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**POTASH WEST NL**

**ABN 62 147 346 334**

**Half-Year Financial Report**

**31 December 2012**

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POTASH WEST NL

ABN 62 147 346 334

DIRECTORS' REPORT

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**Directors**

Adrian Griffin  
Patrick McManus  
George Sakalidis  
Gary Johnson

**Company Secretary**

Amanda Wilton-Heald

**Registered and Principal Office**

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23 Belgravia Street  
Belmont WA 6104 AUSTRALIA  
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Facsimile (+61 8) 9475 0847  
Website [www.potashwest.com.au](http://www.potashwest.com.au)  
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**Share Registry**

Advanced Share Registry  
150 Stirling Highway  
Nedlands WA 6009 AUSTRALIA  
Telephone (+61 8) 9389 8033  
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**Auditor**

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 AUSTRALIA  
Telephone (+61 8) 9429 2222  
Facsimile (+61 8) 9429 2436

**Stock Exchange Listing**

Potash West NL shares are listed on the Australian Securities Exchange (ASX code: PWN).

**POTASH WEST NL**

**ABN 62 147 346 334**

**DIRECTORS' REPORT**

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Your Directors submit their report for the half-year ended 31 December 2012.

**Directors**

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

**Adrian Griffin *Non-Executive Chairman***

Adrian Griffin, an Australian-trained mining professional, has had exposure to metal mining and processing worldwide during a career spanning more than three decades. A pioneer of the lateritic nickel processing industry, he has helped develop extraction technologies for a range of minerals over the years. Today, Adrian specialises in mine management and production. He is a former Chief Executive Officer of Dwyka Diamonds Limited, an AIM- and ASX-listed diamond producer, was a founding director and executive of Washington Resources Limited and also a founding director of Empire Resources Limited, Ferrum Crescent Limited and Reedy Lagoon Corporation Limited. Moreover, Mr Griffin was a founding director of ASX-listed Northern Uranium, of which company he is currently a non-executive director. He is also managing director of ASX-listed Midwinter Resources NL, an African-focused iron ore project developer.

Adrian Griffin is also a member of the Audit Committee, Remuneration Committee (Chairman) and the Nomination Committee (Chairman).

**Patrick McManus *Managing Director***

Patrick McManus has a degree in mineral processing from Leeds University and an MBA from Curtin University. A mining professional for more than 30 years, his work has taken him to many sites within Australia and overseas, including Eneabba and the Murray Basin in Australia, and Madagascar, Indonesia and the United States. During that time, Patrick has worked in operational, technical and corporate roles for Rio Tinto, RGC Limited and Bemas Resources Limited. He was a founding director and, from January 2007 to March 2010, managing director of ASX-listed Corvette Resources Limited.

**George Sakalidis *Non-Executive Director***

George Sakalidis is an exploration geophysicist of more than 20 years standing. His career has encompassed extensive exploration for gold, diamonds, base metals and mineral sands and with others, he compiled one of Australia's largest aeromagnetic databases, now held by Image Resources NL. Using this database, George contributed to a number of discoveries, including such gold discoveries as the Three Rivers and the Rose deposits in Western Australia. Moreover, he was instrumental in the acquisition of the Image Resources NL exploration tenements, and the design and interpretation of the magnetic surveys that led to the discovery of the large mineral sands resources at the Dongara project of Magnetic Resources NL, of which he was a founding director. Also previously a director of North Star Resources NL, George is currently a director of Meteoric Resources NL, Magnetic Resources NL, Emu Nickel Pty Ltd, Image Resources NL and the unlisted Impreium Minerals Limited.

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**DIRECTORS' REPORT**

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George Sakalidis is also a member of the Audit Committee (Chairman), Remuneration Committee and the Nomination Committee.

***Gary Johnson Non-Executive Director***

Gary Johnson is a metallurgist with more than 30 years of broad experience in all aspects of the mining industry. In his early career, he gained operational and project expertise with a range of metals in operations in Africa and Australia. Later, he was a member of the team operating the metallurgical pilot plant at the giant Olympic Dam copper, gold and uranium project in South Australia.

