc, a company controlled by a trust, the beneficiaries of which include relatives of Mr Edmonds.
2. 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 period.

There have been no other changes in directors' interests in shares or options between 1 July 2013 and 30 November 2013.

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 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 2013 was 86 days (2012: 29 days).

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

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
20 December 2013

CORPORATE GOVERNANCE

The board of directors is accountable to the Company's shareholders for good corporate governance and the Company has regard for 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 2013, 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 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 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 page 1 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 an 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 of 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 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 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 Financial Statements in accordance with applicable law and regulations.

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 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 are required by IFRS as adopted by the EU to present fairly the financial position and the financial performance of the Group. 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 Group for that period.

In preparing the Group 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with applicable law. 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 2013 on pages 11 to 31. 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 Directors' Responsibilities Statement set out on page 9, 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 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/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx.

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 2013 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.

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.

For and on behalf of **Baker Tilly UK Audit LLP**, Auditor
Chartered Accountants and Registered Auditors
25 Farringdon Street
London
EC4A 4AB

20 December 2013

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2013

	Note	Year ended 30 June 2013 $'000	Period ended 30 June 2012 $'000
Operating expenses		(1,799)	(1,369)
Loan impairment - reversal / (impairment)	13	1,441	(1,441)
Operating loss	6	(358)	(2,810)
Finance income	8	122	16
Loss before taxation		(236)	(2,794)
Income tax expense	9	-	-
Loss for the period		(236)	(2,794)
Attributable to :			
Owners of the parent company		(236)	(2,794)
Non–controlling interests		-	-
		(236)	(2,794)
Loss per share			
- Basic and diluted (cents)	10	(0.1c)	(1.6c)

All results relate to continuing activities

The notes on pages 15 to 31 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Year ended 30 June 2013 $'000	Period ended 30 June 2012 $'000
Loss for the period	(236)	(2,794)
Foreign exchange translation differences	(33)	-
Other comprehensive income for the period	(33)	-
Total comprehensive income for the period	(269)	(2,794)
Attributable to owners of the parent company	(269)	(2,794)
Attributable to non-controlling interests	-	-
	(269)	(2,794)

The notes on pages 15 to 31 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Intangible assets: exploration activities	11	13,057	-
Property plant and equipment	12	52	-
Total non-current assets		13,109	-
Current assets			
Trade and other receivables	13	97	33
Cash and cash equivalents	13	3,488	8,192
Total current assets		3,585	8,225
TOTAL ASSETS		16,694	8,225
LIABILITIES			
Current liabilities			
Trade and other payables	14	(542)	(108)
Deferred consideration	17	(800)	-
Total current liabilities		(1,342)	(108)
NET ASSETS		15,352	8,117
EQUITY			
Issued capital	15	12,456	10,911
Shares to be issued	17	2,800	-
Share based payment reserve		12	-
Foreign exchange translation reserve		(33)	-
Retained earnings		(3,030)	(2,794)
Total equity attributable to the owners of the parent company		12,205	8,117
Non controlling interests	17	3,147	-
TOTAL EQUITY		15,352	8,117

The notes on pages 15 to 31 form part of the financial statements.

The financial statements on pages 11 to 31 were approved and authorised for issue by the Board of Directors on 20 December 2013 and were signed on its behalf.

E Marlow
Chief Executive

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

The notes on pages 15 to 31 form part of the financial statements.

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CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2013

	Note	Year ended 30 June 2013 $'000	Period ended 30 June 2012 $'000
Operating activities			
Loss before tax		(236)	(2,794)
Adjustments for:			
- Impairment of loans and receivables		(1,441)	1,441
- Share based payment		12	
- Finance income		(122)	(16)
Operating cash flow before movements in working capital		(1,787)	(1,369)
Working capital adjustments:			
- Increase in receivables		(73)	(33)
- Increase in payables		163	108
Cash used in operations		(1,697)	(1,294)
Finance income		22	16
Net cash used in operating activities		(1,675)	(1,278)
Investing activities			
Purchase of intangible assets net of cash acquired		(2,814)	-
Advance of loans and receivables		(315)	(1,441)
Advance of related party loan	18	(2,000)	-
Repayment of related party loan	18	2,000	-
Finance income – facility fee	18	100	
Net cash used in investing activities		(3,029)	(1,441)
Financing activities			
Proceeds from issue of share capital		-	10,911
Net cash from financing activities		-	10,911
Net (decrease) / increase in cash and cash equivalents		(4,704)	8,192
Cash and cash equivalents at start of the period		8,192	-
Cash and cash equivalents at end of the period		3,488	8,192

The notes on pages 15 to 31 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

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:

IAS 1	Presentation of Financial Statements - Amendment; Presentation of items of other comprehensive income (effective 1 July 2012)

The adoption of this standard has had no material effect other than some minor disclosure items.

