

# ANNUAL REPORT 2019/20

Kalium Lakes Limited  
ABN 98 613 656 643



**KALIUM**  
LAKES

# CORPORATE DIRECTORY

## COMPANY

Kalium Lakes Limited (ABN: 98 613 656 643)

## DIRECTORS

Stephen Dennis	Chairman
Mal Randall	Non-Executive Director
Dale Champion	Non-Executive Director
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Sam Lancuba	Non Executive Director

## CHIEF EXECUTIVE OFFICER

Rudolph van Niekerk

## CHIEF FINANCIAL OFFICERS

Chris Achurch  
Antony Beckmand (commences November 2020)

## JOINT COMPANY SECRETARIES

Chris Achurch  
Gareth Widger

## REGISTERED OFFICE

Unit 1, 152 Balcatta Road  
Balcatta WA 6021  
  
PO Box 610  
Balcatta WA 6021  
  
Phone: +61 8 9240 3200

## PRINCIPLE PLACE OF BUSINESS

Unit 1, 152 Balcatta Road  
Balcatta WA 6021  
  
PO Box 610  
Balcatta WA 6021  
  
Phone: +61 8 9240 3200

## WEBSITE AND EMAIL

Email: [info@kaliumlakes.com.au](mailto:info@kaliumlakes.com.au)  
[www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)

## AUDITORS

### RSM Australia Partners

Level 32, Exchange Tower  
2 The Esplanade  
Perth WA 6000

GPO Box R1253  
Perth WA 6844

## SHARE REGISTRY

### Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace  
Perth WA 6000

Phone (within Australia): 1300 850 505

Phone (outside Australia): +61 3 9415 4000

## SOLICITORS

### DLA Piper Australia

Level 21, 240 St Georges Terrace,  
Perth WA 6000

### Thomson Geer

Level 27, Exchange Tower, 2 The Esplanade,  
Perth WA 6000 Australia

## HOME EXCHANGE

### Australian Securities Exchange

Level 40, Central Park,  
152-158 St Georges Terrace  
Perth WA 6000

## ASX CODE

KLL

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# CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board and Management, I am pleased to present the Annual Report of Kalium Lakes Limited, my first as Chairman.

This was, without doubt, a difficult year for the Company, although I am pleased to say that the challenges we faced are now behind us, and we are now back on track to commission the Beyondie Sulphate of Potash Project in the third quarter next year.

Following our decision to commence development of the project late last year, it was disappointing to identify a number of projected capital cost overruns which would necessitate additional funding. Several factors contributed to these forecast overruns, including the requirement for additional bore capacity at Ten Mile, incremental works in the process plant to ensure Beyondie SOP will meet product specification, and costs associated with complying with Covid19 restrictions during construction.

A decision to suspend trading in the Company's securities was taken in February to enable the Company to resolve this funding deficit.

The four-month period during which Kalium shares remained suspended from trading proved challenging for the Company, and without additional funding there was a strong likelihood Kalium would not have been able to continue as a going concern. During this time, all aspects of the Project's development strategy and budget were reassessed, and a recapitalisation plan formulated to meet the anticipated financial shortfall. Our project execution strategy was revised, and wherever possible we looked to de-risk future development of the Project. Construction of the processing plant was transitioned to a lump sum EPC arrangement with DRA Global, and our owners' team was strengthened.

The equity component of our refinancing resulted in Kalium Lakes' shares suffering a significant loss of value through the inevitable dilution which comes with any large capital raising and the Board is disappointed for our shareholders to see the impact on our share price. However, I can assure you this refinancing was the only realistic option available to the Board and it was pleasing that our external financiers, and shareholders continued to support us. I am confident that as the Project moves forward, we will see a sustained recovery in the Kalium Lakes' share price.

In response to the events which led to increase in capital cost, we initiated a process in July to review our Board and Management composition and structure, assisted by independent third-party advisers. There have subsequently been changes at both Board and Management level, including my own appointment as Chairman. To the Board, we have welcomed representatives of the Company's two largest shareholders, Mark Sawyer and Brent Smoothy, along with Dale Champion and, you will have seen we recently appointed Sam Lancuba as an independent non-executive director. Sam is a recognised fertiliser industry expert and he will add considerable technical expertise at Board level. We will also be looking to appoint at least one additional independent non-executive director, as we are committed to ensuring that our Board comprises a majority of independent directors.

Our management team has also been strengthened considerably, including the appointments of Rudolph van Niekerk as Chief Executive Officer and Tony Beckmand as Chief Financial Officer. We are confident that Rudolph and his team will execute the Project within the revised budget and schedule.

I must also take this opportunity to formally thank Brett Hazelden, as one of the founders of Kalium Lakes Limited and the Managing Director of the Company up until his departure in late July. Brett worked tirelessly to build the platform from which the Company can deliver success and his record will show that he is indeed a pioneer in the Australian SOP space.

I would also like to recognise the vital contribution of my predecessor as Chairman, Mal Randall, who will retire as a Non-Executive Director at the conclusion of this year's Annual General Meeting. Mal's experience and guidance, since the public company was formed in 2016, has ensured that the Group is well placed to realise its full potential.

Having overcome our early challenges, development of the Beyondie SOP Project is progressing rapidly, and at the time of writing it is 63 per cent complete. We are on track to commence production in the third quarter of the next calendar year, and I encourage you to follow this development progress via our ASX announcements and on our website.

Importantly, the Beyondie SOP Project remains a financially attractive project which will benefit from a long life, low operating cost, and strong product margins. We are convinced that the long term outlook for SOP remains positive, with predictions of demand for premium fertiliser continuing to show an increase as the world's population grows, and the many developing nations drive consumption of various meat and food crops.

We are now looking forward with confidence, and with your continued support and patience we will continue to strive to ensure that the Project will deliver long term investment returns to our shareholders and stakeholders.

Yours faithfully

**Stephen Dennis**  
Chairman



# CEO'S MESSAGE

Working to establish a new Australian industry and being a first mover in SOP in this country has undoubtedly presented some development challenges for the team at Kalium Lakes Limited. The Company is now refreshed and strong, with the BSOPP 63% complete and less than 12 months from first production.

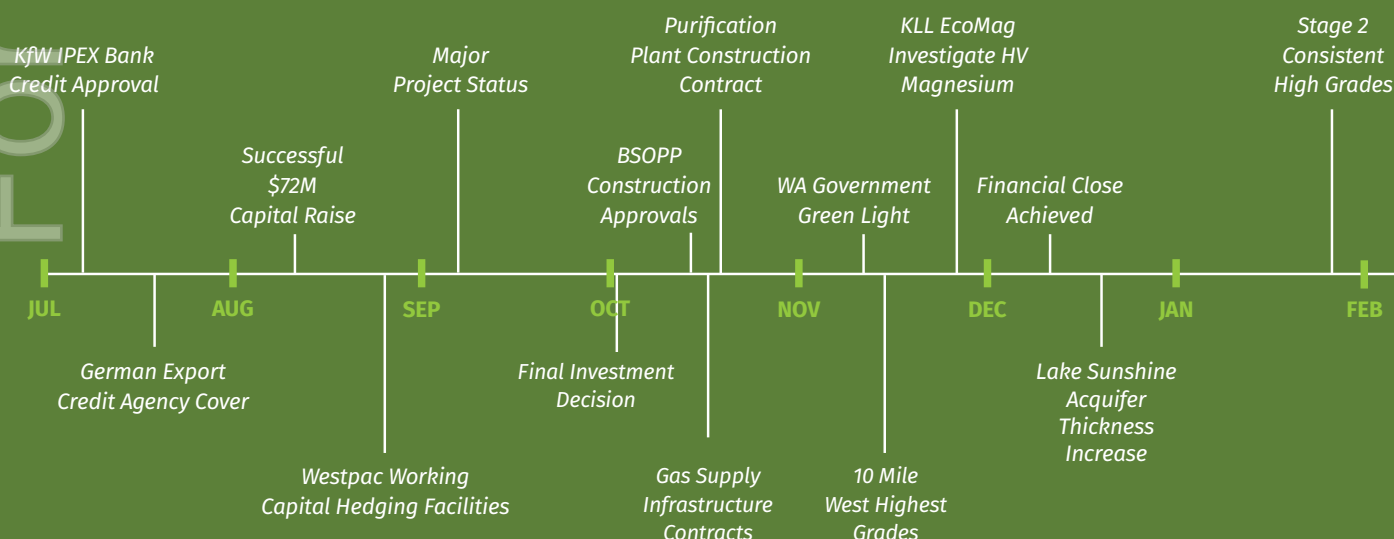
This financial year in particular has been a difficult year, as the Company moved from the confidence of the major milestones achieved during 2019, to the difficult decisions and change of momentum that occurred as the result of the forecast cost overrun identified in late February 2020.

Fortunately, having openly addressed a significant challenge, with the support of our employees, contractors, suppliers, lenders and shareholders, the Beyondie SOP Project (BSOPP) is now back on track and everything we have worked so hard to achieve during the past four years is becoming a reality. Having been involved in the Project from inception as one of the founders, I remain excited about leading this company and this Project through to completion and then into operations.

Changes introduced over the past few months leave Kalium Lakes with a very strong owners' team to manage the BSOPP with good contractual mechanisms, including performance guarantees and penalties, to align contractors with the objective of successfully completing the Project on time and on budget, in accordance with our revised forecasts.

Our team's sole focus is to now deliver a complete, comprehensive project that will not only meet construction targets, but also meet expectations for production ramp-up and achieve the forecast SOP production numbers. Plans for the commissioning of the processing facilities are well advanced and I remain confident that we will produce high quality Australian SOP in the third quarter of calendar 2021.

## 2019 / 2020 ASX Significant Announcement Timeline



During the next financial year Kalium will be focusing on completion of construction of the BSOPP, ready for commissioning and commencement of production in the third quarter of 2021. Some of the more significant milestones to look forward to include:

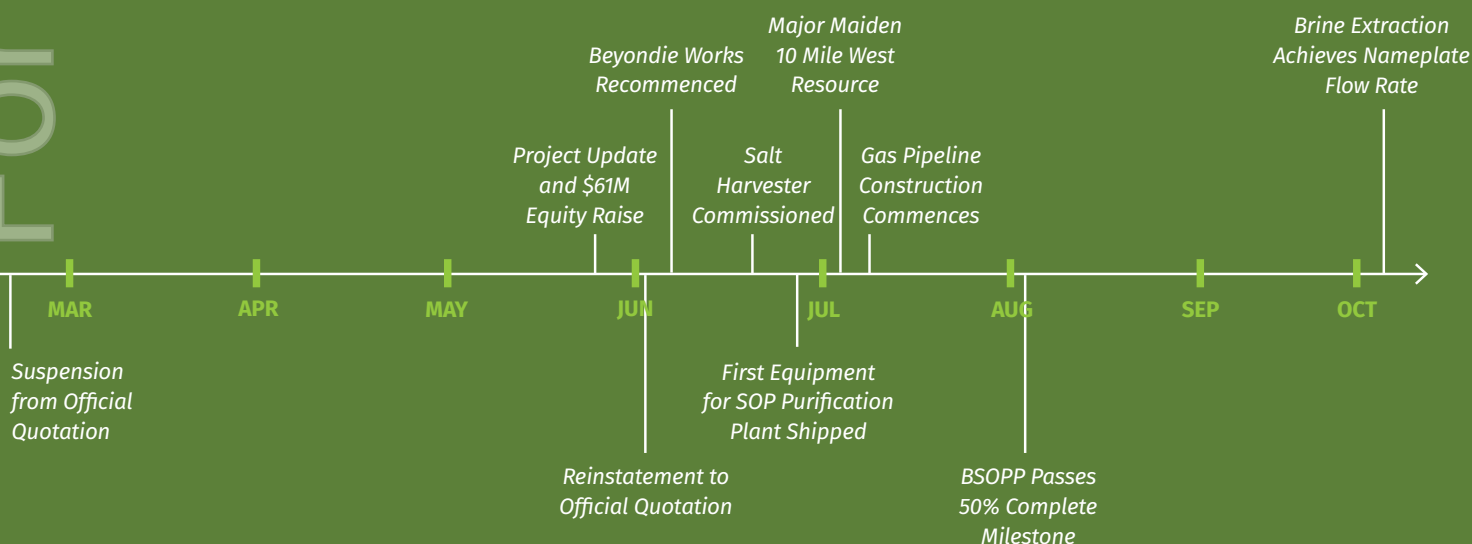
- ▶ Completion of the gas pipeline construction
- ▶ Commissioning of the gas supply infrastructure
- ▶ Commissioning of the power station
- ▶ Completion of delivery of key equipment for the SOP purification plant
- ▶ Completion of construction of the SOP purification plant
- ▶ Commencement of harvesting activities of potassium salts to feed into the SOP purification plant for commissioning and production activities

Further to the development of the BSOPP, the Company will also continue to work on other value adding activities, including accelerating the development of the next Phase of the Beyondie Sulphate of Potash Project, during which we will aim to double production.

As one of the founders of Kalium Lakes, I am both honoured and thankful to be given the opportunity to lead this team and remain committed to achieve the Company's goal of assisting Australian and New Zealand farmers through the delivery of an agronomically superior product, while ensuring a satisfactory return to our shareholders for several decades into the future.

**Rudolph van Niekerk**  
**Chief Executive Officer**

20 October 2020



# OVERVIEW

## Review Of Operations

KLL is an exploration and development company focused on developing the 100% owned Beyondie Sulphate Of Potash Project (BSOPP) in Western Australia with the aim of commencing production at 90ktpa of Sulphate Of Potash (SOP) before ramping up to 180ktpa of SOP for domestic and international sale.

The Company holds rights to granted tenure of approximately 2,316 square kilometres, as well as further tenement applications covering approximately 2,719 square kilometres at the eastern margin of the East Pilbara region of Western Australia, as shown in the map below.

### Kalium Lakes Potash Tenement Portfolio





## Sulphate Of Potash Project Production Process

Sulphate of Potash (SOP) is a widely-used agricultural fertiliser with annual global consumption of ~ 7Mtpa. Australia currently imports 100% of its potash requirements from overseas producers.

SOP can be produced by extracting brine (hypersaline water) from underground, then evaporating the water to precipitate mixed potassium salts which are, in turn, purified to produce the SOP fertiliser, as illustrated in the flow diagram below:

- Brine Pumping:** brine is extracted from basal sands (or the lower aquifer) using submersible bores, as well as pumping of trenches from the upper aquifer;
- Brine Solar Evaporation:** brine is pumped to solar evaporation ponds where it sequentially precipitates calcium, sodium, potassium and magnesium mixed salts in separate ponds;
- Salt Harvesting:** the mixed potassium salts that have crystallized from the solar evaporation ponds are mechanically harvested and stockpiled;
- Purification Processing:** the mixed potassium salts are fed into a purification plant facility where the potassium salts are converted into schoenite through a conversion and recycling process and are then separated from halite via flotation. The resultant schoenite slurry undergoes thermal decomposition into SOP; and
- SOP Fertiliser:** after drying and compaction in a purification plant, the SOP is ready to be sold and used as a final product.

### SOP Production Process



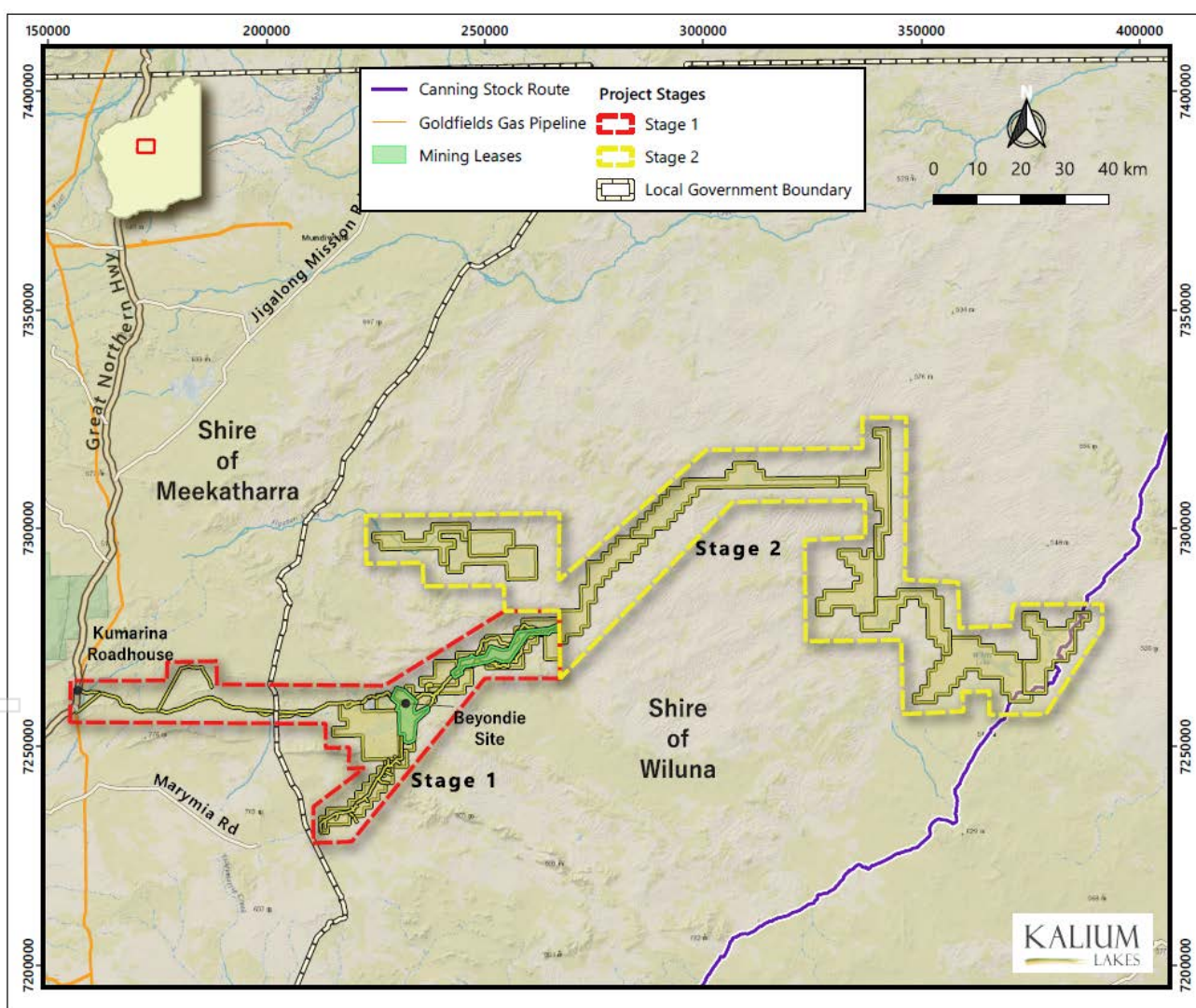
## OVERVIEW

KLL is currently constructing the BSOPP, based solely on Stage 1 of the Project which covers 6,369 hectares or 21% of the 30,225 hectares of total available lake surface area.

The remaining 23,856 hectares or 79% of the total available lake surface area and palaeovalley sequence, represents the expansion phase and is anticipated to deliver considerable benefits in terms of increased production volumes and potential extension to the life of the Project.