In 1998, after 10 years as chief metallurgist for a large gold producer, Mr Johnson formed his own specialised hydrometallurgical consulting company. During this period he worked closely with LionOre Mining International to develop the Activox® process for treating sulphide concentrates. When, in 2006, LionOre acquired Gary's company, he joined LionOre as a senior executive. In 2007, LionOre was taken over by MMC Norilsk Nickel and in 2009 Mr Johnson became managing director of the latter's Australian operations.

Today, Mr Johnson runs his own consulting company, which specialises in high-level metallurgical and strategic advice. He also holds several patents in the field of hydrometallurgy and is a director of the TSX-listed Hard Creek Nickel Corporation and ASX listed Antipa Minerals Ltd.

Gary Johnson is also a member of the Audit Committee, Remuneration Committee and the Nomination Committee.

**Company Secretary**

Amanda Wilton-Heald

Amanda Wilton-Heald is a Chartered Accountant with over 13 years of experience in Australia and UK.

**RESULTS OF OPERATIONS**

The net loss of the company for the six months to 31 December 2012 is \$2,354,572 (31 December 2011: \$1,751,489). The net loss was largely due to expenditure on mineral exploration and evaluation.

**REVIEW OF OPERATIONS**

The six months ended December 31, 2012 were truly formative for Potash West.

During that period the Company went from being a "greenfields" explorer to being on the verge of producing very thorough and very pleasing Scoping Study results for our Dandaragan Trough Project, located 50km to the north of the Western Australian capital of Perth.

## REVIEW OF OPERATIONS (CONTINUED)

Key highlights in this tremendous growth period included the announcement on September 17 of the initial assay results from resource definition drilling conducted at the Dinner Hill prospect within the Dandaragan Trough Potash Project area.

The results came from an intense drilling programme undertaken in June of 83 vertical aircore holes for 3,215m drilled on a 400m x 400m grid.

Importantly, the drilling highlighted the excellent continuity of well-preserved Molecap Greensand at an average thickness of 9m, thickening to a maximum of 14m to the south and to a minimum of 4m to the north - with mineralisation remaining open to the north, south and east.

These drilling results were a key component for the release of the maiden JORC resource estimate of 244 million tonnes, grading 3.0 per cent K<sub>2</sub>O and 1.6% P<sub>2</sub>O<sub>5</sub>, for Dinner Hill on October 11.

Highlighting the outstanding future growth potential for Potash West's Dandaragan Trough Project was the fact that this initial JORC resource estimate was only defined on an estimated 20% of the Dinner Hill prospect, which, in turn, forms only a very small part of the company's much more extensive tenement holding of approximately 2,900 square kilometres over the Dandaragan Trough. In fact, Dinner Hill, located along the northwest margin of the Dandaragan Trough, is just one of 10 prospective areas so far identified by Potash West.

So the exploration upside for your company is tremendous.

Alongside the acceleration in exploration activities, Potash West had a real focus on the processing system the company is developing to assist it in bringing its world class Dandaragan Trough assets to market.

And like our exploration work, we were extremely successful – so much so that we were able to announce to the market on December 20 that we were aiming to lodge a patent over the processing system that will produce high value fertiliser products from the glauconite that is extracted from the extensive greensand deposits in the Dandaragan Trough.

The K-Max process was developed via a significant amount of testwork and investigations carried out by the Company and its partners. The flowsheet we have developed has successfully produced valuable products in the laboratory such as sulphate of potash (SOP), high magnesium SOP, single superphosphate, iron oxide and aluminium sulphate, from our glauconite samples.

Importantly, it must be remembered that the K-Max process may not only become a valuable asset it will assist Potash West commercialise its Dandaragan Trough assets, but there is also the potential to create additional value by licensing the technology to companies across the globe.

Potash West has already been approached by other companies seeking information on this unique processing breakthrough.

All of this exploration and laboratory work was collated into a very robust Scoping Study produced for the Dandaragan Trough Project subsequent to the end of this reporting period.

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## REVIEW OF OPERATIONS (CONTINUED)

Announced on January 10, 2013 the very positive results contained in the Scoping Study demonstrated the potential of the Dandaragan Trough Project to be a viable, very long term project and provided your company with the necessary confidence to progress the Project into the Feasibility Study phase.