At the date of authorisation of these financial statements, the following 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 7 (amended)	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets (effective 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 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)
IFRS 13	Fair value measurement (effective 1 January 2013)
IAS 19 (revised)	Employee Benefits - (effective 1 January 2013)
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

1. General Information (continued)

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 Group.

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 2013

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	
	2013	2012	2013	2012
Central African Franc : USD	503	n/a	504	n/a

Operating loss
Operating loss consists of operating expenses and the impairment charge and any subsequent reversal thereof in respect of loans and receivables (see note 13) 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 2013

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 2013

Share based payments
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's 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 have 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:

	2013 $'000	2012 $'000
Trade and other receivables	97	33
Cash and cash equivalents	3,488	8,192
	3,585	8,225

Liquidity risk
The Group's policy throughout the period has been to ensure that it has adequate liquidity by careful management of its working capital. At 30 June 2013 the Group held cash deposits of $3.5m (2012: $8.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. Financial risk factors (continued)

Market risk
The significant market risk exposures 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 0.41% (2012: 0.2%).

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

	2013 $'000	2012 $'000
Financial assets at floating rates - Cash and cash equivalents	3,488	8,192
	3,488	8,192

- *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	518	7	-	2,963	3,488
Trade and other receivables	16	16	-	65	97
Total financial assets at 30 June 2013	**534**	**23**	**-**	**3,028**	**3,585**
Trade payables	134	65	20	44	263
Other payables	104	158	-	17	279
Deferred consideration	-	-	-	800	800
Total financial liabilities at 30 June 2013	**238**	**223**	**20**	**861**	**1,342**
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 Group as at 30 June 2013 and at 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

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	Equity
2013	$'000	$'000
+ 5% US$ Sterling	15	15
- 5% US$ Sterling	(15)	(15)
+5% US$ CFA	-	-
-5% US$ CFA	-	-
2012		
+ 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 Group's presentation currency have been excluded from this sensitivity.

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

	Income Statement	Equity
2013	$'000	$'000
+ 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)
2012		
+ 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 payable balances
- fluctuating cash balances
- changes in currency mix

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 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
During the year, the group purchased a 70% interest in the Lake Dinga license which the board believes is highly prospective for commercial deposits of Potash. In order to develop the asset and issue a maiden resource statement, the Group will need to raise additional capital to fund a drilling program. Notwithstanding recent uncertainties in the global potash market, the board proposes a two stage process; a focused initial drilling programme to confirm proof of concept, to be followed by a larger scale 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 $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
The board has prepared forecasts for the Group covering the period to 31 December 2014

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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. Operating loss

Operating loss has been arrived at after charging:

	2013 $'000	2012 $'000
Credit / impairment of loan (see note 13)	(1,441)	1,441
Net foreign exchange loss	58	94
Staff costs (see note 7)	528	171

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

	2013 $'000	2012 $'000
Audit services - statutory audit	75	38
Corporate transactions services	66	83

7. Staff costs

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

	2013 Number	2012 Number
Office and Management	4	4
Operational	7	-
	11	4

The aggregate remuneration comprised:

	2013 $'000	2012 $'000
Wages and salaries	650	171
Social security costs	30	-
Share based payment charge	12	-
	692	171
Less: capitalised and included in intangible assets - exploration and evaluation expenditure	(164)	-
	528	171

Directors' remuneration:		2013 $'000	2012 $'000
J P Conrad	(appointed 22 February 2013)	18	-
E H R Marlow*		247	87
P H Edmonds		104	42
A S Groves		71	42
		440	171

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

8. Finance income

	2013 $'000	2012 $'000
Finance income:		
- Interest income from loans and short-term bank deposits	22	16
- Facility fee (see note 18)	100	-
	122	16