## BSOPP STAGES AND PHASES

The current 31.4 million tonne Total SOP Mineral Resource includes both Stage 1 and Stage 2 (see map below).



*Beyondie Sulphate Of Potash Project, Stage 1 and Stage 2 Areas*



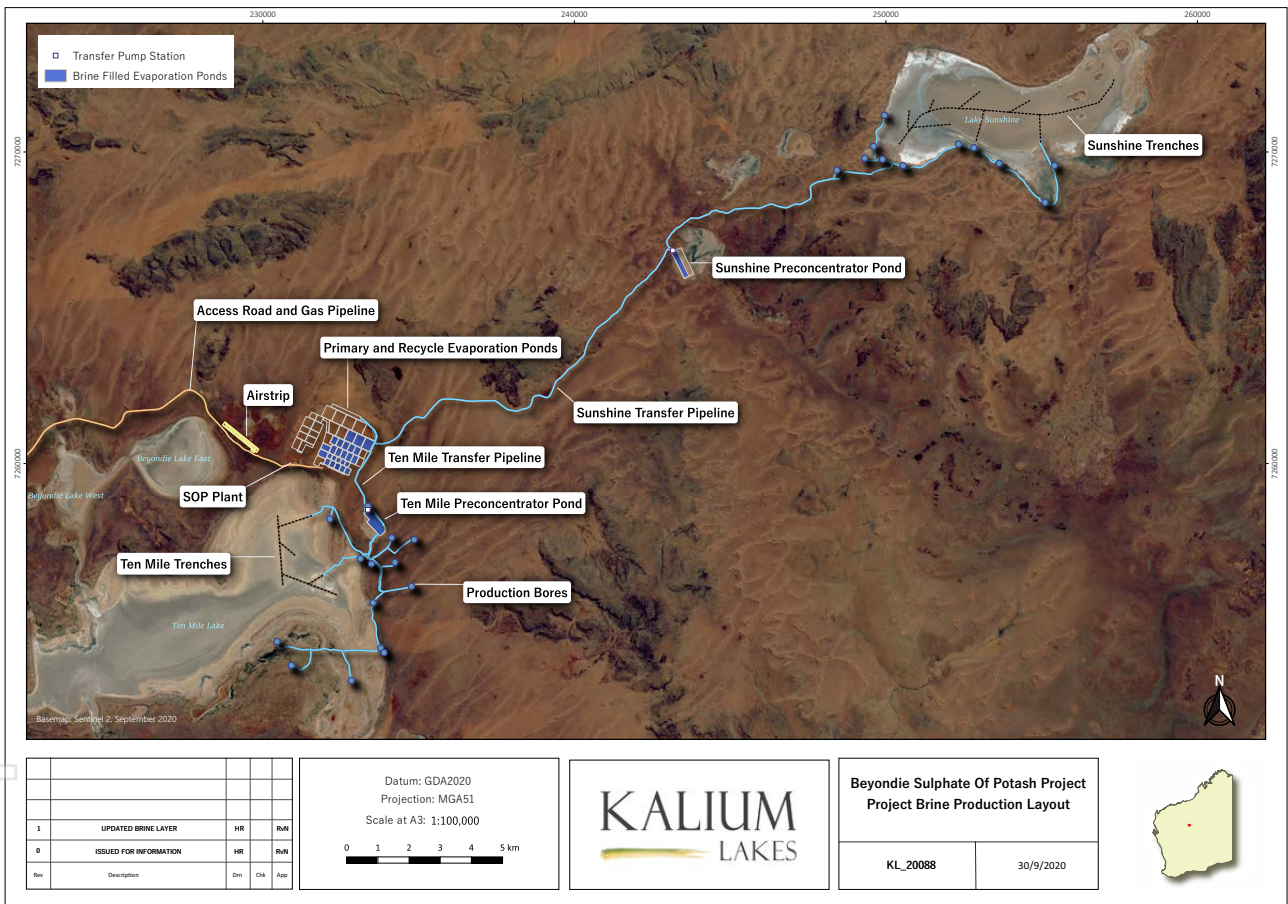


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The 5.1Mt SOP Ore Reserve is related to Stage 1 only, with that stage covering 35 kilometres in length and including two lakes.

There are two separate phases within the Stage 1 Approval Footprint, Phase 1 containing the construction and operation of a 90 ktpa SOP Demonstration Scale Project Development, with Phase 2 containing the ramping up to a 180 ktpa SOP Full Scale Project Development, to minimise operational and financial risk.

BSOPP PHASE 1 PROJECT FOOTPRINT



Stage 2 is 180 kilometres in length and includes 12 lakes, with similar high grades to the Stage 1 lakes also found in the Stage 2 lakes. The total length of the palaeochannel running through both Stages, represents the same driving distance as travelling from Perth to Busselton, in Western Australia.



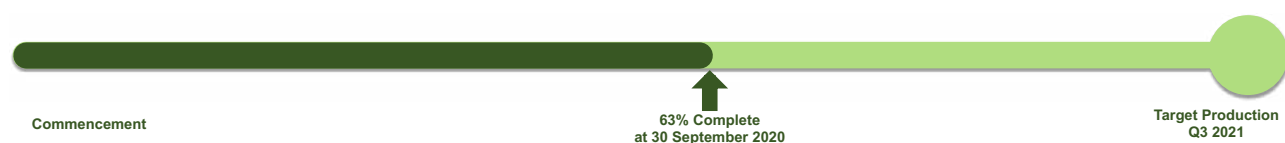


# PROJECT UPDATE

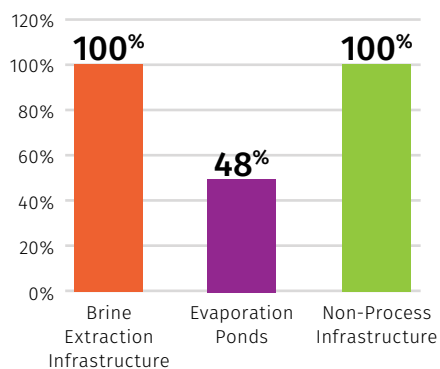
## Project update

At the date of this Annual Report the overall Project is on track to commence SOP production by Q3 2021 and is now 63% complete (under the Project development schedule) with approximately \$166 million incurred to date:

### Beyondie SOP Project - Completion Process

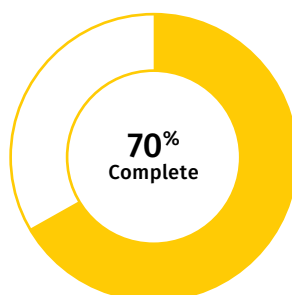


#### Non-Process and Production Infrastructure



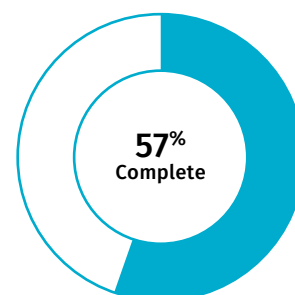
- ✓ Production bores and trenches
- ✓ Brine pump stations and transfer piping
- Primary evaporation ponds
- Recycle evaporation ponds
- ✓ Mine site non-process infrastructure
- ✓ Accommodation village

#### Gas and Power



- APA Metering Facility
- Kalium owned gas inlet station
- Kalium owned gas pipeline
- Kalium owned gas delivery station
- Kalium owned power station

#### SOP Plant



- Standard grade SOP plant
- Granulation plant
- Product storage
- Product coating and out-loading



## Capital Cost Adjustment

In late February 2020, Kalium Lakes identified forecast capital cost overruns which would have been incurred had the Company continued with development of the BSOPP and available project funding at the time. This resulted in the Company's securities voluntarily being suspended from trading on the ASX from 24 February 2020 through to 1 June 2020. During this time, senior management and various other external advisors completed work to reassess the Project's development strategy and budget, as well as formulating a recapitalisation plan to fund the shortfall to complete development of the Project.

The Company, with the assistance of various third party specialists, identified that the forecast capital cost overruns at the time were driven by a range of factors, including:

- ▶ design changes on the Project processing plant made to accommodate performance guarantees required by the Company's Senior Lenders;
- ▶ design changes due to additional final product storage and treatment to meet product integrity specifications;
- ▶ the Company underestimating the complexity in applying a German based design to the desert like conditions prevalent in the locality of the BSOPP;
- ▶ the consequential flow on impacts of design changes to supply and construction costs of processing plant and site manning costs;

- ▶ the actual operating bore performance initially demonstrating brine extraction rates that were lower than expected resulting in the requirement for additional bores, pumps, pipelines and trenches;
- ▶ an increase in the gas pipeline cost between the front-end engineering design (FEED) estimate and entering into the actual contract, due to geotechnical risk allocation and underestimation; and
- ▶ adverse foreign exchange movements, weather impacts (including two cyclone events) and underestimated insurance costs.

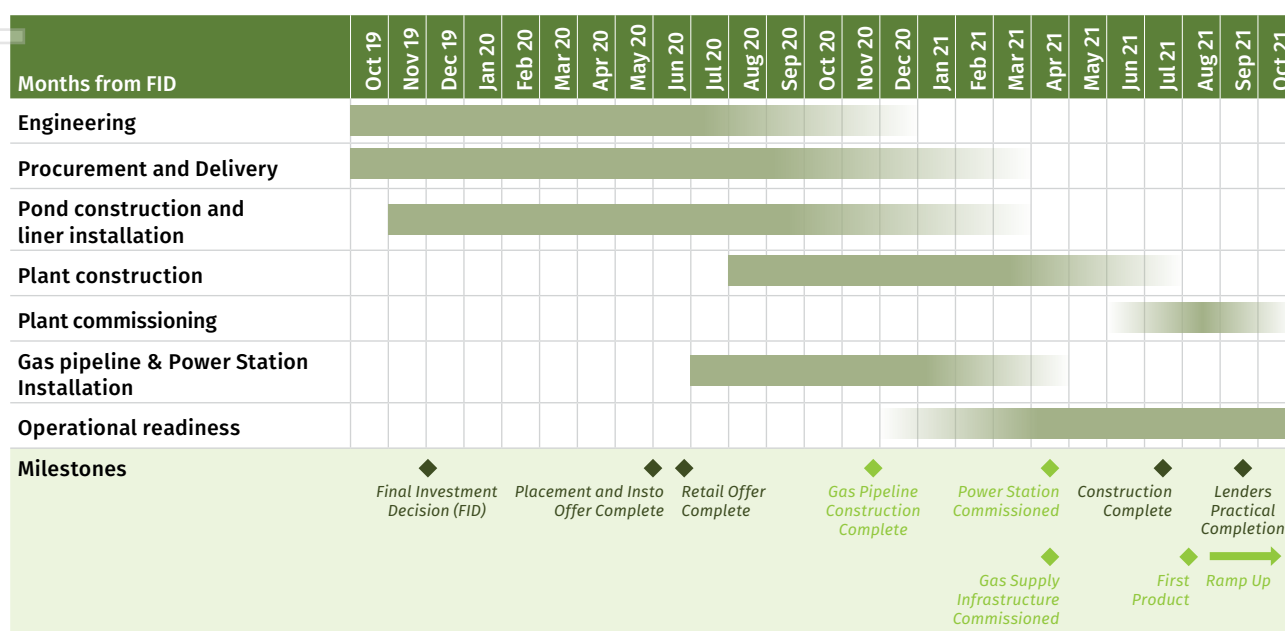
Following identification of the forecast capital cost overrun and in light of the COVID-19 pandemic, the Company's senior management team undertook a process of reassessing the development strategy and the development budget for the Project. The result of this review concluded that an additional \$61 million was required to complete the Project.

The above updated forecast capital cost estimate:

- ▶ was reviewed and verified by an independent technical expert; and
- ▶ resulted in a total funding deficit of \$61 million (taking into account, amongst other things, additional contingencies, costs associated with delays and COVID-19, as well as those costs associated with the Offers and proposed recapitalisation).

## Construction Timetable

The Project suffered approximately six months delay in the overall project timetable due to the voluntary suspension and optimisation period.



## PROJECT UPDATE

### Operating Cost Update

In addressing the forecast capital cost overrun, the Company also commissioned an independent technical review of the estimated operating costs of the Project as previously outlined in the FEED. This review concluded that there were no expected material impacts to estimated operating costs of the Project as a result of the forecast capital cost overrun.

### De-risking / Mitigation Strategy

The Company developed a revised development strategy taking learnings from the issues identified to date in order to seek to de-risk future development of the Project. Key de-risking strategies or factors included:

- ▶ increased knowledge around key cost parameters, due to the overall Project being approximately 40% complete at that time (under the Project development schedule);
- ▶ conversion of the process plant part of construction to a “lump sum” EPC contract;
- ▶ increased key contractor alignment through payments to certain contractors in Shares in lieu of cash;
- ▶ development of an optimised execution strategy, construction schedule and site manning levels to reduce risk, and to allow construction activities where all materials and supplies already delivered, minimising supply risk;
- ▶ an increased understanding and certainty around brine flow characteristics, yield and grade following completion of all production bores and trenches; and

- ▶ de-risking of commissioning through continuation of operating bores and trenches during the capital cost adjustment period to maximise salt availability during ramp-up.

The Company also committed to Board and Management changes following the equity raising to ensure that the owners team (being responsible for the Project development) has the right skill-set and the Company has appropriate governance systems in place to support development of the Project going forward. In addition, the Company is also planning existing operations and future construction to mitigate COVID-19 risk as much as possible to ensure the safety of all employees and contractors, plus protect the Project schedule and cost, including:

- ▶ enhancing temperature and questionnaire screening;
- ▶ establishing flexible and remote working plans;
- ▶ identifying mandatory self-quarantine, and isolation areas on site;
- ▶ optimising site works to manage within COVID-19 limitations;
- ▶ managing site manning levels to limit COVID-19 risk and optimising usage of installed accommodation; and
- ▶ working to the “Framework for COVID-19 in the Resources sector” guidelines.





### Revised Contracting Delivery Model

As a result of the cost overrun, the Company had implemented a significant change in the contracting delivery model for the Project whereby the EPCM contract and the construct only contract for the construction of the processing plant was replaced by one engineering, procurement and construction contract (EPC Contract). The key changes were as follows:

- ▶ replacing the engineering, procurement and construction contract for a lump sum price - in accordance with the normal market position, the lump sum price is subject to increases if the cost to perform increases due to matters beyond the contractor's control (e.g change in law, COVID-19, force majeure events, any act, default of omission of the Company);
- ▶ commissioning services are performed on a rates basis;
- ▶ the Company only has contracts with less than 20 contractors and vendors (as opposed to more than 80 contractors and vendors) with the remaining contractors and vendors now engaged under the EPC Contract as subcontractors; and
- ▶ reduction of construction interfaces between the various major construction components of the Project via the engagement of less contractors and vendors, thereby minimising the risk that the components being designed and constructed by separate contractors and vendors do not technically interface correctly.

In addition to the above, the Company had also retained various other key miscellaneous contracts (or contract variations) in respect to the construction of the Project including:

- ▶ gas supply and related infrastructure – the Company had entered into two contracts, being:
  - i. for the inlet and delivery stations: a design and construct contract on a “lump sum” basis; and
  - ii. for the pipeline: a construct only contract on a “lump sum” and schedule of rates basis;
- ▶ power station – the Company had entered into a design and construct contract for a “lump sum” price;
- ▶ pond liner supply and installation – the Company had entered into a supply and installation contract on a schedule of rates basis; and
- ▶ earthworks construction – the Company had entered into a works contract on a schedule of rates basis.

“Lump sum” contracts that have been entered into by the Company are subject to increases if the costs to perform increases due to matters beyond the relevant contractor's control.



# COMPANY ACTIVITIES

## Key Project Developments

### 10 Mile West Delivers Highest Grades Recorded

Kalium Lakes reported, on 19 November 2019, the initial brine analysis results for drill holes recently completed at its recently acquired 10 Mile West tenement at the BSOPP. The brine assay results were presented with exploration drill hole data in tables contained in the announcement.

It was notable that some of these grades are the highest ever recorded at 10 Mile with potassium grades up to 12,900 mg/L, equivalent to a SOP grade of 28,750 mg/L. Further, the brine has Low Impurity Levels with Na:K ratios averaging around 7.4. This figure is key, as it means less Sodium Chloride (NaCl or table salt) is being produced and will result in lower waste salt disposal requirements.

10 Mile West is strategically located next to a granted Mining Lease, purification facilities and infrastructure, allowing future potential to extend the trench and bore network for brine extraction at the BSOPP.

### Extensive Increase in Aquifer Thickness at Lake Sunshine

On 17 December 2019, the Company reported brine analysis results for recent drilling activities completed at Lake Sunshine as part of the Beyondie Sulphate of Potash Project. The brine assay results were presented in tables in that announcement together with drill hole locations.

Lake Sunshine has existing Indicated and Measured Mineral Resources and Ore Reserves for the lake surface and shallow sediments associated with the palaeovalley and weathered bedrock. The drilling results tested the Jilyili Sandstone Formation below the palaeovalley for brine grade and drainable porosity with the sandstone being contiguous with the current Mineral Resources and Ore Reserves.

Results show the sandstone extending down to a depth of up to 196 m with interbedded friable and cemented sandstone bands and minor siltstone. Brine samples were obtained at regular intervals throughout the profile with airlifts rates typically only restricted by the annulus of the drilling system. Borehole magnetic resonance (BMR) logs have been run in the open holes to measure drainable porosity.

It is notable that some of the grades are the highest ever recorded at Lake Sunshine with potassium grades up to 9,360 mg/L, equivalent to a SOP grade of 20,872 mg/L. The drill holes had been completed in the location of the Stage 1 production borefield at Lake Sunshine. These results meant that future production bore designs can be optimised to include the deeper higher-grade brine.





### **Beyondie Eastern Lakes Consistent High Grade Results - Four Year Comparison**

On 29 January 2020 Kalium Lakes advised that additional assay results from the BSOPP had been finalised. These results were from auger holes located in the eastern tenements Resource Area. Importantly, the potassium grades are consistent with results obtained from the same locations two and four years ago.

The ongoing sampling program reflected KLL's strategy, where a staged development approach provides initial production from the western areas of the project (Stage 1 currently under construction) then expands production to include the eastern areas.

### **High Potassium Grades Continue at 10 Mile West**

The Company reported the remaining brine analysis results for drill holes completed on its 10 Mile West tenement (E69/3594) at the BSOPP on 4 February 2020.

These remaining results from the 2019 drill and auger program provided even higher grades and lower impurity levels than previously reported. The highest potassium grades had been measured up to 14,200 mg/L equivalent to 31,644 mg/L SOP. The average impurity levels of Na:K ratios from these results are 6.9.