With a good deal of input from independent specialists, it was identified during the Scoping Study period that the most advantageous way to accurately assess the commercial viability of the Dandaragan Trough Project was to consider two significantly different production rates, namely 4.0 Mtpa, and a smaller start-up case of 2.4 Mtpa. The latter was identified during the study to be more suited to the immediate market demand for products in the local region.

Highlights of the results to come out of the Scoping Study, which it must be remembered was only based on the JORC compliant resource outlined at Dinner Hill, included, for the 2.4 Mtpa mining rate:

- Mine life +60 years
- Average revenues per year \$365 million
- Operating cash costs per year \$137 million
- IRR of 21%
- NPV of \$808 million
- Capital costs were estimated at \$650 million.

It was also identified that there are numerous opportunities for capital and operating cost to be reduced by continued process improvements

Critically, the study shows that Dandaragan Trough has the capacity to be a technically and financially viable project, with strong operating margins and has the potential to be expanded significantly, as markets are developed.

It also clearly demonstrated that the project benefits from its location in Western Australia, with high quality infrastructure and a ready market for fertiliser products.

While the completion of this major Scoping Study was a major achievement, we have continued to refine the process flow sheet and to plan for further expansion of our maiden JORC resource and to graduate into the Feasibility Study stage.

We have recently announced the launch of an equity raising of approximately \$3.1 million to help fund that ongoing work. The raising is being conducted by way of a 1 for 6 renounceable entitlement offer, with attaching options, to all eligible shareholders.

We believe this offer will be well received by the market and we are looking forward to our very supportive shareholder base participating in this important capital raising event.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes have occurred in the state of affairs of the company.

**Events subsequent to balance date**

On the 10th January 2013, the Company has announced the results of its initial Scoping Study into the production of potassium sulphate and other products from its Dandaragan Trough Project through ASX Annoucement. The study has produced very postivie results, demonstrating the potential of Dandaragan Trough to be a viable, very long term project.

On the 18th February 2013, the directors of the Company have resolved that the Company will make a pro rata renounceable entitlement issued of one (1) Share for every six (6) Shares held at an issue price of \$0.22 per Share together with one (1) attaching Class A Option for every one (1) new Share issued to raise \$3,072,513.

Other than these, there have not been any other matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than disclosed elsewhere in this half-year report.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 19.

Signed in accordance with a resolution of the Directors



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Patrick McManus  
Director  
Perth, 11 March 2012

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POTASH WEST NL

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-year ended 31 December 2012 \$	Half-year ended 31 December 2011 \$
<b>INCOME</b>			
Geological services		18,480	-
Interest		36,454	105,823
Government grant received		61,742	-
<b>TOTAL INCOME</b>		<b>116,676</b>	<b>105,823</b>
<b>EXPENSES</b>			
Administration		617,231	345,589
Depreciation		11,333	8,149
Share based payments	10	149,905	330,906
Exploration		1,185,960	882,503
Legal		49,518	21,977
Occupancy		25,000	29,424
Remuneration (excluding share based payments)		432,301	238,764
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,354,572)</b>	<b>(1,751,489)</b>
INCOME TAX		-	-
<b>NET LOSS FOR THE PERIOD</b>		<b>(2,354,572)</b>	<b>(1,751,489)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(2,354,572)</b>	<b>(1,751,489)</b>
Basic and diluted loss per share (cents per share)	4	(3.48)	(2.89)

*The statement of comprehensive income should be read in conjunction with the accompanying condensed notes.*

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POTASH WEST NL

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STATEMENT OF FINANCIAL POSITION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	As at 31 December 2012 \$	As at 30 June 2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	1,067,811	3,250,259
Trade and other receivables		85,330	94,264
Other assets		8,594	17,235
<b>Total Current Assets</b>		<b>1,161,735</b>	<b>3,361,758</b>
<b>NON CURRENT ASSETS</b>			
Exploration and evaluation		2,500,000	2,500,000
Plant and equipment	9	95,310	100,867
<b>Total Non Current Assets</b>		<b>2,595,310</b>	<b>2,600,867</b>
<b>TOTAL ASSETS</b>		<b>3,757,045</b>	<b>5,962,625</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		370,898	377,579
Provisions		28,845	23,077
<b>Total Current Liabilities</b>		<b>399,743</b>	<b>400,656</b>
<b>TOTAL LIABILITIES</b>		<b>399,743</b>	<b>400,656</b>
<b>NET ASSETS</b>		<b>3,357,302</b>	<b>5,561,969</b>
<b>EQUITY</b>			
Issued capital	7	9,965,087	9,965,087
Reserves	8	455,606	305,701
Accumulated losses		(7,063,391)	(4,708,819)
<b>TOTAL EQUITY</b>		<b>3,357,302</b>	<b>5,561,969</b>