9. Income tax expense

	2013 $'000	2012 $'000
Loss before tax from continuing activities:	(236)	(2,794)
Tax at the Republic of Congo corporation tax rate 30% (2012: Guernsey tax rate 0%)	(71)	-
Tax effect of expenses that are not deductible in determining taxable profit	6	-
Tax effect of losses not allowable	38	-
Tax effect of losses not recognised in overseas subsidiaries (net of effect of different rates)	26	-
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 $87,000 (2012: n/a). 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 (2012: 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:

	2013 $'000	2012 $'000
Loss for the purposes of basic earnings per share	236	2,794
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	208,478,170	174,357,632
Loss per share	(0.1c)	(1.6c)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

11. Intangible assets	Evaluation and exploration costs
	$'000
At 11 August 2011 and 1 July 2012	-
Asset acquisition during the year (note 17)	12,454
Additions	617
Exchange rate adjustment	(14)
At 30 June 2013	13,057

The asset acquisition in the year comprises the Lac Dinga exploration licence in the Republic of Congo acquired by the Group through the acquisition of African Potash (Mauritius) Limited ("AFPM") (formerly Patagonia Capital Limited) which holds a 70% interest in La Societé des Potasses et des Mines SA ("SPM").

12. Property, plant and equipment

	Leasehold improvements $'000	Office equipment $'000	Total $'000
Cost			
At 11 August 2011 and 1 July 2012	-	-	-
On acquisition	4	54	58
Exchange rate adjustment	-	(1)	(1)
At 30 June 2013	4	53	57
Depreciation			
At 11 August 2011 and 1 July 2012	-	-	-
Charge for the period	-	5	5
Exchange rate adjustment	-	-	-
At 30 June 2013	-	5	5
Net book value			
At 30 June 2013	**4**	**48**	**52**
At 11 August 2011 and 30 June 2012	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

13. Financial assets

30 June 2013	2013 $'000	2012 $'000
Non-current assets		
Loans and receivables	-	1,441
Provision for impairment	-	(1,441)
	-	-
Current assets		
Other receivables	97	33
Cash and cash equivalents	3,488	8,192
	3,585	8,225

The non-current asset was a loan to AFPM which holds a 70% interest in SPM. On 22 February 2013, the Group acquired the entire issued share capital of AFPM. The loan was to fund the working capital requirements of AFPM and SPM up to the completion of the acquisition of AFPM and at acquisition forms part of the value of the assets acquired and hence the impairment has been reversed in the period.

Cash balances include $53,000 (2012: $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.

14. Financial liabilities

	2013 $'000	2012 $'000
Current liabilities		
Trade payables	263	28
Other payables	183	80
Accruals and deferred income	96	-
	542	108

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

Other payables include amounts payable to related parties (see note 18).

The directors consider that the carrying amount of financial liabilities approximates their fair value. The average credit period taken for trade purchases is 86 days (2012: 29 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. Share capital

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

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.

On 22 February 2013, 27.9 million 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.

Share Options:

At 30 June 2013, the following options over ordinary shares of 0.1p each have been granted to directors and employees 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 2013

16. 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.

	2013 Options Number	Weighted average exercise price
Options at 1 July 2012	-	-
Granted in the year	1,650,000	3.0p
Options at the end of the year	1,650,000	3.0p
Exercisable at year end	-	-

At 30 June 2013 the weighted average remaining contractual life of the options outstanding was 5.4 years.

The fair value of the options 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.
- The risk free rate ranged from 0.21% to 0.28% 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 ranged from 57% to 68% and is derived from the daily share prices of the Company over the year preceding the date of grant.
- The options vest on the first anniversary of grant and the expected exercise period is 3.5 years, being 50% of the exercise period.
- The fair value of options granted during the period ranged from 0.8p to 1p.

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. All the options granted during the year were allocated from this reserve and 3,350,000 remain unallocated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

17. Acquisition of subsidiary
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 financial period, Group revenues for the period would have been $nil and the Group loss for the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2013

18. Related party disclosures

1. PH Edmonds and AS Groves, directors of the Company during the year, are also directors 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 $195,000 (2012: $75,000). As at 30 June 2013 the Company owed to AMS $8,000 (2012: $25,000). This has been settled after the period end.

   During the year, Sable and Agriterra incurred certain expenses on behalf the Company. As at 30 June 2013 the amount due to Sable was $17,000 (2012: $nil) and was due $56,000 from Agriterra (2012 $10,000 due to Agriterra). These have been settled after the period end.

   During the 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. 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.

	2013 $'000	2012 $'000
Short-term employee benefits	440	171
	440	171