### **Major Maiden Ten Mile West Resource**

On 1 July 2020 Kalium Lakes announced the maiden Mineral Resource for Ten Mile West following initial exploration in 2019. The Ten Mile West tenement is located directly adjacent to the existing Ten Mile operations. Key points included:

- ▶ A maiden Mineral Resource of 5.95 Mt @ 17,490 mg/L SOP estimated at Ten Mile West tenement:
  - Measured Resource of 0.10 Mt @ 25,630 mg/L SOP
  - Indicated Resource of 0.31 Mt @ 25,830 mg/L SOP
  - Inferred Resource of 5.54 Mt @ 17,080 mg/L SOP

- ▶ This represents the highest reported grade SOP Resource in Australia directly adjacent to the current Ten Mile operations.
- ▶ Total Resource increase to 25.37 Mt @ 13,375 mg/L SOP from 18.67 Mt @ 12,388 mg/L,
- ▶ a 36% increase in tonnage and 8% increase in grade across the Beyondie SOP Project.
- ▶ Ten Mile Lake trench operations performed better than anticipated with 35% higher grade and higher flow rates than predicted, reducing pumping requirements from the borefield.

Ten Mile West is considered analogous with the existing Ten Mile Lake deposit. With similar lake surface and palaeovalley aquifer style SOP mineralisation. Reported grades to date at Ten Mile West suggest the brine grades in these areas is the highest at the BSOPP.

### **Significant Increase in Resources at Lake Sunshine**

On Thursday 27 August 2020 Kalium Lakes announced the updated Mineral Resource for the BSOPP after additional drilling and test work supported a threefold increase in Mineral Resources at Lake Sunshine.

The result represents an increase in Total Mineral Resources of 6.05 Mt SOP in the Stage 1 area of the Project which holds only 21% of the total lake surface area included within the Project's tenement package. The work was undertaken as part of optimisation of the brine production borefield and has delivered an increased total drainable Mineral Resource figure of 31.42 Mt at 13,151 mg/L SOP for the Project.





## COMPANY ACTIVITIES

### Key Corporate Developments

#### Final Investment Decision – Beyondie SOP Project

On 3 October 2019 Kalium Lakes advised that the Company's Board had approved the full development of its 100% owned Beyondie Sulphate of Potash Project. The development of this world class, long life, high margin and low operating cost Sulphate of Potash (SOP) Project will see Kalium Lakes become one of only a handful of primary SOP producers globally.

This decision followed the successful completion of the Company's A\$72 million capital raise in August in conjunction with the loan facilities to be provided by KfW IPEX-Bank (approximately A\$102 million) and Northern Australia Infrastructure Facility (A\$74 million) plus a working capital facility from Westpac Banking Corporation (A\$15 million).

The Final Investment Decision (FID) allowed the acceleration of activities from the approved Early Works program to Full Scale Construction. As a result, the Company began the process of finalising the remaining key construction contracts.

Kalium Lakes was also happy to confirm the support and consent of the Traditional Owners from the Gingirana and Birriliburu People who, on 2 October 2019 participated in a Welcome To Country ceremony on site, as part of the Company's strong relationship with local indigenous communities.

These joint activities continue to increase the cultural awareness between the Company's team and the Traditional Owners of the area. Following the ceremony, guests were able to view the recently completed infrastructure and facilities, as well as gaining an appreciation of the scale of the preparations for the brine extraction and evaporation pond system at the BSOPP site.

#### WA Government Gives Green Light

The Premier of Western Australia, Hon. Mark McGowan MLA, endorsed a Northern Australia Infrastructure Facility (NAIF) loan to assist in developing infrastructure for the BSOPP, on Thursday 14 November 2019.

#### Financial Close Achieved

Kalium Lakes announced that it had reached Financial Close, under its facility agreements, on 9 December 2019 and advised that it was able to proceed with first drawdown on its Project Debt Facilities underpinning the ongoing development of the BSOPP.

Financial Close followed the satisfaction of all required Conditions Precedent under the Project Debt Facilities.

#### 10 Mile Lake West Tenement Granted

On 1 August 2019, Kalium Lakes advised of the grant of 10 Mile Lake West Exploration Licence (E69/3594) which now forms part of the BSOPP. The Company had previously announced, on 29 October 2018, that it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenements which now forms the newly granted E69/3594.

The new tenement is strategically located adjacent to the Company's current BSOPP Mining Leases, processing facilities and infrastructure, allowing future potential to extend the trench and bore network for brine extraction. Importantly, the new tenement is contiguous with the current delineated lake surface and paleochannel Mineral Resources and Ore Reserves with SOP Concentrations increasing to the west of the current Mining Lease area. The tenement had also been granted with the consent of the Traditional Owners of the area, the Gingirana People.



### **Australian Federal Government Grants Major Project Status**

On 6 September 2019, the Company announced that the Australian Federal Government had recognised the Beyondie Sulphate of Potash Project's strategic significance to Australia by granting it Major Project Status.

Major Project Status is the Australian Government's formal recognition of the national strategic significance of a project, through its contribution to economic growth, employment, or contribution to regional Australia. In addition, Major Project Status provides coordination and facilitation support, as well as a single entry point to a coordinated approvals process.

### **Research and Development – Tax Offset**

The Company's 2018/19 Research and Development (R&D) Tax Incentive claim was announced as being completed on 24 October 2019. Under the self-assessment program, Kalium Lakes has registered eligible Australian R&D activities for the Beyondie Sulphate Of Potash Project.

The Company is also eligible to claim R&D tax offsets for overseas R&D expenditure, on R&D activities described in the approved Overseas Findings application, from the beginning of the 2015/16 income year until completion, which occurred during the 2018/19 period.

Kalium Lakes had received a total of A\$1,387,425 in R&D tax offsets for the 2018/19 income year for both Australian and approved overseas R&D activities in relation to the BSOPP.

### **Investigation with EcoMag into Sustainable Extraction of High Value Magnesium**

On 26 November 2019, the Company announced that together with unlisted, emerging magnesium producer EcoMag Limited (EcoMag) it had signed a term sheet committing both companies to jointly undertake a feasibility study to evaluate the commercial extraction of magnesium from residual brines produced at the BSOPP, for sale into international speciality chemical markets.

On confirmation that the extraction of magnesium is financially viable, the parties propose to negotiate a formal joint venture arrangement. KLL has already identified 8.52 Mt of existing Magnesium (Mg) JORC defined Mineral Resource.

The Term Sheet followed successful pilot scale trials by EcoMag of the residual brines from the BSOPP's pilot evaporation ponds during 2018 and 2019. The trials utilised a high magnesium content (up to 9%) feed brine to produce 99.5% pure hydrated magnesium carbonate (HMC) with relatively low levels of impurities and an overall recovery rate in excess of 95%.

As a result, the potential Joint Venture is proposed to extract very high purity HMC as a precursor compound to producing magnesium oxides and hydroxides, which have current market prices between US\$1,000 and US\$2,000 per tonne.

### **Business Development**

Work in relation to increased SOP production from the BSOPP has re-commenced, to assess:

- ▶ Increased production potential through de-bottlenecking activities from the infrastructure and facilities being currently constructed to produce 90ktpa of SOP (Phase 1).
- ▶ Timing, capital requirements, funding sources and off-take opportunities for doubling of Phase 1 production to in excess of 180 ktpa of SOP (Phase 2).



## COMPANY ACTIVITIES

### Key Corporate Developments

#### Board Changes

On 6 April 2020 the Company announced the appointment of Mr Dale Champion as a Non-Executive Director.

On 1 May 2020 the Company announced the appointment of Mr Brent Smoothy and Mr Mark Sawyer as Non-Executive Directors.

Following the completion of the formal process to appoint Mr Smoothy and Mr Sawyer as Directors, Mr Rudolph van Niekerk advised the Board of his decision to step down from his role as an Executive Director.

The Company advised on 20 August 2020 that its chairman, Mr Malcolm Randall, will retire as a director of the Company at or before its next Annual General Meeting in November 2020. To allow for an orderly transition, Mr Randall immediately stepped down from the role of chairman of the Company and remained as a non-executive director.

Following that decision, the Board has resolved to appoint Mr Stephen Dennis, a non-executive director of the Company, as Chairman.

Mr Dennis is an experienced and well-regarded company director, with a successful career in the Australian and international resources sector spanning more than 35 years. During this time he has been appointed to a number of senior resource company boards, several of which he serves as chairman. Having joined the Kalium Lakes board in April last year, as the nominee of the Company's major Shareholder, Greenstone Resources, Mr Dennis ceased to be Greenstone's nominee to the KLL Board and was replaced in that capacity by current non-executive director, Mr Mark Sawyer, who is a Senior Partner of Greenstone Resources.

On 14 October 2020, the Company announced the appointment of Mr Sam Lancuba as a non-executive director of the Company. Mr Lancuba is a recognised expert in the global fertiliser industry, with extensive technical and market experience of fertiliser processing operations and products throughout the world.



#### Sam Lancuba

**Non-Executive Director** (appointed 14 October 2020)

Mr Lancuba is a chemical engineer with more than 42 years' experience in the global fertiliser industry. During his career in the industry, Sam has worked in areas of research and development, process engineering, manufacturing and management. Following 27 years at Incitec Pivot Limited, an ASX top 50 company, he moved to providing expert consulting services for industry clients in Australia, New Zealand, USA, South America, Europe, India and China.

Sam currently advises fertiliser industry clients in a range of areas including plant design and maintenance, project management, project evaluation and marketing strategies for fertiliser products.





## Management Changes

The Company also advised that on 30 April 2020, it had received a notice of resignation from its Chief Financial Officer, Mr Chris Achurch, who provided his three month notice period and agreed to continue in his role as CFO and Joint Company Secretary, on a contract basis, until the incoming CFO commences..

On 27 July 2020 the Company advised that Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO, effective from 24 July 2020.

The Board then resolved to appoint the Chief Development Officer, Rudolph van Niekerk, as the Interim Chief Executive Officer and later confirmed his permanent appointment to the role on 6 October 2020.

The Company announced the appointment of Mr Antony Beckmand as Chief Financial Officer and Mr Robert Mencil as General Manager Operations on 29 September 2020.



**Rudolph van Niekerk**  
Chief Executive Officer

Rudolph van Niekerk (B.Eng. Mechanical GAICD) is a professional in the mining and resources industry with more than 16 years' experience in project and business management.

During his career Rudolph van Niekerk has held a range of different roles in the management of projects and operations. His various responsibilities have included financial evaluation, risk review and management, project management, development of capital and operating cost estimates, budget development and cost control, design management, planning, reporting, contract administration, quality control, expediting, construction, commissioning and production ramp-up.



**Antony Beckmand**  
Chief Financial Officer

Antony Beckmand is a qualified Certified Practising Accountant with a Bachelor of Commerce from the University of Western Australia and holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. Antony has more than 20 years' experience in the mining industry in Australia and overseas with a background in iron ore, mineral sands, base metals and gold.

He has held executive management positions with Sydvaranger, Northern Iron and Minas de Alquife, as well as financial roles with Exxaro Resources, Perilya Ltd and Robe River Iron Associates. Antony is also a non-executive director of Nordic Mining ASA.



## COMPANY ACTIVITIES

### Key Corporate Developments



#### **Robert Mencil** **General Manager Operations**

Robert Mencil is a highly proficient engineering and mining executive with more than 25 years' experience developing and operating a wide range of mining, mineral processing and engineering operations.

Robert was previously the Chief Executive Officer for RONPHOS Corporation, the Republic of Nauru's Phosphate company, where he was responsible for production and export of phosphate to customers throughout Asia and the Indian Pacific region.



#### **Dayle Pascoe** **Project Manager**

Dayle Pascoe is a recognised project specialist with extensive project delivery experience in, minerals processing, materials handling and water projects across Australia, Europe, Asia, the Middle East and Africa.

His previous project engineering and management roles with major organisations include the United Group, Laing O'Rourke, Petrosea (Clough), FLSmidth and Lycopodium.



#### **Gareth Widger** **Joint Company Secretary and Corporate Affairs Manager**

Gareth (BA, GIA (Cert)) has more than 30 years' experience in senior roles managing corporate administration and strategic communication activities for public and private companies within the agriculture, industrial chemical, mining, civil engineering, retail and wholesale sectors. His responsibilities have included corporate/investor relations, stakeholder engagement, marketing and media liaison.



#### **Chris Achurch** **Chief Financial Officer and Joint Company Secretary**

Chris Achurch (B Com, CA), has worked with a number of major businesses across the construction, exploration, mining and agricultural sectors. Having spent 10 years in public practice with RSM Australia based in Perth, Dallas and New York, Chris has a comprehensive understanding of commercial accounting, audit functions and corporate finance. Chris provided his three month notice period to the Company on 30 April 2020, and agreed to continue in his role as CFO and Joint Company Secretary on a contract basis until the incoming CFO commences his formal employment with the Company.

## Finance

### KfW IPEX-Bank Credit Approval Major Milestone

On 2 July 2019, Kalium Lakes announced that it had received a credit-approved offer of finance from German KfW IPEX-Bank for the US / Euro dollar equivalent of A\$102 million of senior debt funding w(KfW IPEX-Bank Debt Facilities) for the development of the BSOPP.

These facilities formed part of the overall funding package for the BSOPP, which included the previously announced A\$74M funding package provided by the Northern Australia Infrastructure Facility (NAIF).

The KfW IPEX-Bank Debt Facilities are comprised of two parts:

- ▶ Part A - US\$ equivalent of €33 million facility guaranteed by the German Government export credit agency Euler Hermes, with a final maturity of approximately 10 years after completion of construction (the Hermes-Guaranteed Facility); and
- ▶ Part B – US\$37 million facility, secured against the BSOPP, with a final maturity of approximately 10 years after completion of construction.

The KfW IPEX-Bank Debt Facilities were subject to securing a positive decision from the German Government Inter-Ministerial Committee for the export credit agency Euler Hermes and the execution of formal documentation.

### German Government Euler Hermes Export Credit Cover Positive Decision

Kalium Lakes announced on 19 July 2019 that it had been advised that the German Government Inter Ministerial Committee (IMC) had reached a positive decision on its application for the Euro / US dollar equivalent of approximately A\$50 million of project finance export cover.

### Equity raising to fund the development of the Beyondie SOP Project

On 24 July 2019, the Company informed the market that it was conducting an institutional placement and an accelerated non-renounceable entitlement offer to raise approximately A\$72 million.

Kalium Lakes undertook the offer to fund (in conjunction with the Loan Facilities) the construction of the BSOPP and to provide anticipated working capital until first production.

The offer comprised of:

- ▶ an institutional placement of up to 35 million new fully paid ordinary shares to raise up to approximately A\$17.5 million; and
- ▶ a 1 for 2.19 accelerated pro rata non-renounceable entitlement offer of up to 109 million new fully paid ordinary shares to raise up to approximately A\$54.6 million.

All New Shares offered under the Offer were to be issued at a price of A\$0.50 per new share.

### Successful Completion of Placement and Institutional Entitlement Offer

The successful completion of the Company's institutional placement and the institutional component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer was announced on 26 July 2019.

The placement and institutional entitlement offer raised a total of A\$55.6 million at A\$0.50 per new share. This equity raise resulted in the addition of a number of new high quality institutional investors to Kalium Lakes' register. The retail component of the entitlement offer then sought to raise approximately A\$16.4 million through a 1 for 2.19 non-renounceable entitlement offer.





## COMPANY ACTIVITIES

### Finance

#### Successful Completion of Retail Entitlement Offer

As the final component in the equity raise, on 19 August 2019 Kalium Lakes announced the successful completion of the retail component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer.

Together with the earlier institutional placement and institutional component of the entitlement offer, the total amount raised was approximately A\$72 million.

Applications equivalent to approximately A\$12.1 million were received under the retail entitlement offer, resulting in a take-up rate (including additional new shares applied for in excess of entitlements) of approximately 73%. Approximately 8.8 million new shares that were not taken up were allotted to sub-underwriters of the entitlement offer at the offer price in accordance with the terms of sub-underwriting agreements.

#### Westpac to Provide Working Capital and Hedging Facilities

On 27 August 2019 KLL announced that it had received a credit-approved offer from Westpac Banking Corporation (Westpac) for a A\$15 million working capital facility and a hedging facility. Together, these facilities support prudent capital and risk management during construction, commissioning and operations of the Beyondie SOP Project.

The working capital facility is an 18-month revolving facility with a A\$15 million limit that becomes available from Practical Completion of the Beyondie SOP Project. The hedging facility is used to hedge risk in accordance with the hedging policy of the Beyondie SOP Project. Both facilities are senior secured. The working capital and hedging facilities were both subject to the execution of formal documentation and other customary conditions precedent.

#### A\$61 million Equity Raising

On 21 May 2020, Kalium Lakes Limited announced that, as a result of identifying a forecast capital cost overrun to complete Stage 1 of the BSOPP, it was conducting an institutional placement and a fully underwritten accelerated non-renounceable entitlement offer (Offer) to raise approximately A\$61 million, to fund the completion of construction of the BSOPP and to provide anticipated working capital until first production.

The announcement (Project Update and A\$61 million Equity Raising) contained (among other matters) the following key points:

- ▶ The Offer was comprised of a ~A\$19 million institutional placement (Placement) and a ~A\$42 million fully underwritten 5 for 7 accelerated non-renounceable entitlement offer (Entitlement Offer) to raise approximately A\$61 million.
- ▶ This additional capital requirement for the BSOPP had been reviewed and verified by independent engineering specialists.
- ▶ Major shareholder Greenstone (20.1%) committed to subscribe for approximately A\$12 million under the Placement and the Entitlement Offer and to sub-underwrite up to A\$2 million of any retail shortfall (a total commitment of ~A\$14m).
- ▶ Kalium Lakes' Board and Senior Management committed to take up approximately ~A\$5.8 million of the Offer via their pro-rata entitlement and sub-underwriting the Offer.
- ▶ At the time, the overall project was 40% complete with ~A\$100 million of costs incurred and ~23kt equivalent SOP pumped as at end of April 2020
- ▶ Learnings from development challenges were applied to de-risk the go-forward strategy, including the processing plant construction contract, now converted to a lump sum EPC contract. Prospectus

Kalium Lakes lodged a Prospectus, on 21 May 2020, in respect to the Entitlement Offer to raise up to approximately \$42 million (before costs).

#### Settlement of Placement and Institutional Entitlement Offer

On the last trading day of May (29 May 2020) Kalium Lakes announced the settlement of the Placement to sophisticated and institutional investors and the institutional component of the Entitlement Offer.

The Placement and institutional component of the Entitlement Offer raised a total of \$48.8 million at \$0.15 per new share (Offer Price). The Placement and institutional component of the Entitlement Offer saw strong support from both existing shareholders and new investors and resulted in the addition of a number of new high quality institutional investors to Kalium Lakes' share register.

In undertaking the Placement, the Company, together with Morgans Corporate Limited (Lead Manager), sought to prioritise the participation of existing shareholders of the Company who are sophisticated and institutional investors (to the extent, where possible, to maintain their pro-rata holding). The Company was reinstated to trading on the ASX on Monday, 1 June 2020.

### Successful Completion of Retail Entitlement Offer

On 11 June 2020, the Company announced the successful completion of the retail component of Entitlement Offer.

Applications equivalent to approximately A\$7.8 million at the Offer Price were received under the retail component of the Entitlement Offer, resulting in a take-up rate (including additional new shares applied for in excess of entitlements) of approximately 64%.