*The statement of financial position should be read in conjunction with the accompanying condensed notes.*

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STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total \$
<b>At 1 July 2011</b>					
Opening Balance		8,382,884	(808,723)	-	7,574,161
Loss for the period		-	(1,751,489)	-	(1,751,489)
Other comprehensive income (net of tax)		-	-	-	-
<b>Total comprehensive loss for the period (net of tax)</b>		<b>8,382,884</b>	<b>(2,560,212)</b>	<b>-</b>	<b>5,822,672</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share and option based payments		155,431	-	175,475	330,906
<b>Balance at 31 December 2011</b>		<b>8,538,315</b>	<b>(2,560,212)</b>	<b>175,475</b>	<b>6,153,578</b>
<b>Balance at 1 July 2012</b>					
		<b>9,965,087</b>	<b>(4,708,819)</b>	<b>305,701</b>	<b>5,561,969</b>
Loss for the period		-	(2,354,572)	-	(2,354,572)
Other comprehensive income (net of tax)		-	-	-	-
<b>Total comprehensive loss for the period (net of tax)</b>		<b>-</b>	<b>(2,354,572)</b>	<b>-</b>	<b>(2,354,572)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share and option based payments	10	-	-	149,905	149,905
<b>Balance as at 31 December 2012</b>		<b>9,965,087</b>	<b>(7,063,391)</b>	<b>455,606</b>	<b>3,357,302</b>

*The statement of changes in equity should be read in conjunction with the accompanying condensed notes.*

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STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half-year ended 31 December 2012	Half-year ended 31 December 2011
Note	\$	\$
<b>OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(2,274,869)	(1,713,446)
Government grant received	61,742	-
Interest received	36,454	105,823
	<b>(2,176,673)</b>	<b>(1,607,623)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(5,775)	(48,208)
	<b>(5,775)</b>	<b>(48,208)</b>
<b>FINANCING ACTIVITIES</b>		
	-	-
	-	-
Net decrease in cash and cash equivalents	(2,182,448)	(1,655,831)
Cash and cash equivalents at the beginning of the period	3,250,259	5,432,722
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,067,811</b>	<b>3,776,891</b>

*The statement of cash flows should be read in conjunction with the accompanying condensed notes.*

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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**Note 1: Basis of preparation of the half-yearly financial report**

The financial report is a half year financial report for the half-year ended 31 December 2012, which has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2012 and considered with any public announcements made by Potash West NL during the half-year ended 31 December 2012 in accordance with continuous disclosure obligations of the *ASX Listing Rules*.

The half-year financial statements do not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full and understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial statements have been prepared on the basis of accrual accounting and historical costs and the same accounting policies and methods of computation were followed as in the most recent annual financial statements

**Going concern basis**

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a net loss for the period ended 31 December 2012 of \$2,354,572 and experienced net cash outflows from operating activities of \$2,176,673. Additional funding is necessary to meet its committed expenditure requirements in the next 12 months, and the Directors have issued a prospectus to shareholders to raise \$2,843,513 after expenses in a 1 for 6 rights issue.

The Directors have reviewed the Company's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will be successful in securing additional funds through the right issue.

Should the Company not achieve the matters set out above, there is significant uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Company not be able to continue as a going concern.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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**Changes in accounting policies**

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years.

The Company has not elected to early adopt any new accounting standards and interpretations.

**Revenue Recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Fee Income*

Revenue from geological services provided is recognised as the services are rendered, the revenue and the costs incurred or to be incurred in respect of the transactions can be measured reliably and the economic benefits associated with the transaction will flow to the Company.