### Contingent Placement Update

Kalium Lakes released an update in respect to its contingent placement on 16 June 2020 advising that approximately 29.4 million new shares, at \$0.15 per share valued at \$4.41 million, that were not taken up under the retail component of the Entitlement Offer, were to be allotted to the underwriter and sub-underwriters of the Retail Entitlement Offer at the Offer Price in accordance with the terms of the underwriting and sub-underwriting agreements.

The Company advised that related entities had been issued new shares pursuant to their sub-underwriting arrangements with the Company and accordingly, the number of new shares to be issued under the contingent placement (which was subject to shareholder approval at the general meeting) will be reduced.

### Financial Position

The Company had \$54.6 million cash on hand as at 30 June 2020.

### Securities on Issue

The Company had 802,257,785 ordinary shares on issue as at 30 June 2020.

As at the date of this report the Company has 839,161,349 ordinary shares on issue. The following is a list detailing other securities on issue on issue, as at the date of this report:

- ▶ 10,000,000 performance rights
- ▶ 12,218,987 nil exercise price options expiring 16 June 2023
- ▶ 17,667,493 nil exercise price options expiring 16 June 2023
- ▶ 1,182,639 options exercisable at \$0.55 each, expiring 16 June 2022
- ▶ 1,750,000 options exercisable at \$0.625 each, expiring 16 June 2022
- ▶ 5,000,000 options exercisable at \$0.36 each, expiring on 30 June 2025

### Dividends

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company.



# COMPANY SUMMARY

## Safety

At Kalium Lakes the safety, health and wellbeing of its employees and contractors is of paramount importance, where no task is so important that it cannot be done safely. Personal health and safety performance is considered integral to an efficient and successful company.

Kalium Lakes also recognises that people are its greatest asset and encourages a culture of innovation and creativity in the way it does business.

With the commencement of construction, there was a rapid increase of personnel both in the Kalium Lakes' Operations and Projects teams along with a major increase in ponds installation and construction contractors. This increase and the remote nature of the site led to an increase in the Total Recordable Injury Frequency Rate (TRIFR) to 35.1 in December 2019 following two vehicle incidents. As a result of focussed efforts during the second half of the financial year the TRIFR rate decreased to 20.1 and continues to fall.

A total of 192,422 man hours were recorded for Beyondie SOP Project site during the Financial Year to 30 June 2020. Two Lost Time Injuries and no Medical Treatment Injuries were recorded during this period.

Kalium Lakes continues to develop its Health Safety and Environmental Systems as the environment evolves from exploration to construction and then forward into operations.

## Sustainability

### Native Title and Heritage

Kalium Lakes recognises the importance of country, law and culture to the Traditional Owners of the land in which they operate. Through developing and implementing an Indigenous Engagement Strategy, Kalium Lakes is committed to engaging with and fostering relationships with Indigenous People that are inclusive, respectful and make a lasting and positive contribution.

Kalium Lakes is committed in ensuring early and transparent engagement and is actively working with the relevant native title parties and knowledge holders to implement the Land Access Agreements to support project development and operations.

Kalium Lakes also expects its managers to be educated and active in fostering long-term relationships with both Indigenous People and the Community surrounding their operations.

The Company recognises that culturally significant sites and issues may from time to time be identified on its leases. Its management, employees, contractors and associates undertake to comply with the requirements of the Aboriginal Heritage Act 1972 and in accordance with the Cultural Heritage Management Plans in recognising these sites and places.





### Environment

Kalium Lakes Limited is committed to responsible environmental management and environmental performance as an essential attribute of an efficient and successful company. This will be achieved through leadership and the use of reliable systems that provide timely and accurate information, in a transparent manner to support effective decision making.

### Community

Kalium Lakes strives to maintain integrity while upholding positive and cooperative relationships with its stakeholders. In doing so, it will continually work to build trust and respect, as well as ensuring that key stakeholders are informed in a timely, open and transparent manner.

The Company will maintain a clear and concise approach to consultation and negotiations with landholders, adhere to acceptable protocols that are endorsed by local community representatives and establish mutually beneficial long term relationships, employment and contracting opportunities as part of a culturally aware workplace.

### Key Risks

The key Risks for the BSOPP are set out in the comprehensive list published on pages 65-72 in Prospectus lodged with the ASX on 21 May 2020.

### ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Recommendations).

The Board considers that, due to the Company's size and nature, the current Board composition and structure is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's Corporate Governance Statement is available on the Company's website at [www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)



## COMPANY SUMMARY

### Comprehensive BSOPP Key Construction Approvals Obtained

Legislation	Nature of Approval	Approval Status
<b>Environmental Protection Act 1986</b>	Part IV - EPA Approval (early works)	Secured May 2018
	Part IV - EPA Approval (full project)	EPA recommended approval April 2019. Ministerial Statement June 2019.
	Tecticornia Monitoring and Management Plan	Secured September 2019
	Compliance Assessment Plan	Secured July 2019
	Part V - Works Approval – Pilot Scale Evaporation Ponds	Secured August 2019
	Part V - Works Approval Amendment; Evaporation Ponds (full project)	Secured January 2016
	Part V – Works Approval - Waste Water Treatment Plant / Sewage	Secured October 2018
	Part V - Works Approval; Landfill	Secured June 2019
<b>Mining Act 1978</b>	POW - Exploration Proposal – Pilot Ponds & Infrastructure	Secured April 2016
	POW - Camp upgrade and communication towers	Secured July 2018
	Mining Proposal and Closure Plan – Camp, Workshop and Comms Tower (early works)	Secured August 2018
	Mining Proposal and Closure Plan (full project)	Secured September 2019
<b>Mines Safety and Inspection Act 1994</b>	Registration of Exploration Manager and nominated site safety representatives	Completed August 2015
	Registration of Construction Manager, Electrical Supervisor, Site Manager	Completed May 2019
	Project Management Plan (early works)	Secured February 2018
	Project Management Plan (full project)	Secured February 2019
<b>Rights in Water and Irrigation Act 1914</b>	26D Bore construction (early works)	Secured June 2015
	5C Licence for 1.5Glp pilot works (early works)	Secured August 2016
	5C licences for production (brine) and supply (fresh) bores (full project)	Secured July 2019
	26D Licence for production (brine) and supply (fresh) bores construction (full project)	Secured June 2019
<b>Environment Protection and Biodiversity Conservation Act 1999</b>	EPBC Act approval	Secured January 2019
	Night Parrot Management Plan	Secured July 2019
	Groundwater Monitoring and Management Plan	Secured June 2019
<b>Native Title Act 1993</b>	Mining Land Access Agreements	Secured March 2016 Gingirana Secured January 2018 MNR
<b>Aboriginal Heritage Act 1972</b>	Exploration Heritage Agreements	Secured March 2015
	Heritage Surveys	Completed during 2015/16/18/19
	Excess Tonnage Consent Letter	Secured December 2015
	Section 18 Clearance	Not required for the BSOPP
	Cultural Heritage Management Plans	Secured March 2016 Gingirana Secured January 2018 MNR
<b>Petroleum Pipelines Act 1969</b>	Pipeline Licence to Construct	Secured November 2018
	Construction Safety Case – Gas Pipeline Construction	Secured September 2019
<b>Health (Miscellaneous Provisions) Act 1911</b>	Approval to construct or install an apparatus for sewage treatment	Secured September 2018
	Certificate of Construction – Permit to Use (sewage)	Secured September 2019
<b>Main Roads Act 1930</b>	Great Northern Hwy Intersection Approval	Secured April 2019
<b>Building Act 2011</b>	Shire Building Permit for Camp	Secured July 2019
<b>Dangerous Goods Safety Act 2004</b>	Dangerous Goods Site Licence	Secured October 2019
<b>Medicines and Poisons Act 2014</b>	Poisons Permit (For Site Medic)	Secured November 2019

## Beyondie Sulphate Of Potash Project - Tenement Interests

Tenement	Name	Holder	State	Status	Grant Date	Interest
<b>Exploration Licences</b>						
E69/3306	Yanneri-Terminal	KLP	WA	Granted	17-3-2015	100%
E69/3309	10 Mile Beyondie-	KLP	WA	Granted	17-4-2015	100%
E69/3339	West Central	KLP	WA	Granted	22-6-2015	100%
E69/3340	White	KLP	WA	Granted	22-6-2015	100%
E69/3341	West Yanneri	KLP	WA	Granted	11-8-2015	100%
E69/3342	Aerodrome	KLP	WA	Granted	22-6-2015	100%
E69/3343	T Junction	KLP	WA	Granted	22-5-2015	100%
E69/3344	Northern	KLP	WA	Granted	22-5-2015	100%
E69/3345	Wilderness	KLP	WA	Granted	22-5-2015	100%
E69/3346	NE Beyondie	KLP	WA	Granted	11-8-2015	100%
E69/3347	10 Mile South	KLP	WA	Granted	11-8-2015	100%
E69/3348	North Yanneri-Terminal	KLP	WA	Granted	11-8-2015	100%
E69/3349	East Central	KLP	WA	Granted	22-6-2015	100%
E69/3351	Sunshine	KLP	WA	Granted	31-8-2015	100%
E69/3352	Beyondie Infrastructure	KLP	WA	Granted	31-8-2015	100%
E69/3594	10 Mile West	KLP	WA	Granted	26-07-2019	100%
<b>Miscellaneous Licences</b>						
L52/162	Access Road	KLI	WA	Granted	30-3-2016	100%
L52/186	G N Hwy Access Road	KLI	WA	Granted	30-5-2018	100%
L52/187	Comms Tower 2	KLI	WA	Granted	30-5-2018	100%
L52/193	Kumarina FW 2	KLP	WA	Granted	13-8-2018	100%
L69/28	Access Road Diversion	KLI	WA	Granted	7-8-2018	100%
L69/29	Access Road Village	KLI	WA	Granted	7-8-2018	100%
L69/30	Comms Tower 1	KLI	WA	Granted	30-5-2018	100%
L69/31	Sunshine Access Road	KLP	WA	Granted	7-8-2018	100%
L69/32	10MS FW A	KLP	WA	Granted	14-8-2018	100%
L69/34	10MS FW B	KLP	WA	Granted	14-8-2018	100%
L69/35	10MS FW C	KLP	WA	Granted	17-12-2018	100%
L69/36	10MS FW D	KLP	WA	Granted	17-12-2018	100%
L69/38	Access Road "S" Bend	KLI	WA	Granted	30-1-2019	100%
L69/40	10 Mile Airstrip	KLI	WA	Granted	8-2-2019	100%
L69/41	10 Mile Village	KLI	WA	Granted	8-2-2019	100%
<b>Mining Licences</b>						
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%
M69/146	Sunshine	KLP	WA	Granted	6-6-2018	100%
<b>Gas Pipeline</b>						
PL117	Gas Pipeline	KLI	WA	Granted	7-11-2018	100%

Note: Kalium Lakes Potash Pty Ltd (KLP) and Kalium Lakes Infrastructure Pty Ltd (KLI) are wholly owned subsidiaries of Kalium Lakes Limited (KLL).



## COMPANY SUMMARY

### Annual Mineral Resources and Ore Reserves Statement - Resources Tables as at 8 October 2020

#### JORC / CIM Resources: Beyondie Sulphate of Potash Project

JORC / CIM Resource	Drainable Brine Volume (M m <sup>3</sup> )	K Grade (mg/L)	K (Mt)	So <sub>4</sub> (Mt)	Mg (Mt)	Drainable Brine Volume SOP (Mt)	Total Brine Volume SOP (Mt)
Measured Resource	353	5,489	1.93	5.83	1.99	4.32	11.35
Indicated Resource	1,048	5,647	5.92	17.12	5.64	13.19	41.43
Combined Measured and Indicated	1,401	5,607	7.85	22.95	7.63	17.51	52.78
Inferred Resource	988	6,309	6.24	19.02	5.85	13.91	99.57
Total Mineral Resource	2,389	5,897	14.09	41.97	13.48	31.42	152.35
Exploration Target <sup>^</sup>	919 - 2,937	1,800 - 3,300	1.6 - 9.8	5.1 - 26.8	1.9 - 10.9	3.7 - 21.7	44 - 243

<sup>^</sup> The BSOPP Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource for the Exploration Target. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource.

\* SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Note errors are due to rounding.



## Annual Mineral Resources and Ore Reserves Statement - Resources Tables as at 8 October 2020

Aquifer Type	Volume (10 <sup>6</sup> m <sup>3</sup> )	Total Porosity (-)	Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	Specific Yield (-)	Drainable Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	K Grade (mg/L)	K Mass (Mt)	SO <sub>4</sub> Grade (mg/L)	SO <sub>4</sub> Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m <sup>3</sup> )	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
<b>Measured Mineral Resources</b>													
Lake Surface Sediments	221	0.47	104	0.17	38	7,142	0.27	19,764	0.75	6,667	0.25	15.93	0.61
Alluvium	251	0.31	78	0.12	30	3,125	0.09	10,556	0.32	4,379	0.13	6.97	0.21
Palaeovalley Clay	833	0.36	300	0.06	50	4,491	0.22	14,350	0.72	4,109	0.21	10.01	0.50
Sand and Silcrete	203	0.32	65	0.21	43	5,306	0.23	16,562	0.71	4,905	0.21	11.83	0.51
Fractured and Weathered Sandstone	1,423	0.16	228	0.08	114	6,148	0.70	18,832	2.15	6,532	0.74	13.71	1.56
Fractured / Weathered Bedrock	782	0.24	188	0.10	78	5,368	0.42	15,150	1.18	5,817	0.45	11.97	0.93
<b>Total Resources</b>	<b>3,713</b>		<b>963</b>		<b>353</b>	<b>5,489</b>	<b>1.93</b>	<b>16,504</b>	<b>5.83</b>	<b>5,664</b>	<b>1.99</b>	<b>12.24</b>	<b>4.32</b>

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

<b>Indicated Mineral Resources (inclusive of the ore reserves)</b>													
Lake Surface Sediments	651	0.46	299	0.12	78	7,379	0.58	20,972	1.64	6,521	0.51	16.46	1.28
Alluvium	1,542	0.34	524	0.12	185	4,520	0.84	13,159	2.43	4,068	0.75	10.08	1.86
Palaeovalley Clay	1,455	0.34	495	0.07	102	5,711	0.58	16,577	1.69	5,370	0.55	12.74	1.30
Sand and Silcrete	273	0.32	87	0.21	57	4,811	0.27	14,110	0.80	4,298	0.24	10.73	0.61
Fractured and Weathered Sandstone	4,859	0.16	777	0.08	389	5,960	2.32	17,064	6.64	6,107	2.38	13.29	5.17
Fractured / Weathered Bedrock	4,745	0.23	1,091	0.05	237	5,617	1.33	16,549	3.92	5,113	1.21	12.53	2.97
<b>Total Resources</b>	<b>13,525</b>		<b>3,273</b>		<b>1048</b>	<b>5,647</b>	<b>5.92</b>	<b>16,341</b>	<b>17.12</b>	<b>5,383</b>	<b>5.64</b>	<b>12.59</b>	<b>13.19</b>

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

<b>Inferred Mineral Resources</b>													
Lake Surface Sediments	N/A	N/A	N/A	N/A	80	5,373	0.43	16,986	1.36	3,632	0.29	11.97	0.96
Alluvium	272	0.47	128	0.13	35	11,735	0.41	31,405	1.10	7,969	0.28	26.17	0.92
Palaeovalley Clay	1,352	0.43	581	0.11	149	5,884	0.88	17,939	2.67	5,899	0.88	13.12	1.96
Sand and Silcrete	14,508	0.35	5,078	0.03	435	5,898	2.57	17,929	7.80	6,171	2.68	13.15	5.72
Fractured and Weathered Sandstone	608	0.31	188	0.21	128	5,435	0.70	16,611	2.13	5,569	0.71	12.12	1.55
Fractured / Weathered Bedrock	5,350	0.21	1,124	0.03	161	7,791	1.25	24,625	3.96	6,263	1.01	17.37	2.80
<b>Total Resources</b>	<b>22,090</b>		<b>7,099</b>		<b>988</b>	<b>6,309</b>	<b>6.24</b>	<b>19,252</b>	<b>19.02</b>	<b>5,925</b>	<b>5.85</b>	<b>14.07</b>	<b>13.91</b>

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

Geological Layer	Maximum Thickness (m)	Coverage (km <sup>2</sup> )	Sediment Volume (10 <sup>6</sup> m <sup>3</sup> )	Total Porosity (-)	Total Stored Brine (10 <sup>6</sup> m <sup>3</sup> )	Specific Yield (-)	Drainable Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	K Grade (mg/L)	K Mass (Mt)	SO <sub>4</sub> Grade (mg/L)	SO <sub>4</sub> Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
<b>Exploration Target *</b>														
Alluvium	6	157	942	0.4	377	0.10	94	2,000	0.2	6,100	0.6	2,300	0.2	0.4
Palaeovalley Clay	20	1,148	22,960	0.45	10,332	0.03	689	1,800	1.2	5,500	3.8	2,100	1.4	2.8
Basal Sands	7	108	756	0.35	265	0.18	136	1,600	0.2	5,000	0.7	1,900	0.3	0.5
<b>Total</b>					<b>10,974</b>		<b>919</b>	<b>1,800</b>	<b>1.6</b>		<b>5.1</b>		<b>1.9</b>	<b>3.7</b>
Alluvium	12	157	1,884	0.5	942	0.18	339	3,500	1.2	9,600	3.3	3,900	1.3	2.6
Palaeovalley Clay	50	1,148	57,400	0.55	31,570	0.04	2,296	3,300	7.6	9,100	20.9	3,700	8.5	16.9
Palaeochannel Sand	10	108	1,080	0.45	486	0.28	302	3,200	1.0	8,700	2.6	3,500	1.1	2.2
<b>Total</b>					<b>32,998</b>		<b>2,937</b>	<b>3,300</b>	<b>9.8</b>		<b>26.8</b>		<b>10.9</b>	<b>21.7</b>

The BSOPP Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource for the Exploration Target. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource. Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

## COMPANY SUMMARY

### Proved Ore Reserves

Aquifer Type	Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	K (mg/L)	K Mass (Mt)	SO <sub>4</sub> (mg/L)	SO <sub>4</sub> Mass (Mt)	SOP Grade (kg/m <sup>3</sup> )	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
Production Bores	119	6,207	0.74	17,945	2.14	13.83	1.65
<b>Total Proved Reserve</b>	<b>119</b>	<b>6,207</b>	<b>0.74</b>	<b>17,945</b>	<b>2.14</b>	<b>13.83</b>	<b>1.65</b>

Note: Errors are due to rounding.

### Probable Ore Reserves

Aquifer Type	Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	K (mg/L)	K Mass (Mt)	SO <sub>4</sub> (mg/L)	SO <sub>4</sub> Mass (Mt)	SOP Grade (kg/m <sup>3</sup> )	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
Lake Surface Sediments	212	4,755	1.01	13,669	2.90	10.60	2.25
Production Bores	83	6,713	0.56	18,867	1.56	14.96	1.24
<b>Total Probable Reserve</b>	<b>295</b>	<b>5,306</b>	<b>1.57</b>	<b>15,129</b>	<b>4.46</b>	<b>11.82</b>	<b>3.49</b>

Note: Errors are due to rounding.

### Ore Reserves Summary

Level	Drainable Brine Volume (10 <sup>6</sup> m <sup>3</sup> )	K Grade (mg/l)	K (Mt)	SO <sub>4</sub> (Mt)	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
Proved Ore Reserve	119	6,207	0.74	2.14	1.65
Probable Ore Reserve	295	5,306	1.57	4.46	3.49
<b>Total Ore Reserve</b>	<b>414</b>	<b>5,565</b>	<b>2.30</b>	<b>6.60</b>	<b>5.13</b>

### Compliance Statement and Competent Persons Statements

The information in this ASX announcement that relates to Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Thomas Schicht, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1077) and Anke Schindler, a Competent Person who is a Member of a RPO, the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1152). The potential quantity and grade of the Exploration Targets is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource in relation to such Exploration Targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Certain information in this document is extracted from the report titled "TECHNICAL REPORT FOR THE BEYONDIE POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 Technical Report – Bankable Feasibility Study" dated 17 September 2018 and the ASX announcements

titled "Lower Operating Cost and Increased Production for BSOPP" dated 4 March 2019 and "Major Maiden Ten mile West Resources" dated 1 July 2020, that relates to Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves and is based on and fairly represents information and supporting documentation compiled by Thomas Schicht and Anke Schindler. Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Ore Reserve Estimates or Exploration Targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Thomas Schicht and Anke Schindler are full-term employees of K-UTEC AG Salt Technologies (K-UTEC). K-UTEC, Thomas Schicht and Anke Schindler are not associates or affiliates of Kalium Lakes or any of its affiliates. K-UTEC has received a fee for their report in accordance with normal professional consulting



practices. This fee is not contingent on the conclusions of their report and K-UTEC, Thomas Schicht and Anke Schindler will receive no other benefit for the preparation of their report. Thomas Schicht and Anke Schindler do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the Beyondie Potash Project. K-UTEC does not have, at the date of their report, and has not had within the previous years, any shareholding in or other relationship with Kalium Lakes or the Beyondie Potash Project and consequently considers itself to be independent of Kalium Lakes.

Thomas Schicht and Anke Schindler have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Thomas Schicht and Anke Schindler consent to the inclusion in this document of the matters based on their information in the form and context in which it appears.

#### Forward looking statements

Certain information in this document refers to the intentions of Kalium Lakes, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Kalium Lakes' actual results, performance or achievements to differ from those referred to in this document. Accordingly Kalium Lakes and its affiliates and their directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of these events referred to in the document will actually occur as contemplated.

Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, revenue, exchange rates, potential growth of Kalium Lakes, industry growth or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Kalium Lakes. Actual results, performance, actions and developments of Kalium Lakes may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, Kalium Lakes and any of its affiliates and their directors, officers, employees, agents, associates and advisers:

- ▶ disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumption;
- ▶ do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- ▶ disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).



## COMPANY SUMMARY

### Other Potential Future Potash Prospects

#### Dora / Blanche (100% Owned)

The Company has applied for exploration licences that could, if granted, introduce a new prospective area, the Dora/Blanche Prospect, for potassium exploration.

#### Carnegie Potash Project - Joint Venture

The Carnegie Joint Venture (CJV) is considering the exploration and development of the Carnegie Potash Project (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna. The CJV comprises one granted exploration licence (E38/2995) and five (5) exploration licence applications (E38/2973, E38/2928, E38/3297, E38/5296 and E38/3295) covering a total area of approximately 3,040 square kilometres.

The CJV is a Joint Venture between Kalium Lakes (KLL, 70% Interest) and BCI Minerals (BCI, 30% interest). Under the terms of the agreement BCI can earn up to a 50% interest in the CJV by predominantly sole-funding exploration and development expenditure across several stages. KLL is the manager of the CJV.

### Tenement Interests – Dora / Blanche / Carnegie Potash Prospects (as at 30 September 2020)

Tenement	Name	Holder	State	Status	Grant Date	Interest
<b>Dora / Blanche</b>						
E45/4436	Dora	Rachlan	WA	Application	-	100%
E45/4437	Blanche	Rachlan	WA	Application	-	100%
<b>Carnegie</b>						
E38/2995	Carnegie East	KLP	WA	Granted	31-7-2015	70%
E38/2973	Carnegie Central	Rachlan	WA	Application	-	70%
E38/2982	Carnegie West	Rachlan	WA	Application	-	70%
E38/3295	Carnegie South West	KLP	WA	Application	-	70%
E38/3296	Carnegie South East	KLP	WA	Application	-	70%
E38/3297	Carnegie North	KLP	WA	Application	-	70%
E38/3547	Burnside	KLP	WA	Application	-	70%

*Note: Kalium Lakes Potash Pty Ltd (KLP) entered into a declaration of trust with Rachlan Holdings Pty Ltd (Rachlan) where Rachlan will hold for the benefit of KLP certain exploration licence applications and deal with the applications as directed by KLP (including transferring title).*





## Carnegie Potash Project - Resources Tables (as at 8 October 2020)

Geological Layer	Maximum Thickness (m)	Coverage (km <sup>2</sup> )	Sediment Volume (10 <sup>6</sup> m <sup>3</sup> )	Total Porosity (P)	Total Stored Brine (10 <sup>6</sup> m <sup>3</sup> )	Specific Yield (-)	Drainable Brine (10 <sup>6</sup> m <sup>3</sup> )	K Grade (mg/L)	K Mass (Mt)	SO <sub>4</sub> Grade (mg/L)	SO <sub>4</sub> Mass (Mt)	K <sub>2</sub> SO <sub>4</sub> Mass (Mt)
<b>Inferred Mineral Resources</b>												
Lake Sediments	10	108	1,080	0.45	486	0.28	302	3,200	1.0	8,700	2.6	2.2
<b>Exploration Target*</b>												
Alluvium	7	278	1,948	0.35	682	0.05	88	3,500	0.31	12,963	1.14	0.68
Clays	40	287	11,471	0.40	4,589	0.03	287	3,400	0.98	12,593	3.61	2.17
Basal Sands	7	80	557	0.28	156	0.15	84	3,300	0.28	12,222	1.02	0.61
<b>Total</b>					<b>5,427</b>		<b>459</b>	<b>3,410</b>	<b>1.57</b>		<b>5.77</b>	<b>3.46</b>
Alluvium	12	561	6,727	0.40	2,691	0.14	377	3,500	1.32	12,963	5.00	2.94
Clays	60	287	17,207	0.45	7,743	0.06	465	3,400	1.58	12,593	5.85	3.52
Basal Sands	17	80	1,353	0.35	474	0.25	118	3,300	0.39	12,222	1.45	0.87
<b>Total</b>					<b>10,908</b>		<b>960</b>	<b>3,420</b>	<b>3.29</b>		<b>12.30</b>	<b>7.33</b>

\*The Carnegie Potash Project "Exploration Target" is based on a number of assumptions and limitations and is conceptual in nature. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource or that the Exploration Target will add to the economics of the Carnegie Potash Project.

### Forward-Looking Information

Certain information in this document refers to the intentions of Kalium Lakes, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Kalium Lakes' actual results, performance or achievements to differ from those referred to in this document. Accordingly Kalium Lakes and its affiliates and its directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of these events referred to in the document will actually occur as contemplated.

Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, revenue, exchange rates, potential growth of Kalium Lakes, industry growth or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. These statements relate to future

events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Kalium Lakes. Actual results, performance, actions and developments of Kalium Lakes may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, Kalium Lakes and any of its affiliates and their directors, officers, employees, agents, associates and advisers:

- ▶ disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumption;
- ▶ do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- ▶ disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence.



## COMPANY SUMMARY

### Compliance Statement

The information in this document is extracted from the report titled “CARNEGIE POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 TECHNICAL REPORT” and dated 30 June 2018 (Report), that relates to Exploration Targets, Exploration Results and Mineral Resources and is based on and fairly represents information and supporting documentation compiled by Thomas Schicht, a Competent Person who is a Member of a ‘Recognised Professional Organisation’ (RPO), the European Federation of Geologists, and a registered “European Geologist” (Registration Number 1077) and Anke Penndorf, a Competent Person who is a Member of a RPO, the European Federation of Geologists, and a registered “European Geologist” (Registration Number 1152). Kalium Lakes confirms it is not aware of any new information or data that materially affects the information included in the original announcement regarding the Report and, in the case of estimates of Mineral Resources, which all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed. The potential quantity and grade of the exploration targets is conceptual in nature and there has been insufficient exploration to estimate a mineral resource in relation to such exploration targets and it is uncertain if further exploration will result in the estimation of a mineral resource. Kalium Lakes confirms that the form and context in which the Competent Persons’ findings are presented have not been materially modified from the original announcement regarding the Report.

Thomas Schicht and Anke Penndorf are full-term employees of K-UTEC AG Salt Technologies (K-UTEC). K-UTEC, Thomas Schicht and Anke Penndorf are not associates or affiliates of Kalium Lakes or any of its affiliates. K-UTEC has received a fee for the preparation of the Report in accordance with normal professional

consulting practices. This fee is not contingent on the conclusions of the Report and K-UTEC, Thomas Schicht and Anke Penndorf will receive no other benefit for the preparation of the Report. Thomas Schicht and Anke Penndorf do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to Kalium Lakes and Carnegie Potash Project.

K-UTEC does not have, at the date of the Report, and has not had within the previous years, any shareholding in or other relationship with Kalium Lakes or the Carnegie Potash Project and consequently considers itself to be independent of Kalium Lakes.

Thomas Schicht and Anke Penndorf have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Thomas Schicht and Anke Penndorf consent to the inclusion in the Report of the matters based on their information in the form and context in which it appears.







# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'Company') consisting of Kalium Lakes Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

## Directors

The names of Directors who held office during or since the end of the year:

<b>Stephen Dennis</b>	<b>Non-Executive Chairman</b> (appointed Chairman 20 August 2020)
<b>Brett Hazelden</b>	<b>Managing Director</b> (ceased employment 24 July 2020)
<b>Malcolm Randall</b>	<b>Non-Executive Director</b> (ceased as Chairman 20 August 2020)
<b>Sam Lancuba</b>	<b>Non-Executive Director</b> (appointed 14 October 2020)
<b>Dale Champion</b>	<b>Non-Executive Director</b> (appointed 6 April 2020)
<b>Mark Sawyer</b>	<b>Non-Executive Director</b> (appointed 1 May 2020)
<b>Brent Smoothy</b>	<b>Non-Executive Director</b> (appointed 1 May 2020)
<b>Rudolph van Niekerk</b>	<b>Executive Director</b> (resigned 1 May 2020)





## Directors' Qualifications and Experience

The Directors' qualifications and experience are set out below:



### Stephen Dennis

**Non-Executive Chairman** (appointed Chairman 20 August 2020)

Mr Stephen Dennis (B Com, BLL.B GDipAppFin (FINSIA)), has a career spanning more than 30 years as an experienced and well regarded company director and has been appointed on a number of senior boards in the Australian and international resources sector.

Mr Dennis was the Managing Director and Chief Executive Officer of CBH Resources Limited and is currently the non-executive chairman of several ASX listed resource companies.

Mr Dennis has also held senior operational and commercial positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.

**Other current Directorships:** Rox Resources Limited, LeadFX Limited, EHR Resources Limited, Heron Resources, Graphex Limited

**Former Directorships (last 3 years):** Nil

**Interest in shares:** 1,333,334 (as at the date of this report)

**Interest in options:** Nil (as at the date of this report)



### Malcolm Randall

**Non-Executive Director** (ceased as Chairman 20 August 2020)

Mr Malcolm Randall, (Dip. Applied Chem, Fellow of the Australian Institute of Company Director), has more than 45 years' of extensive experience in corporate, management and marketing in the resources sector, including more than 25 years with the Rio Tinto group of companies. His experience has covered a diverse range of commodities including iron ore, base metals, uranium, mineral sands and coal. Mr Randall has held the position of chairman and director of a number of ASX listed companies.

**Other current Directorships:** Ora Gold Limited, Magnetite Mines Limited, Argosy Minerals Limited, Hastings Technology Metals Limited

**Former Directorships (last 3 years):** Summit Resources

**Interest in shares:** 3,342,363 (as at the date of this report)

**Interest in options:** Nil (as at the date of this report)

## DIRECTORS' REPORT



### Dale Champion

**Non-Executive Director** (appointed 6 April 2020)

Dale Champion's (Bachelor of Business, GAICD) finance career spanned more than 25 years and included extensive experience in institutional and corporate banking, together with structured and international trade finance. Dale established Agrify, a private Australian based advisory firm specialising in agricultural related industries, in 2010.

**Other current Directorships:** Nil

**Former Directorships (last 3 years):** Nil

**Interest in shares:** 3,749,061 (as at the date of this report)

**Interest in options:** Nil (as at the date of this report)



### Mark Sawyer

**Non-Executive Director** (appointed 1 May 2020)

Mark Sawyer (LL.B.) is a co-founder of Greenstone Resources which he founded in 2013 after a successful 16 year career in the resources sector. Prior to establishing Greenstone, Mark was GM and Co-Head Group Business Development at Xstrata plc. Prior to Xstrata, he was a founder and partner at Cutfield Freeman & Co, a boutique advisory firm. Mark is a corporate finance Solicitor by training.

**Other current Directorships:** Heron Resources, Metro Mining Limited

**Former Directorships (last 3 years):** Nil

**Interest in shares:** Nil (as at the date of this report)

**Interest in options:** Nil (as at the date of this report)



### Brent Smoothy

**Non-Executive Director** (appointed 1 May 2020)

Brent Smoothy is a successful business owner controlling multiple companies that undertake pastoral, aviation, logistics, aggregate production and construction activities in Australia. Brent is a co-founder of the Company, who retains pastoral leases in the Central and Eastern Pilbara regions of Western Australia, a broadacre cropping and cattle property in Central Queensland and a helicopter aviation business servicing the pastoral, mining and government sectors.

**Other current Directorships:** Nil

**Former Directorships (last 3 years):** Nil

**Interest in shares:** 81,843,097 (as at the date of this report)

**Interest in options:** 7,300,000 (as at the date of this report)

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## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

The number of meetings for Kalium Lakes Limited held during the year and the number of meetings attended by each Director was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of Meetings Held</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Number of Meetings Attended:</b>				
Malcolm Randall	16	2	1	2
Brett Hazelden	16	-	1	2
Rudolph van Niekerk	13	1	-	-
Stephen Dennis	16	2	1	2
Dale Champion	7	-	-	-
Mark Sawyer	3	-	-	-
Brent Smoothy	3	-	-	-

All Directors were eligible to attend all Board Meetings held.

### SHARE OPTIONS

As at the date of this report the following unlisted options were on issue:

Number under Option	Exercise Price	Expiry date
330,882	\$0.425	29 September 2020
1,000,000	\$0.525	17 May 2021
5,000,000	\$0.3583	30 June 2025
12,218,987	\$0.00	16 June 2023
17,677,493	\$0.00	16 June 2023
1,666,667	\$0.00	16 June 2023
1,000,000	\$0.00	16 June 2022
1,182,639	\$0.55	16 June 2022
1,750,000	\$0.625	16 June 2022

### SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

2,438,203 shares were issued as a result of the exercise of options during the financial year.

There were no options or performance rights exercised into shares subsequent to the reporting date.

## REMUNERATION REPORT (AUDITED)

### Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2020. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Entity.

### Remuneration Policy

The remuneration policy has been designed to align KMP objectives with Shareholders' interests and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board believes that the remuneration policy is appropriate and effective in its ability to attract and retain the best KMP to run and manage the Consolidated Entity, as well as create goal congruence between Directors, Executives and Shareholders.

### Executive Directors and Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for Executive Directors and KMP of the Consolidated Entity was in place for the financial year ended 30 June 2020.

### Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors based on market practices, duties and accountability. Independent external advice is sought when required. The fees paid to Non-Executive Directors are reviewed annually. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting ("AGM") or any other General Meeting of Shareholders. The maximum aggregate amount of fees payable is currently \$500,000.

### Use of Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. The Board did seek external remuneration advice in 2020.

### Remuneration Report Approval at FY2020 AGM

The remuneration report for the year ended 30 June 2020 will be put to shareholders for approval at the Company's AGM. The Company received 86.61% "for" votes on its Remuneration Report for the year ended 30 June 2019.

## DIRECTORS' REPORT

### Share Trading by Directors and Executives

#### **When dealing may occur**

- Subject to additional restriction set out below ("When dealing may not occur"), a Director, the Company Secretary or employee of the Company may deal in the Company securities provided that he or she does not have information that he or she knows, or ought reasonably to know, is inside information in relation to the Company securities.

Prior to any dealing in the Company securities:

- The Chairman must use reasonable endeavours to inform the Managing Director ("MD") or Chief Executive Officer ("CEO") (or if not available another Director):
- A Director (other than the chairperson) and the Company Secretary must use reasonable endeavours to inform the Chairperson (or, if not available, the MD/CEO, or if neither are available another Director):
- The MD/CEO must use reasonable endeavours to inform the Chairperson (or if not available another Director): and
- Senior Managers must inform and receive approval from the MD/CEO (or, if not available the Company Secretary).

#### **When dealing may not occur**

- Dealing must not occur if Directors, the Company Secretary and employees are in possession of price sensitive information, or where the Company is in possession of price sensitive information, or the Company has notified a director, the Company Secretary and employee that they may not buy or sell securities; and
- Directors, the Company Secretary and members of the Executive Team must not (subject to prior written clearance in accordance with clause 3.10 of the Company's Security Trading Policy) buy or sell or otherwise deal in the Company securities within the following periods:
  - the period beginning on 1 January and ending at the close of trading on the day of release of the Company's half yearly financial report to the ASX;
  - the period beginning on 1 July and ending at the close of trading on the day of the release of the Company's Annual Financial Report to the ASX;
  - the period beginning on the date that is four weeks before a prospectus for the offer of equity securities in or other capital raising by the Company; and
  - any other period as the Board of Directors of the Company may decide, ("Closed Period").