**Note 2: Cash and cash equivalents**

	31-Dec-12	30-Jun-12
	\$	\$
Cash at bank and on hand	1,067,811	3,250,259
	<u>1,067,811</u>	<u>3,250,259</u>

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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**Note 3: Segment reporting**

For management purposes, the Company is organised into one main operating segment, which involves the evaluation of the Dandaragan Trough Glauconite deposit for its potassium content and the production of potash from deposit. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

**Note 4: Earnings per share**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Basic loss per share (cents per share)	3.48	2.89
Diluted loss per share (cents per share)	3.48	2.89
Net loss	(2,354,572)	(1,751,489)
Loss used in calculating basic and diluted loss per share	(2,354,572)	(1,751,489)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in the calculation of basic and diluted (loss)/earnings per share	67,645,833	60,558,607

During the period there were no listed or key management personnel options exercised.

Options outstanding are not considered dilutive for the purpose of the calculation of diluted earnings/loss per share as their conversion to ordinary shares would not increase the net Loss from continuing operations per share.

There have been no transactions involving ordinary shares or potential shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements

**Note 5: Contingent liabilities and contingent assets**

The Company does not have any contingent assets or liabilities outstanding at 31 December 2012 (2012: Nil).

**Note 6: Dividends**

No dividend has been paid or declared during the half-year and the directors do not recommend the payment of a dividend in respect of the financial period.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

**Note 7: Issued capital**

<b>Ordinary Shares</b>	<b>Number</b>	<b>\$</b>
At 1 July 2011	75,000,000	8,382,884
Issue of 312,500 shares to Aaron Sim Kwang Liang	312,500	56,250
Issue of 925,000 shares for share based payment	925,000	176,675
Issue of 100,000 shares for share based payment	100,000	28,600
Issue of 125,000 shares for share based payment	125,000	29,750
Issue of 7,333,333 shares to pursuant public offerings	7,333,333	1,650,001
Equity Raising Costs		(124,048)
At 30 June 2012	83,795,833	10,200,112
As at 31 December 2012	83,795,833	10,200,112
<b>Reserved Shares</b>		
At 30 June 2012	(16,150,000)	(235,025)
At 31 December 2012	(16,150,000)	(235,025)
<b>At the end of the reporting period</b>	<b>67,645,833</b>	<b>9,965,087</b>

**Note 8: Reserves**

<b>Share based payment reserve</b>	<b>Number</b>	<b>\$</b>
At 1 July 2011	-	-
Issue of 500,000 options for option based payment	500,000	34,700
Issue of 100,000 options for option based payment	100,000	8,590
Issue of 100,000 options for option based payment	100,000	7,060
Issue of 1,250,000 options for option based payment	1,250,000	125,125
Issue of 925,000 shares for share based payment	925,000	99,181
Issue of 100,000 shares for share based payment	100,000	15,132
Issue of 125,000 shares for share based payment	125,000	15,913
At 30 June 2012	3,100,000	305,701
Issue of 1,350,000 options for option based payment	1,350,000	149,905
As at 31 December 2012	4,450,000	455,606

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 9: Plant and equipment

	Office Equipment \$	Plant and Equipment \$	Computer Software \$	Total \$
<b>At 30 June 2012</b>				
Cost	12,612	72,835	36,676	122,123
Accumulated depreciation	(3,147)	(13,377)	(4,732)	(21,256)
<b>Closing net carrying value</b>	<b>9,465</b>	<b>59,458</b>	<b>31,944</b>	<b>100,867</b>
<b>At 1 July 2012</b>				
Opening net carrying value	9,465	59,458	31,944	100,867
Additions/(disposals)	-	-	5,775	5,775
Depreciation charge for the period	(1,247)	(5,971)	(4,115)	(11,333)
<b>Closing net carrying value</b>	<b>8,218</b>	<b>53,487</b>	<b>33,604</b>	<b>95,309</b>

Note 10: Equity based payments

Expenses arising from option-based payment transactions

Total expenses arising from option-based payment transaction recognised during the half-year is as follows:

	31-Dec-2012 \$	30-Jun-2012 \$
Options issued to directors as approved by shareholders at 2012 AGM.	149,905	305,701
	<b>149,905</b>	<b>305,701</b>

During the half year, 1,350,000 options were issued to directors under the Employee Option Plan (EOP). The fair value of options granted under the EOP is estimated at the date of grant using a Black-Scholes option pricing methodology, taking into account the terms and services were valued at the market price at the date of issue as the value of the services received could not be reliably measured. Options issued during the period vested at grant date.