### A. Details of Remuneration

		Short-term benefits	Post-employment benefits	Share-based payments		
	Year	Cash salary, bonuses <sup>7</sup> , leave cash out and other benefits \$	Superannuation \$	Equity-settled shares \$	Equity-settled options \$	Total \$
<b>Non-Executive Directors</b>						
Malcolm Randall	2020	88,699	8,426	-	-	97,125
	2019	65,000	6,175	-	-	71,175
Brendan O'Hara <sup>1</sup>	2020	-	-	-	-	-
	2019	39,583	3,761	-	-	43,344
Stephen Dennis <sup>2</sup>	2020	64,132	6,093	-	-	70,225
	2019	8,840	840	-	-	9,680
Brent Smoothy <sup>4</sup>	2020	7,917	752	-	-	8,669
	2019	-	-	-	-	-
Dale Champion <sup>3</sup>	2020	11,875	1,128	-	-	13,003
	2019	-	-	-	-	-
Mark Sawyer <sup>5</sup>	2020	7,917	-	-	-	7,917
	2019	-	-	-	-	-
<b>Executive Directors</b>						
Brett Hazelden <sup>10</sup>	2020	375,962	21,003	-	-	396,965
	2019	290,000	25,254	-	-	315,254
<b>Key Management Personnel</b>						
Rudolph van Niekerk <sup>6&amp;10</sup>	2020	343,844	21,003	-	-	364,847
	2019	267,366	25,000	-	-	292,366
Chris Achurch <sup>9</sup>	2020	189,132	17,968	-	43,887 <sup>8</sup>	250,987
	2019	165,000	15,675	-	115,659	296,334
<b>Total</b>	<b>2020</b>	<b>1,089,478</b>	<b>76,373</b>	<b>-</b>	<b>43,887</b>	<b>1,209,738</b>
<b>Total</b>	<b>2019</b>	<b>835,789</b>	<b>76,705</b>	<b>-</b>	<b>115,659</b>	<b>1,028,153</b>

<sup>1</sup> Brendan O'Hara resigned as Director on 26 April 2019

<sup>2</sup> Stephen Dennis was appointed as Director on 26 April 2019

<sup>3</sup> Dale Champion was appointed as Director 6 April 2020

<sup>4</sup> Brent Smoothy was appointed as Director 1 May 2020

<sup>5</sup> Mark Sawyer was appointed as Director 1 May 2020

<sup>6</sup> Rudolph van Niekerk resigned as Director on 1 May 2020

<sup>7</sup> Bonuses of \$85,000 were paid during the period

<sup>8</sup> On 17 May 2018 1,000,000 options with an 18-month vesting period and a total value of \$173,488 were issued to the Chief Financial Officer. The amount recognised in this financial year is a representation of the vesting period elapsed during the reporting period.

<sup>9</sup> Chris Achurch provided his 3 month notice period on 30 April 2020. At the date of this report, Mr Achurch continues as CFO on a contract basis and has agreed to do so until a suitable replacement is appointed.

<sup>10</sup> On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

## DIRECTORS' REPORT

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<b>Non-Executive Directors</b>						
Malcolm Randall	85%	100%	15%	0%	0%	0%
Brendan O'Hara	0%	100%	0%	0%	0%	0%
Stephen Dennis	86%	100%	14%	0%	0%	0%
Brent Smoothy	100%	100%	0%	0%	0%	0%
Dale Champion	100%	100%	0%	0%	0%	0%
Mark Sawyer	100%	100%	0%	0%	0%	0%
<b>Executive Directors</b>						
Brett Hazelden	94%	100%	6%	0%	0%	0%
<b>Key Management Personnel</b>						
Rudolph van Niekerk	93%	100%	7%	0%	0%	0%
Chris Achurch	79%	61%	4%	0%	17%	39%

### B. Service Agreements

The Company has entered into executive service agreements with the Managing Director, Chief Development Officer and Chief Financial Officer as detailed below:

Brett Hazelden in respect to his employment as the Managing Director of the Company. The principal terms are as follows:

- An annual salary of \$320,000 excluding superannuation for the financial year ended 30 June 2020;
- Brett may terminate the agreement by giving 6 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 12 months' notice in writing to Brett (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Brett, in which case no notice is required). During this 12-month period, Brett cannot seek alternative employment, unless permission is granted by the Board; and
- If Brett's employment ends due to the position being made redundant, Brett will be entitled to a minimum of 12 months of base salary.

As disclosed at events subsequent to reporting date, on 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

Rudolph van Niekerk in respect to his employment as the Chief Development Officer of the Company. The principal terms are as follows:

- An annual salary of \$300,000 excluding superannuation for the financial year ended 30 June 2020;
- Rudolph may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Rudolph (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Rudolph, in which case no notice is required); and
- Rudolph is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer on 24 July 2020.

Chris Achurch in respect to his employment as the Chief Financial Officer of the Company. The principal terms are as follows:

- An annual salary of \$180,000 excluding superannuation for the financial year ended 30 June 2020;
- Chris may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Chris (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Chris, in which case no notice is required);
- If Chris's employment ends due to the position being made redundant, Chris will be entitled to a minimum of 6 months of base salary; and
- Chris is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

### C. Share Based Compensation

#### *Issue of shares*

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

#### *Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year of future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per option
Chris Achurch	1,000,000 <sup>1</sup>	17/05/18	15/11/19	17/05/21	\$0.525	\$0.173

<sup>1</sup> On 17 May 2018 1,000,000 options with an 18-month vesting period and a total value of \$173,488 were issued to the Chief Financial Officer. The amount recognised in this financial year is a representation of the vesting period elapsed during the reporting period.

There were no options over ordinary shares granted to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

#### Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2020 are summarised below:

	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Revenue	638,559	1,705,960	4,261,759	2,519,040	849,748
EBITDA	(18,146,182)	(11,469,093)	(10,696,683)	(5,917,009)	(3,645,685)
EBIT	(18,892,617)	(11,885,909)	(10,900,473)	(5,952,926)	(3,647,069)
Loss after income tax	(18,892,617)	(11,762,018)	(10,757,324)	(5,889,309)	(3,647,069)
The factors that are considered to affect total shareholders return ("TSR") are summarised below:					
Share price at financial year end (\$)	0.145	0.59	0.54	0.36	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(4.71)	(6.15)	(6.95)	(5.40)	(4.30)



## DIRECTORS' REPORT

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received as part of remuneration	Additions	Disposals /other	Balance at the end of the year
Malcolm Randall	1,513,207	-	1,829,156	-	3,342,363
Stephen Dennis	-	-	1,020,791	-	1,020,791
Brent Smoothy <sup>2</sup>	69,373,129	-	6,666,667	(8,128,187)	67,911,609
Dale Champion <sup>1</sup>	3,749,061	-	-	-	3,749,061
Mark Sawyer <sup>3</sup>	-	-	-	-	-
Brett Hazelden <sup>4</sup>	14,719,066	-	13,669,537	-	28,388,603
Rudolph van Niekerk <sup>4</sup>	3,615,600	-	6,874,896	(1,040,000)	9,450,496
Chris Achurch	2,000	-	35,715	-	37,715
<b>Total</b>	<b>92,972,063</b>	<b>-</b>	<b>30,096,762</b>	<b>(9,168,187)</b>	<b>113,900,638</b>

<sup>1</sup> Dale Champion was appointed as Director on 6 April 2020. Opening shareholding is at date of appointment.

<sup>2</sup> Brent Smoothy was appointed as Director on 1 May 2020. Opening shareholding is at date of appointment.

<sup>3</sup> Mark Sawyer was appointed as Director on 1 May 2020. Opening shareholding is at date of appointment.

<sup>4</sup> On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

#### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Malcolm Randall	2,000,000	-	(2,000,000)	-	-
Stephen Dennis	-	-	-	-	-
Brent Smoothy	-	-	-	-	-
Dale Champion	-	-	-	-	-
Mark Sawyer	-	-	-	-	-
Brett Hazelden	-	-	-	-	-
Rudolph van Niekerk	-	-	-	-	-
Chris Achurch	1,000,000	-	-	-	1,000,000
<b>Total</b>	<b>3,000,000</b>	<b>-</b>	<b>(2,000,000)</b>	<b>-</b>	<b>1,000,000</b>

### *Performance shares holding*

The number of performance shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Malcolm Randall	-	-	-	-	-
Stephen Dennis	-	-	-	-	-
Brent Smoothy <sup>1</sup>	7,300,000	-	-	-	7,300,000
Dale Champion	-	-	-	-	-
Mark Sawyer	-	-	-	-	-
Brett Hazelden <sup>2</sup>	3,150,000	-	(1,050,000)	-	2,100,000
Rudolph van Niekerk <sup>2</sup>	900,000	-	(300,000)	-	600,000
Chris Achurch	-	-	-	-	-
<b>Total</b>	<b>11,350,000</b>	<b>-</b>	<b>(1,350,000)</b>	<b>-</b>	<b>10,000,000</b>

<sup>1</sup> Brent Smoothy was appointed as Director 1 May 2020. Opening holding is at date of appointment.

<sup>2</sup> On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

### *Other transactions with key management personnel and their related parties*

During the financial year, payments for construction services from Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy) of \$4,323,731 were made. The current trade payable balance as at 30 June 2020 was \$2,089,723. On 9 July 2020, the Company issued 13,931,488 shares at \$0.15 in lieu of cash payment for the outstanding invoices owing (\$2,089,723) in respect to construction services provided by Smoothy Cattle Co Pty Ltd.

Payments of \$4,901,101 were made during the financial year to Firm Construction Pty Ltd "FIRM" (under the FIRM contract Smoothy Cattle Co Pty Ltd was awarded the work as sole sub-contractor). No amounts were outstanding and payable at 30 June 2020 to FIRM Construction Pty Ltd.

All transactions were made on normal commercial terms and conditions and at market rates.

**This concludes the remuneration report, which has been audited.**

### **PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity is the exploration and mining of mineral resources.

### **REVIEW OF RESULTS**

The loss after tax for the year ended 30 June 2020 was \$18,892,617 (2019: \$11,762,018 loss).

## DIRECTORS' REPORT

### CORPORATE

- In July 2019:
  - Kalium Lakes received a credit-approved offer of finance from German KfW IPEX-Bank for the US / Euro dollar equivalent of A\$102 million of senior debt funding (KfW IPEX-Bank Debt Facilities) for the development of the Beyondie Sulphate of Potash Project (BSOPP);
  - Kalium Lakes awarded the evaporation pond liner, supply and install contract to Jaylon Environmental Systems Pty Ltd (Jaylon), with the contract including the management of delivery and installation of 1mm HDPE liner for a total of approximately 400ha of evaporation area for the Stage 1 BSOPP 90ktpa SOP facility;
  - the German government advised that its Inter-Ministerial Committee had reached a positive decision on its application for the Euro / US dollar equivalent of approximately A\$50 million of project finance export cover; and
  - Kalium Lakes conducted an institutional placement and an accelerated non-renounceable entitlement offer to raise approximately A\$72 million. The successful completion of Kalium Lakes' institutional placement and the institutional component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer was announced on 26 July 2019.
- In August 2019, the 10 Mile Lake West Exploration Licence (E69/3594) was granted to Kalium Lakes. Kalium Lakes had previously announced (October 2018) that it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenement. In addition that month, the retail component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer was successfully completed, bringing the total raised to approximately \$72 million.
- On 3 October 2019, the Kalium Lakes Board approved the Final Investment Decision for the full development of the BSOPP.
- In October 2019:
  - Kalium Lakes awarded Clarke Energy the contract to design, supply, install and commission of Kalium Lakes' 7.5MW gas fired power station for the BSOPP;
  - the contracts for design, supply and construction of Kalium Lakes fully owned gas lateral pipeline were awarded. The scope of the gas pipeline was divided into three major contracts which include manufacture and supply of the coated line pipe by Edgen Murray, installation of the pipeline by Pipecraft and design, supply and construction of the inlet and delivery stations, as well as the pipeline design by Primero;
  - the contract for construction of the SOP Purification Plant was awarded to G&S Engineering Services Pty Ltd, a wholly owned subsidiary of DRA Global Ltd; and
  - Kalium Lakes received its 2018/19 Research and Development (R&D) Tax Incentive claim, being a total of A\$1,387,425 in R&D tax offsets for the 2018/19 income year for both Australian and approved overseas R&D activities in relation to the BSOPP.
- On 14 November 2019, the Premier of Western Australia, Hon. Mark McGowan MLA, signed off on a Northern Australia Infrastructure Facility loan to assist in developing infrastructure for the BSOPP.
- On 26 November 2019, Kalium Lakes and unlisted, emerging magnesium producer EcoMag Limited, signed a term sheet committing both companies to jointly undertake a feasibility study to evaluate the commercial extraction of magnesium from residual brines produced at the BSOPP, for sale into international speciality chemical markets.
- On 9 December 2019, Kalium Lakes achieved Financial Close following the satisfaction of all required Conditions Precedent under the Project Debt Facilities.
- On 29 January 2020 the Company announced additional assay results from auger holes located in the eastern tenements Resource Area, which comprise Stage 2 of the Project. Importantly, the potassium grades are consistent with results obtained from the same locations two and four years ago.



- On 4 February 2020 the remaining brine analysis results for drill holes were completed at its recently acquired 10 Mile West tenement (E69/3594) at the BSOPP. The assay results continue to demonstrate that the BSOPP has the highest grade potassium brine resource in Australia.
- On 24 February 2020, Kalium Lakes identified a potential cost overrun in respect to the BSOPP and requested a voluntary suspension pending the release of an announcement in respect to an independent review of the Company's capital expenditure costings and contingencies in respect to the BSOPP and future financing requirements.
- Following the completion of an independent cost review, a funding shortfall was quantified and, as a result, Kalium Lakes undertook an equity capital raising to raise A\$61 million through a placement, and a fully underwritten 5 for 7 accelerated non-renounceable entitlement offer at an issue price of A\$0.15 per share.
- On 6 April 2020, Kalium Lakes announced the appointment of Mr Dale Champion as a Non-Executive Director of the Company.
- On 1 May 2020, Kalium Lakes announced the appointment of Mr Brent Smoothy and Mr Mark Sawyer as Non-Executive Directors of the Company. Following the completion of the formal process to appoint Mr Smoothy and Mr Sawyer as Directors, Mr Rudolph van Niekerk advised the Board of his decision to step down from his role as an Executive-Director. Mr van Niekerk, who is a co-founder of Kalium Lakes, continues with the Company in his role as Chief Development Officer.
- On 29 May 2020, the Company announced the successful completion of Kalium Lakes' institutional placement and the institutional component of its 5 for 7 accelerated non-renounceable pro-rata entitlement offer.
- In June 2020:
  - the suspension of trading in the securities of Kalium Lakes Limited ('KLL') was lifted following the release by the Company of an announcement regarding the settlement of the placement and institutional component pursuant to the Company's announcement dated 21 May 2020;
  - the retail component of the 5 for 7 accelerated non-renounceable pro-rata entitlement offer was successfully completed, bringing the total raised before costs to approximately \$61 million;
  - successful on-site commissioning of the recently delivered salt harvester at the BSOPP. The commissioning allows the Company to confirm several operational parameters including salt pavement thickness, harvesting methodology, expected grain size and the estimated time frames to drain the evaporation pond of brine, harvest, refill with brine and recommence salt crystallisation.
  - German engineer and equipment supplier Ebtec GbR (Ebtec) commenced the shipment of specialised equipment for the BSOPP purification plant. This is the first of a total of 10 planned shipments, with the last shipment planned to leave Germany by the end of October 2020. The June shipment includes flotation cells, agitators and cyclones.

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company.

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Consolidated Entity intends to continue its development of the Beyondie Sulphate of Potash Project (BSOPP), of which construction continues as at the date of this report. In addition, the Consolidated Entity will continue to progress the development of the Carnegie Project, in accordance with the terms of the joint venture agreement.

## DIRECTORS' REPORT

### ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

### DIVIDENDS

No dividends were paid during the financial year and no recommendation has been made as to payment of dividends.

### EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- On 1 July 2020, the Company announced to the market the maiden Mineral Resource for Ten Mile West following acquisition of the Ten Mile West tenement and subsequent initial exploration in 2019.
- On 9 July 2020, following shareholder approval the Company issued 13,931,488 shares at \$0.15 in lieu of cash payment for the outstanding invoices owing in respect to construction services provided by Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy).
- On 9 July 2020, following shareholder approval the Company issued 20,305,409 shares to Directors, Officers, and its cornerstone investor at \$0.15 raising approximately \$3 million.
- On 9 July 2020, the Company advised that construction works for its fully owned gas pipeline had commenced on schedule at the Companies Beyondie Sulphate of Potash Project.
- On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.
- On 5 August 2020, the Company announced that the Beyondie Sulphate of Potash Project (BSOPP) was 52% complete and tracking ahead of its updated schedule.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Consolidated Entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

### INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements. The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

## AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

## AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Mal Randall - Chairman  
13 August 2020



## DIRECTORS' REPORT

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of Kalium Lakes Limited (the Company). The Board of Directors has established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council's Principles and Recommendations 3rd edition ("Principles and Recommendations").

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for the Company's corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The Company's corporate governance framework can be viewed on the Company's website: [www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)

# AUDITOR'S INDEPENDENCE DECLARATION



## RSM Australia Partners

Level 32, Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 8 9261 9100  
F +61 8 9261 9111

[www.rsm.com.au](http://www.rsm.com.au)

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

D J WALL  
Partner  
RSM Australia Partners

Perth, Western Australia  
13 August 2020

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# FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Revenue</b>			
Other income	5	638,559	1,705,960
<b>Expenditure</b>			
Accounting fees		(169,724)	(135,214)
Compliance fees		(283,111)	(116,890)
Depreciation		(746,435)	(416,816)
Directors and executive remuneration	27	(1,165,851)	(912,494)
Employee expenses		(3,226,584)	(1,141,245)
Site and exploration expenditure		(6,798,079)	(4,976,077)
Legal fees		(4,616,755)	(1,209,522)
Share based payment expense	6	(243,887)	(2,954,557)
Travel expenses		(357,957)	(441,189)
Other expenses	7	(1,922,793)	(1,163,974)
<b>Loss before tax</b>		<b>(18,892,617)</b>	<b>(11,762,018)</b>
Income tax expense	8	-	-
<b>Net loss for the year from operations</b>		<b>(18,892,617)</b>	<b>(11,762,018)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss		-	-
<b>Total comprehensive loss for the year</b>		<b>(18,892,617)</b>	<b>(11,762,018)</b>
Loss attributable to:			
Owners of the parent		(18,892,617)	(11,762,018)
		<b>(18,892,617)</b>	<b>(11,762,018)</b>
Total comprehensive loss attributable to:			
Owners of the parent		(18,892,617)	(11,762,018)
		<b>(18,892,617)</b>	<b>(11,762,018)</b>
Basic and diluted loss per share (cents)	23	(4.71)	(6.15)

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	54,623,007	15,467,180
Trade and other receivables	10	1,594,745	2,717,996
<b>Total Current Assets</b>		<b>56,217,752</b>	<b>18,185,176</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	6,828,145	2,061,425
Work in progress	12	118,957,531	6,947,206
Mine in development	13	14,754,721	643,725
Right-of-use assets	14	200,541	-
<b>Total Non-Current Assets</b>		<b>140,740,938</b>	<b>9,652,356</b>
<b>Total Assets</b>		<b>196,958,690</b>	<b>27,837,532</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	6,532,453	4,372,422
Provisions	16	208,809	128,429
Lease liabilities	17	105,020	-
<b>Total Current Liabilities</b>		<b>6,846,282</b>	<b>4,500,851</b>
<b>Non-Current Liabilities</b>			
Provisions	18	4,166,074	553,347
Borrowings	19	50,472,783	-
<b>Total Non-Current Liabilities</b>		<b>54,638,857</b>	<b>553,347</b>
<b>Total Liabilities</b>		<b>61,485,139</b>	<b>5,054,198</b>
<b>Net Assets</b>		<b>135,473,551</b>	<b>22,783,334</b>
<b>EQUITY</b>			
Contributed equity	20	179,614,646	53,053,533
Reserves	21	8,271,356	3,249,635
Accumulated losses	22	(52,412,451)	(33,519,834)
<b>Total Equity</b>		<b>135,473,551</b>	<b>22,783,334</b>

The accompanying notes form part of these financial statements.