Dividend yield (%)	Nil
Expected volatility*(%)	75
Risk-free interest rate (%)	3
Expected life (years)	3
Share price (\$)	See below tables:

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

**Note 10: Equity based payments (continued)**

<u>Option-based payment plans</u>	<b>2012 Number</b>	<b>2012 WAEP</b>	<b>2011 Number</b>	<b>2011 WAEP</b>
Outstanding at 1 July	1,250,000	\$0.28	-	-
Granted during the year	1,350,000	\$0.355	1,250,000	\$0.28
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>2,600,000</u>	<u>\$0.3189</u>	<u>1,250,000</u>	<u>\$0.28</u>
Exercisable at 31 December	-	-	-	-

\* Volatility was determined using considered judgement as to the volatility of the share price over the vesting period.

**Note 11: Related party transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. During the period, the following transactions were undertaken between the Company, executive officers and director-related entities.

	<b>31-Dec-12</b>	<b>31-Dec-11</b>
Consulting fees were paid to Strategic Metallurgy Pty Ltd, a company of which Gary Johnson is a director and shareholder	<u>364,600</u>	<u>466,741</u>

In 2012 financial year, 1,150,000 shares were issued under the Employee Share Plan (ESP) accounted for as in-substance options. The Company has provided each employee with a Resource Loan up to the amount payable in respect of the shares. The employee must repay the Loan in full prior to expiry of the Loan Term but may elect to repay the Loan Amount in respect of any or all of the Plan Shares at any time prior to expiry of the Loan Term.

**Note 12: Commitments**

The Company has certain obligations with respect to tenements and minimum expenditure requirements on areas, as follow:

	<b>2012 \$</b>	<b>2011 \$</b>
Within 1 year	1,058,000	770,684
1 to 2 years	1,058,000	770,684
Total	<u>2,116,000</u>	<u>1,541,368</u>

The commitments may vary depending upon additions or relinquishments of the tenements, as well as farm-out agreements. The above figures are based on the mines department Emits reports as at 31 December 2012. The figures are adjusted at the anniversary date of each tenement and therefore that total can change on a monthly basis.

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POTASH WEST NL

ABN 62 147 346 334

CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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**Note 13: Events subsequent to balance date**

On the 10<sup>th</sup> January 2013, the Company has announced the results of its initial Scoping Study into the production of potassium sulphate and other products from its Dandaragan Trough Project through ASX Annoucement. The study has produced very postivie results, demonstrating the potential of Dandaragan Trough to be a viable, very long term project.

On the 18<sup>th</sup> February 2013, the directors of the Company have resolved that the Company will make a pro rata renounceable entitlement issued of one (1) Share for every six (6) Shares held at an issue price of \$0.22 per Share together with one (1) attaching Class A Option for every one (1) new Share issued to raise \$3,072,513.

Other than these, there have not been any other matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than disclosed elsewhere in this half-year report.

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DIRECTORS' DECLARATION

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The Directors of Potash West NL declare that:

- (a) the financial statements and notes set out on page 7 to 17 are in accordance with the Corporations Act 2001:
- give a true and fair view of the financial position of the Company as at 31 December 2012 and of its performance for the half-year ended 31 December 2012 of the Company; and
  - comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
- (b) subject to the matters discussed in Note 1, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

The declaration is made in accordance with a resolution of the Board of Directors.



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Patrick McManus  
Director  
Perth

11 March 2012

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POTASH WEST NL

ABN 62 147 346 334

**Auditor's independence Declaration to the Directors of Potash West**



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**Auditor's Independence Declaration to the Directors of Potash West NL**

In relation to our review of the financial report of Potash West NL for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Robert A Kirkby  
Partner  
Perth  
11 March 2013

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To the members of Potash West NL

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Potash West NL, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the 31 December 2012 Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Potash West NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

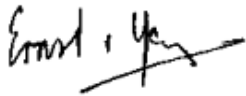
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Potash West NL is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 of the half-year financial report. As a result of the matters described in Note 1, there is a significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in this half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.



Ernst & Young



Robert A Kirkby  
Partner  
Perth  
11 March 2013