## FINANCIAL REPORT

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2018</b>	<b>29,265,527</b>	<b>2,170,078</b>	<b>(21,757,816)</b>	<b>9,677,789</b>
Loss for the year	-	-	(11,762,018)	(11,762,018)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(11,762,018)	(11,762,018)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	23,620,913	-	-	23,620,913
Security issue expenses	(1,707,907)	-	-	(1,707,907)
Share based payments	1,875,000	1,079,557	-	2,954,557
<b>Balance at 30 June 2019</b>	<b>53,053,533</b>	<b>3,249,635</b>	<b>(33,519,834)</b>	<b>22,783,334</b>
<b>Balance at 1 July 2019</b>	<b>53,053,533</b>	<b>3,249,635</b>	<b>(33,519,834)</b>	<b>22,783,334</b>
Loss for the year	-	-	(18,892,617)	(18,892,617)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(18,892,617)	(18,892,617)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	133,671,178	-	-	133,671,178
Security issue expenses	(8,103,560)	-	-	(8,103,560)
Share based payments	993,495	5,021,721	-	6,015,216
<b>Balance at 30 June 2020</b>	<b>179,614,646</b>	<b>8,271,356</b>	<b>(52,412,451)</b>	<b>135,473,551</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,491,660	3,994,886
Payments to suppliers and employees		(10,318,880)	(5,180,615)
Payment for site and exploration expenditure		(7,156,038)	(8,250,977)
Payment for mine development		(108,397,268)	(4,500,000)
<b>Net cash used in operating activities</b>	25	<b>(124,380,526)</b>	<b>(13,936,706)</b>
<b>Cash flows from investing activities</b>			
Interest received		362,615	123,462
Payments for property, plant and equipment		(1,791,014)	(303,868)
<b>Net cash used in investing activities</b>		<b>(1,428,399)</b>	<b>(180,406)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		133,671,178	23,620,376
Share issue transaction costs		(7,415,553)	(1,707,370)
Proceeds from borrowings		49,671,280	-
Transaction costs related to borrowings		(10,898,484)	-
Repayment of lease liabilities		(63,669)	-
<b>Net cash provided by financing activities</b>		<b>164,964,752</b>	<b>21,913,006</b>
Net increase in cash and cash equivalents		39,155,827	7,795,894
Cash and cash equivalents at beginning of the financial year		15,467,180	7,671,286
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>54,623,007</b>	<b>15,467,180</b>

The accompanying notes form part of these financial statements.



## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

#### 1. Corporate information

This annual report covers Kalium Lakes Limited (the "Company"), a Company incorporated in Australia, and the entities it controlled at the end of, or during, the year ended 30 June 2020 (the "Consolidated Entity"). The presentation currency of the Consolidated Entity is Australian Dollars ("\$"). A description of the Consolidated Entity's operations is included in the review and results of operations in the Directors' report. The Directors' report is not part of the financial statements. The Company is a for-profit entity limited by shares and incorporated in Australia whose shares are traded under the ASX code "KLL".

#### 2. Significant accounting policies

##### Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity.

##### AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

##### Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019
Operating lease commitments as at 1 July 2019 (AASB 117)	433,750
Accumulated depreciation as at 1 July 2019 (AASB 16)	(123,795)
Right-of-use assets (AASB 16)	<u>309,955</u>
Lease liabilities - current (AASB 16)	(117,837)
Lease liabilities - non-current (AASB 16)	<u>(192,118)</u>
Reduction in opening accumulated losses as at 1 July 2019	<u>-</u>

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### **Historical cost convention**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### **Critical accounting estimates**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 26.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kalium Lakes Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Kalium Lakes Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

#### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Kalium Lakes Limited's functional and presentation currency.

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars 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 at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

#### **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

#### **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### **Exploration, evaluation and development expenditure**

Exploration and evaluation are written off as incurred. The Consolidated Entity's policy is that such costs will only be carried forward when development of the area indicates that recoupment will occur or where activities in the area have reached an advanced stage which permits reasonable assessment of the existence of economically recoverable reserves.

Exploration, evaluation and development costs comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure but do not include general overhead expenditure which has no direct connection with a particular area of interest.

Revenue received from the sale or disposal of product, materials or services during the exploration and evaluation phase of operation is offset against expenditure in respect of the area of interest concerned.



When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Restoration costs arising from exploration activities are provided for at the time of the activities which give rise to the need for restoration.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

#### 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

##### Rehabilitation provision

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The Consolidated Entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Consolidated Entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations could affect the carrying amount of this provision.

##### Mine in development & Work in progress

These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant.

##### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

##### Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### 4. Operating segments

The Consolidated Entity has considered the requirements of AASB 8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Consolidated Entity operates as a single segment being the exploration for and development of minerals in Australia.

The Consolidated Entity is domiciled in Australia. All revenue from external parties is generated from Australia only and all assets are located in Australia only.

	30 June 2020 \$	30 June 2019 \$
<b>5. Other income</b>		
Foreign exchange gain - realised	323,322	35,331
Loss on derivative financial instruments	(151,613)	-
Other income	104,235	159,313
Interest income	362,615	123,891
Research and development tax offset - International	-	281,094
Research and development tax offset - Domestic	-	1,106,331
	<b>638,559</b>	<b>1,705,960</b>

#### Accounting policy:

##### Research and development tax offset

Research and development tax offset revenue is recognised when it is received or when the right to receive payment is established. Revenue is measured at the fair value of the consideration received or receivable.

##### Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.



## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 \$	30 June 2019 \$
<b>6. Share based payment expense</b>		
Unlisted options to executive – vesting over multiple periods <sup>1</sup>	<b>43,887</b>	115,659
Acquisition of tenements (options)	-	963,898
Acquisition of tenements (shares)	-	1,875,000
Issue of shares for services <sup>2</sup>	<b>200,000</b>	-
	<b>243,887</b>	<b>2,954,557</b>

<sup>1</sup> 1,000,000 Options expiring on 17 May 2021 issued to KMP (CFO) in the 2018 financial year, with a fair value of \$173,488 and a vesting period of 18 months. Amount recognised as an expense during the financial year ended 30 June 2020 was \$43,887 (2019: \$115,659). The options fully vested during the financial year ended 30 June 2020.

<sup>2</sup> The Company issued 400,000 shares in August 2019. The fair value per share on grant date was \$0.50 and this resulted in a share-based payment expense of \$200,000.

Other share-based payments which have been capitalised on the Consolidated Statement of Financial Position have been disclosed in notes 20 and 21.

**Accounting policy:****Share based payments**

The Consolidated Entity provides benefits to employees (including Directors and Consultants) of the Consolidated Entity and other service providers or strategic equity partners in the form of share-based payment transactions, whereby employees or other parties render services or provide goods in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing method. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company ("market conditions"). The cost of equity-settled transactions is recognised in the statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects:

- The extent to which the vesting period has expired; and
- The number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. Where shares are issued at a discount to fair value either by reference to the current market price or by virtue of the Consolidated Entity providing financing for the share purchase on favourable terms, the value of the discount is considered a share-based payment. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

	30 June 2020 \$	30 June 2019 \$
<b>7. Other expenses</b>		
Bank charges	4,320	4,245
Insurance	929,833	122,622
Subscriptions and licenses	114,035	16,125
Other consultants	98,707	397,989
Head office and administration	775,898	622,993
	<b>1,922,793</b>	<b>1,163,974</b>

#### 8. Income tax expense

A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

	30 June 2020 \$	30 June 2019 \$
Loss before Income tax	<b>(18,892,617)</b>	<b>(11,762,018)</b>
Prima facie benefit on operating loss at 27.5% (2019: 27.5%)	5,195,470	3,234,555
Non allowable expenditure	(277,895)	(1,195,872)
Unrecognised deferred tax assets attributable to tax losses	<b>(4,917,575)</b>	<b>(2,038,683)</b>
Income tax expenses	-	-
Tax losses available	<b>33,405,913</b>	<b>15,523,825</b>

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$9,186,626 (2019: \$4,269,052) and has not been brought to account at reporting date because the Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss incurred;
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the loss incurred.

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

#### Accounting policy:

##### Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognised for all taxable temporary differences:

- Except for deferred income tax liabilities arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### Goods and services and sales tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.



	30 June 2020 \$	30 June 2019 \$
<b>9. Cash and cash equivalents</b>		
Cash at bank	54,609,507	10,454,090
Cash on deposit	13,500	5,013,090
	<b>54,623,007</b>	<b>15,467,180</b>

**Accounting policy:**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in the bank, and other short-term deposits. Bank overdrafts are shown separately in current liabilities on the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above are net of outstanding bank overdrafts.

	30 June 2020 \$	30 June 2019 \$
<b>10. Trade and other receivables</b>		
GST refundable	946,825	803,095
Prepayments	620,178	419,947
Research and development tax offset	-	1,387,425
Accrued interest	-	26,100
Fuel rebate	27,742	81,429
	<b>1,594,745</b>	<b>2,717,996</b>

**Accounting policy:**

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Allowance for expected credit losses**

The Consolidated Entity has not recognised any loss (2019: \$Nil) in respect of expected credit losses for the year ended 30 June 2020.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 \$	30 June 2019 \$
<b>11. Property, plant and equipment</b>		
<b>Carrying value</b>		
Exploration & mining equipment	2,082,229	1,246,808
Office equipment	49,222	11,181
Motor vehicles	408,734	148,730
Rehabilitation asset	4,166,074	553,347
Computer software	121,886	101,359
	<b>6,828,145</b>	<b>2,061,425</b>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & mining equipment \$	Office equipment \$	Motor Vehicles \$	Leasehold improvements \$	Rehabilitation asset \$	Computer software \$	Total \$
<b>Balance at 1 July 2018</b>	1,482,226	14,321	117,647	6,832	244,378	-	1,865,404
Additions	125,722	4,976	71,811	-	308,969	101,359	612,837
Depreciation expense	(361,140)	(8,116)	(40,728)	(6,832)	-	-	(416,816)
<b>Balance at 30 June 2019</b>	1,246,808	11,181	148,730	-	553,347	101,359	2,061,425
Additions	1,352,764	54,930	334,400	-	3,612,727	48,920	5,403,741
Depreciation expense	(517,343)	(16,889)	(74,396)	-	-	(28,393)	(637,021)
<b>Balance at 30 June 2020</b>	<b>2,082,229</b>	<b>49,222</b>	<b>408,734</b>	<b>-</b>	<b>4,166,074</b>	<b>121,886</b>	<b>6,828,145</b>

### Accounting policy:

#### Property, plant and equipment

Property, plant and equipment is recorded at historical cost less accumulated depreciation and any impairment. The carrying value of assets are reviewed for impairment at the reporting date. An asset is immediately written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount. The depreciation rates per annum for each class of fixed asset are as follows:

Exploration equipment	20%
Office equipment	33%
Motor vehicles	20%
Leasehold improvements	20%
Computer software	20%

Rehabilitation asset and the corresponding provision is undiscounted and has not been depreciated. Depreciation and corresponding finance charges incurred in the unwinding of the provision will be recognised from the commencement of production.

Subsequent expenditure relating to an item of property, plant and equipment, that has already been recognised, is added to the carrying amount of the asset if the recognition criteria are met. All assets are depreciated over their anticipated useful lives, up to their residual values using a straight-line depreciation basis. These useful lives are determined on the day of capitalisation and are re-assessed annually by Management.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

#### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or at least on an annual basis. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amount.

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 \$	30 June 2019 \$
<b>12. Work in progress</b>		
Brine supply and ponds	37,247,365	2,702,415
Purification facility	38,332,187	2,302,125
Village accommodation	8,445,751	1,152,135
Access road	2,872,911	332,621
Gas pipeline & power station	18,166,630	188,080
Owners costs	5,152,390	135,104
Non process infrastructure	7,503,279	-
Other infrastructure	1,237,018	134,726
	<b>118,957,531</b>	<b>6,947,206</b>

	30 June 2020 \$	30 June 2019 \$
<b>13. Mine in development</b>		
Mine in development	14,754,721	643,725
	<b>14,754,721</b>	<b>643,725</b>

#### Accounting policy:

##### Work in progress and Mine in development

When proven mineral reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction within property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied.

The Consolidated Entity may use funds sourced from external parties to finance the acquisition and development of assets and operations. Finance costs are expensed as incurred, except where they relate to the financing of construction or development of qualifying assets. Borrowing costs directly attributable to acquiring or constructing a qualifying asset are capitalised during the development phase. Development expenditure is net of proceeds from the saleable material extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets and depreciation commences.



#### 14. Right-of-use assets

	30 June 2020 \$	30 June 2019 \$
Head office space - right-of-use	309,955	-
Less: Accumulated depreciation	(109,414)	-
	<u>200,541</u>	<u>-</u>

#### Accounting policy:

##### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	30 June 2020 \$	30 June 2019 \$
<b>15. Trade and other payables</b>		
Accounts payable	6,084,266	3,472,370
Derivative financial instruments	151,613	-
Other payables	256,574	21,531
Accrued expenses	40,000	878,521
	<u>6,532,453</u>	<u>4,372,422</u>

#### Accounting policy:

##### Trade and other payables

Trade and other payable amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 \$	30 June 2019 \$
<b>16. Current provisions</b>		
Employee entitlements	208,809	128,429
	<b>208,809</b>	<b>128,429</b>

**Accounting policy:****Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

	30 June 2020 \$	30 June 2019 \$
<b>17. Lease liabilities</b>		
Head office space - lease liabilities	105,020	-
	<b>105,020</b>	<b>-</b>

**Accounting policy:****Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**18. Non-Current provisions**

	30 June 2020 \$	30 June 2019 \$
Opening balance	553,347	-
Additions	3,612,727	553,347
Closing balance	4,166,074	553,347

**Accounting policy:****Provisions**

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

	30 June 2020 \$	30 June 2019 \$
<b>19. Non-Current borrowings</b>		
Loan from KfW	13,467,527	-
Loan from KfW/Euler Hermes	16,603,829	-
Loan from NAIF	19,599,924	-
	49,671,280	-
Interest from KfW	52,695	-
Interest from KfW/Euler Hermes	186,053	-
Interest from NAIF	120,544	-
Commitment fees from KfW/Euler Hermes	442,211	-
	801,503	-
	50,472,783	-

Debt facilities available (All secured and pledged against the assets of the Consolidated Entity):

Lender	Borrower	Facility Limit	Maturity Date
NAIF	Kalium Lakes Infrastructure	AUD\$48,000,000	14 years <sup>1</sup>
NAIF	Kalium Lakes Potash	AUD\$26,000,000	9 years <sup>1</sup>
KfW/Euler Hermes	Kalium Lakes Potash	EURO 32,487,268	9 years <sup>1</sup>
KfW	Kalium Lakes Potash	USD\$37,000,000	9 years <sup>1</sup>

<sup>1</sup> The maturity dates are 14 and 9 years after the first repayment date.

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

The first repayment date means the earlier of:

- a) the date falling six months after the starting point of credit<sup>1</sup>; and
- b) the long stop date<sup>2</sup>

<sup>1</sup> The date of issue of the Provisional Acceptance Certificate by the Borrower in accordance with the EPS Contract.

<sup>2</sup> The date falling 30 months after Financial Close (Financial close was achieved 9 December 2019).

#### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	30 June 2020 \$	30 June 2019 \$
Total facilities		
Bank loans <sup>1</sup>	179,156,779	-
Used at the reporting date		
Bank loans	50,472,783	-
Unused at the reporting date		
Bank loans	128,683,996	-

<sup>1</sup> Converted using AUD-EURO at 0.63 and AUD-USD at 0.69. Total facility available includes principal, commitment fees and interest.

#### Accounting policy:

##### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### 20. Contributed equity

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares – fully paid	802,257,785	238,966,103	179,614,646	53,053,533



*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
<b>Balance</b>	<b>1 Jul 2019</b>	<b>169,793,465</b>		<b>29,265,527</b>
Conversion of performance rights	17 Oct 2018	5,000,000	-	-
Issue of shares for tenement acquisition	26 Oct 2018	5,000,000	0.375	1,875,000
Placement	21 Dec 2018	7,440,179	0.31	2,306,455
Placement	01 Mar 2019	1,612,904	0.31	500,000
Exercise of options	14 Mar 2019	254,110	-	-
Exercise of options	21 Mar 2019	240,017	-	-
Exercise of options	04 Apr 2019	704,036	-	-
Exercise of options	04 Apr 2019	754,326	-	-
Placement	09 Apr 2019	18,904,487	0.44	8,317,974
Exercise of options	19 Apr 2019	861,478	-	-
Placement	23 Apr 2019	28,401,101	0.44	12,496,484
Share issue costs	-	-	-	(1,707,907)
<b>Balance</b>	<b>30 Jun 2019</b>	<b>238,966,103</b>		<b>53,053,533</b>
Placement	02 Aug 2019	76,248,464	0.50	38,124,232
Issue of shares for goods/services <sup>1</sup>	02 Aug 2019	470,000	0.50	235,000
Issue of shares for services <sup>2</sup>	02 Aug 2019	400,000	0.50	200,000
Placement	22 Aug 2019	65,398,806	0.50	32,699,403
Placement	03 Sep 2019	2,444,590	0.50	1,222,295
Exercise of options	07 Oct 2019	1,500,000	0.25	375,000
Placement	18 Nov 2019	500,000	0.50	250,000
Conversion of performance rights	13 Dec 2019	5,000,000	-	-
Exercise of options	13 Dec 2019	938,203	-	-
Placement and entitlement offer	01 Jun 2020	325,226,468	0.15	48,783,970
Entitlement offer	16 Jun 2020	81,441,851	0.15	12,216,278
Issue of shares to contractors <sup>3</sup>	09 Jun 2020	720,000	0.15	108,000
Issue of shares to contractors <sup>3</sup>	09 Jun 2020	666,667	0.15	100,000
Issue of shares to contractors <sup>3</sup>	09 Jun 2020	1,303,300	0.15	195,495
Issue of shares to advisors <sup>4</sup>	09 Jun 2020	1,033,333	0.15	155,000
Share issue costs	-	-	-	(8,103,560)
<b>Balance</b>	<b>30 Jun 2020</b>	<b>802,257,785</b>		<b>179,614,646</b>

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

- <sup>1</sup> Shares issued for goods and services relating to the BSOPP have been capitalised on the Consolidated Statement of Financial Position as non-current assets (270,000 shares at 0.50 cents a share \$135,000). Shares issued for 2 years rent for the operations office has been capitalised on the Consolidated Statement of Financial Position as a reduction in current liabilities (200,000 shares at 0.50 cents a share \$100,000).
- <sup>2</sup> Shares issued to consultants and contractors have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- <sup>3</sup> Shares issued for services relating to the BSOPP have been capitalised on the Consolidated Statement of Financial Position as non-current assets.
- <sup>4</sup> Shares issued to advisors have been capitalised on the Consolidated Statement of Financial Position as equity (share issue costs).

#### Ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### Capital management

Management controls the capital of the Consolidated Entity in order to maintain a capital structure that ensures the lowest cost of capital available to the Consolidated Entity. Management's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders.

#### Accounting policy:

##### Share capital

Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. Accumulated losses include all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date. All transactions with owners of the parent are recorded separately within equity.

## 21. Reserves

	30 June 2020 \$	30 June 2019 \$
Performance rights reserve	1,200,000	1,200,000
Options reserve	7,071,356	2,049,635
	<u>8,271,356</u>	<u>3,249,635</u>

### *Movements in performance rights reserve*

	Number	\$
<b>Balance 1 July 2019</b>	20,000,000	1,200,000
Conversion of performance rights	(5,000,000)	-
<b>Balance at 30 June 2019</b>	<u>15,000,000</u>	<u>1,200,000</u>
Conversion of performance rights	(5,000,000)	-
<b>Balance at 30 June 2020</b>	<u>10,000,000</u>	<u>1,200,000</u>

As at 30 June 2020 10,000,000 performance rights have been converted into shares (total performance rights at grant date 20,000,000). The Company has elected not to transfer the fair value of the performance rights from the performance rights reserve into contributed equity. As at the date of this report, there were no further conversions of performance rights into shares.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020*Movements in options reserve*

	Number	\$
<b>Balance 1 July 2019</b>	11,174,818	970,078
Unlisted options issued in a prior year vesting over multiple periods	-	115,659
Issue of options for tenement acquisition on 26 October 2018	5,000,000	963,898
Exercise of options on 14 March 2019	(550,000)	-
Exercise of options on 21 March 2019	(500,000)	-
Exercise of options on 4 April 2019	(1,400,000)	-
Exercise of options on 4 April 2019	(1,500,000)	-
Exercise of options on 18 April 2019	(1,550,000)	-
<b>Balance at 30 June 2019</b>	10,674,818	2,049,635
Unlisted options issued in a prior year vesting over multiple periods <sup>10</sup>	-	43,887
Exercise of options by Directors on 13 December 2019 <sup>1</sup>	(2,000,000)	-
Exercise of options by Adviser on 16 December 2019 <sup>1</sup>	(1,500,000)	-
Options lapsed on 16 January 2020 <sup>1</sup>	(843,936)	-
Issue of options to contractors on 16 June 2020 <sup>2,8&amp;11</sup>	12,218,987	1,832,848
Issue of options to contractors on 16 June 2020 <sup>3,8&amp;11</sup>	17,677,493	2,651,624
Issue of options to contractors on 16 June 2020 <sup>4,8&amp;11</sup>	1,666,667	250,000
Issue of options to contractors on 16 June 2020 <sup>5,8&amp;11</sup>	1,000,000	150,000
Issue of options to advisors on 16 June 2020 <sup>6&amp;9</sup>	1,182,639	40,160
Issue of options to advisors on 16 June 2020 <sup>7&amp;9</sup>	1,750,000	53,202
<b>Balance at 30 June 2020</b>	41,826,668	7,071,356

<sup>1</sup> The Company has elected not to transfer the fair value from the exercise and lapse of options from the options reserve to contributed equity.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

	Grant date	Expiry date	Share price at grant date	Exercise price	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
<sup>2</sup>	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
<sup>3</sup>	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
<sup>4</sup>	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
<sup>5</sup>	15/05/20	16/06/22	0.15	0.00	100%	0%	0.22%	0.15
<sup>6</sup>	15/05/20	16/06/22	0.15	0.55	100%	0%	0.22%	0.0340
<sup>7</sup>	15/05/20	16/06/22	0.15	0.625	100%	0%	0.22%	0.0304

<sup>8</sup> Options issued to contractors have been capitalised on the Consolidated Statement of Financial Position as non-current assets, within work in progress and mine in development assets.

<sup>9</sup> Options issued to advisors have been capitalised on the Consolidated Statement of Financial Position as equity (share issue costs).

<sup>10</sup> Options issued to key management personnel have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

<sup>11</sup> Probability of vesting conditions being met associated with the options issued to contractors used in the valuation model was 100%.



	30 June 2020 \$	30 June 2019 \$
<b>22. Accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(33,519,834)	(21,757,816)
Loss after income tax expense for the year	(18,892,617)	(11,762,018)
Accumulated losses at the end of the financial year	(52,412,451)	(33,519,834)

	30 June 2020 \$	30 June 2019 \$
<b>23. Earnings/(loss) per share</b>		
Loss after income tax	(18,892,617)	(11,762,018)
Loss after income tax attributable to the owners of Kalium Lakes Limited used in calculating diluted earnings per share	(18,892,617)	(11,762,018)
Basic earnings per share	(4.71)	(6.15)
Diluted earnings per share	(4.71)	(6.15)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	400,814,955	191,370,743

#### Accounting policy:

##### Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. The diluted earnings per share is calculated as net profit or loss attributable to members of the parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The weighted average number of shares was based on the consolidated weighted average number of shares in the reporting period. The net profit or loss attributable to members of the parent is adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 \$	30 June 2019 \$
<b>24. Auditor's remuneration</b>		
Audit and review of the financial report	65,936	40,250
Research and development tax	40,976	53,503
Investigative accountants report	19,943	-
Taxation and technical advice services	75,747	41,461
	<b>202,602</b>	<b>135,214</b>

	30 June 2020 \$	30 June 2019 \$
<b>25. Reconciliation of cashflows from operating activities</b>		
Loss after income tax expense for the year	(18,892,617)	(11,762,018)
Adjustments for:		
Depreciation	746,435	416,816
Share based payment expense	243,887	2,954,557
Interest income	-	(123,462)
Loss on derivative financial instruments	151,613	-
Change in operating assets and liabilities:		
Trade & other receivables	1,086,191	1,512,162
Trade & other payables	2,564,349	656,170
Work in progress	(96,169,388)	(6,947,206)
Mine development	(14,110,996)	(643,725)
Net cash used in operating activities	<b>(124,380,526)</b>	<b>(13,936,706)</b>

## 26. Parent entity information

Set out below is the supplementary information about the parent entity.

	30 June 2020 \$	30 June 2019 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax	(29,629,117)	(11,762,018)
Total comprehensive loss	(29,629,117)	(11,762,018)
<b>Statement of financial position</b>		
Total current assets	6,743,107	16,131,454
Total assets	136,176,199	22,973,133
Total current liabilities	(702,648)	(189,799)
Total liabilities	(702,648)	(189,799)
Net assets	135,473,551	22,783,334

### Guarantees

Kalium Lakes Limited is a guarantor under the KLP Facility Agreement, KLI Facility Agreement, Security Trust Deed, Intercreditor Deed, Working Capital Facility Agreement, and the Offtake Agreement.

### Other Commitments and Contingencies

Kalium Lakes Limited has no other commitments and contingencies.

### Plant and Equipment Commitments

Kalium Lakes Limited has no commitments to acquire property, plant and equipment.

### Significant Accounting Policies

Kalium Lakes Limited accounting policies do not differ from the Consolidated Entity as disclosed in the notes to the financial statements.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

## 27. Key management personnel disclosure

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 June 2020 \$	30 June 2019 \$
Short-term employee benefits	1,089,478	835,789
Post-employment benefits	76,373	76,705
	<b>1,165,851</b>	912,494
Share-based payments	43,887	115,659
	<b>1,209,738</b>	1,028,153

## 28. Related party transactions

## Parent entity

Kalium Lakes Limited is the parent entity.

## Subsidiaries

Interests in subsidiaries are set out in note 30.

## Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

## The following transactions occurred with related parties:

	30 June 2020 \$
Payment for services:	
Payment for employee services from Tanya Hazelden (Director related entity of Brett Hazelden)	90,820
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy)	4,323,731
Payment for construction services from FIRM Construction Pty Ltd <sup>1</sup>	4,901,101

<sup>1</sup> Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) was awarded the sub-contractor works under the FIRM Construction Pty Ltd contract. Amounts paid during the year to FIRM Construction Pty Ltd disclosed above relate to work performed by Smoothy Cattle Co Pty Ltd.



## Receivables from and payables to related parties

30 June  
2020  
\$

Current payables:

Payment for construction services from Smoothy Cattle Co Pty Ltd  
(Director related entity of Brent Smoothy)

2,089,723<sup>1</sup>

<sup>1</sup>On 9 July 2020, the Company issued 13,931,488 shares at \$0.15 in lieu of cash payment for the outstanding invoices owing (\$2,089,723) in respect to construction services provided by Smoothy Cattle Co Pty Ltd.

## Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date

## Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## 29. Financial instruments

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as forward foreign exchange contracts and options to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk. The risks to which the Consolidated Entity is exposed are described below.

### Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Consolidated Entity.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020**Liquidity Risk**

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	30 June 2020 \$	30 June 2019 \$
Unused at the reporting date		
Bank loans <sup>1</sup>	128,683,996	-

<sup>1</sup> Refer to note 19.

**Remaining contractual maturities**

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivates</b>					
<i>Non-interest bearing</i>					
Trade payables	-	6,124,266	-	-	6,124,266
Other payables	-	232,567	-	-	232,567
Lease liability	-	105,020	-	-	105,020
<i>Interest bearing</i>					
Bank loans	3.64%	-	50,472,783 <sup>1</sup>	-	50,472,783 <sup>1</sup>
<b>Total non-derivatives</b>		6,461,853	50,472,783	-	56,934,636
<b>Derivatives</b>					
Forward foreign exchange contracts and options net settled	-	151,613	-	-	151,613
<b>Total derivatives</b>		151,613	-	-	151,613

<sup>1</sup> Refer to note 19.

30 June 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivates</b>					
<i>Non-interest bearing</i>					
Trade payables	-	3,472,370	-	-	3,472,370
Lease liability	-	-	-	-	-
<i>Interest bearing</i>					
Bank loans	-	-	-	-	-
<b>Total non-derivatives</b>		3,472,370	-	-	3,472,370
<b>Derivatives</b>					
Forward foreign exchange contracts net settled	-	-	-	-	-
<b>Total derivatives</b>	-	-	-	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

#### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Consolidated Entity is exposed to interest rate movements through term deposits and online savers at fixed and variable rates of between 0.2% and 2.2% per annum, dependent on market rates on the day of investment and the length of the investment. The following table sets out the variable interest bearing and fixed interest-bearing financial instruments of the Consolidated Entity:

Financial assets	Year end	Variable interest \$	Fixed interest \$
Cash and cash equivalents	30 June 2020	54,623,007	-
Cash and cash equivalents	30 June 2019	10,454,090	5,013,090

The following table illustrates the estimated sensitivity to a 1% increase and decrease to fixed, variable interest rate fluctuations.

Impact on pre-tax profit	Year end	Interest rates +1%	Interest rates - 1%
Cash and cash equivalents	30 June 2020	546,230	(546,230)
Cash and cash equivalents	30 June 2019	154,671	(154,671)

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

The Consolidated Entity is also exposed to interest rate risk arising from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated entity to fair value risk.

The Consolidated Entity's bank loans outstanding, totalling \$50,472,783 (2019: \$Nil), are principal and interest payment loans. An official increase/decrease in interest rates of 100 (2019: 100) basis points would have an adverse/favourable effect on profit before tax of \$504,728 (2019: \$Nil) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. Principal repayments of \$Nil are due during the year ending 30 June 2021.

#### Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Consolidated Entity has entered into forward foreign exchange contracts and options. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

The maturity, settlement amounts and the average contractual exchange rates of the Consolidated Entity's outstanding forward foreign exchange contracts and options at the reporting date were as follows:

	Sell USD dollars		Average exchange rates	
	2020	2019	2020	2019
Buy AUD dollars				
<b>Maturity:</b>				
0-6 months	22,331,111	-	0.690	-
6-12 months	9,204,328	-	0.693	-
	Sell USD dollars		Capped EURO to USD rate	
	2020	2019	2020	2019
Buy Euros <sup>1</sup>				
<b>Maturity:</b>				
0-6 months	15,753,779	-	1.15	-
6-12 months	46,794	-	1.15	-

The amounts in the above table are presented in AUD.

<sup>1</sup>The Company has Euro call options with a cap of 1.15 (Euro to USD).

The Consolidated Entity had net liabilities denominated in foreign currencies in Euro (AUD equivalent \$176,708) and USD (AUD equivalent \$25,521,990) totalling \$25,698,698 (AUD) as at 30 June 2020. Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been \$2,569,870 lower/\$1,284,935 higher and equity would have been \$2,569,870 lower/\$1,284,935 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2020 was \$323,322 (2019: \$35,331).



The Consolidated Entity had net assets denominated in foreign currencies in Euro (AUD equivalent \$41,075) as at 30 June 2019. If the EUR/AUD rates had changed by 10% with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been AUD \$4,107 lower/higher.

## **Accounting Policy**

### **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### **Financial assets at fair value through profit or loss**

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

### **Impairment of financial assets**

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

## FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
- FOR THE YEAR ENDED 30 JUNE 2020

## 30. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in the notes to the financial statements.

	Incorporation	% of Equity Interest	
		30 June 2020 %	30 June 2019 %
Kalium Lakes Potash Pty Ltd	Australia	100	100
Kalium Lakes Infrastructure Pty Ltd	Australia	100	100
Carnegie Potash Pty Ltd	Australia	100	100
Magnesium Lakes Pty Ltd <sup>1</sup>	Australia	100	-

<sup>1</sup> Magnesium Lakes Pty Ltd was incorporated on 9 June 2020. The company was dormant at the reporting date.

## 31. Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities and assets as at 30 June 2020 (2019: Nil).

## 32. Commitments

	30 June 2020 \$	30 June 2019 \$
Committed at the reporting date but not recognised as liabilities, payable:		
Rental, rates and expenditure commitments relating to tenements	1,124,496	2,438,611
Construction of the Beyondie Sulphate of Potash Project (BSOPP)	155,186,218	12,034,097
	<b>156,310,714</b>	<b>14,472,708</b>

### 33. Interests in joint operations

On 1 March 2017, the Consolidated Entity and BC Potash Pty Ltd announced that the companies had entered into a joint operation over Kalium's 100% owned Carnegie Project.

The Carnegie Joint Operation (CJO) is focussed on the exploration and development of the Carnegie Potash Project (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna. The CJO comprises one granted exploration licence and five exploration licence applications, covering a total area of approximately 3,081 square kilometres.

Under the terms of the agreement BC Potash Pty Ltd can earn up to a 50% interest in the CJO by predominantly sole-funding exploration and development expenditure across several stages.

Kalium Lakes Potash Pty Ltd is the manager of the CJO and will leverage its existing Intellectual Property to fast track work. The CJO Companies have endorsed proceeding to a staged Pre-Feasibility Study, with an initial focus on securing tenure and access to all required tenements.

The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Kalium Lakes Limited ownership interest is set out below:

	Incorporation	% of Interest	
		30 June 2020	30 June 2019
		%	%
Carnegie Joint Operation	Australia	70%	70%

## FINANCIAL REPORT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2020

#### 34. Events after reporting date

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- On 1 July 2020, the Company announced to the market the maiden Mineral Resource for Ten Mile West following acquisition of the Ten Mile West tenement and subsequent initial exploration in 2019.
- On 9 July 2020, following shareholder approval the Company issued 13,931,488 shares at \$0.15 in lieu of cash payment for the outstanding invoices owing in respect to construction services provided by Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy).
- On 9 July 2020, following shareholder approval the Company issued 20,305,409 shares to Directors, Officers, and its cornerstone investor at \$0.15 raising approximately \$3 million.
- On 9 July 2020, the Company advised that construction works on its fully owned gas pipeline have commenced on schedule at the Beyondie Sulphate of Potash Project.
- On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.
- On 5 August 2020, the Company announced that the Beyondie Sulphate of Potash Project (BSOPP) was 52% complete and tracking ahead of its updated schedule.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Consolidated Entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.



# DIRECTORS' DECLARATION

The Directors of the Company declare that:

- a. the financial statements and notes are in accordance with the *Corporations Act 2001*;
- b. comply with Accounting Standards;
- c. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2 to the financial statements; and
- d. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

The Chief Executive Officer and Chairman have each declared that:

- a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
- b. the financial statements and notes for the financial year comply with the Accounting Standards; and
- c. the financial statements and notes for the financial year give a true and fair view;

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.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mal Randall  
Chairman

13 August 2020

# INDEPENDENT AUDITOR'S REPORT



## RSM Australia Partners

Level 32, Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111  
[www.rsm.com.au](http://www.rsm.com.au)

## INDEPENDENT AUDITOR'S REPORT

To the Members of Kalium Lakes Limited

### Opinion

We have audited the financial report of Kalium Lakes Limited (**Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (**Code**) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed this matter								
<b>Impairment of non-current asset</b>									
<p>The carrying value of the Group's non-current assets amounted to \$140,740,938 as at 30 June 2020 and is comprised of:</p> <table border="1"> <tr> <td>Work in progress</td><td>\$118,957,531</td></tr> <tr> <td>Mine in development</td><td>\$14,754,721</td></tr> <tr> <td>Property, plant and equipment</td><td>\$6,828,145</td></tr> <tr> <td>Right-of-use assets</td><td>\$200,541</td></tr> </table> <p>Recoverability of these non-current assets is dependent on macro-economic assumptions about commodity prices, discount and exchange rates as well as internal assumptions relating to future mine development costs, rehabilitation expenses, production levels, operating costs and the weighted average cost of capital (<b>WACC</b>).</p> <p>Management performed an impairment assessment over the carrying value of non-current assets by:</p> <ul style="list-style-type: none"> <li>Calculating the value-in-use using a discounted cash flow model. The model used projected cash flows (revenues, expenses and capital expenditure) over the estimated life of the mine. The projected cash flow was discounted to net present value by applying the Group's estimated WACC; and</li> <li>Comparing the resulting value-in-use with the carrying value of non-current assets.</li> </ul> <p>Management has ascertained that there are no indicators of impairment.</p> <p>We determined this area to be a key audit matter due to the material size of the carrying value and the significant management judgement involved in assessing whether indicators of impairment are present.</p>	Work in progress	\$118,957,531	Mine in development	\$14,754,721	Property, plant and equipment	\$6,828,145	Right-of-use assets	\$200,541	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Reviewing and performing sensitivity analysis on the significant assumptions used by management when preparing the discounted cash flow model, such as WACC, commodity prices, capital expenditure, operating expenses and foreign exchange rates;</li> <li>Reviewing the management expert's report on internal consistency and integrity of the model;</li> <li>Involving our internal financial modelling specialists to assess the integrity of the model and reasonableness of management's key assumptions;</li> <li>Checking the mathematical accuracy of the cash flow model; and</li> <li>Assessing the appropriateness of the disclosures in the financial statements.</li> </ul>
Work in progress	\$118,957,531								
Mine in development	\$14,754,721								
Property, plant and equipment	\$6,828,145								
Right-of-use assets	\$200,541								

## INDEPENDENT AUDITOR'S REPORT

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the financial report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

**Report on the Remuneration Report***Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'D J Wall'.

D J WALL  
Partner  
RSM Australia Partners

Perth, Western Australia  
13 August 2020

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# ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

## Issued Securities as at 30 June 2020

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	802,257,785	-	802,257,785
\$0.425 unlisted options expiring 29-Sep-20	-	330,882	330,882
\$0.525 unlisted options expiring 17-May-21	-	1,000,000	1,000,000
\$0.00 unlisted options expiring 16-Jun-22	-	1,000,000	1,000,000
\$0.55 unlisted options expiring 16-Jun-22	-	1,182,639	1,182,639
\$0.625 unlisted options expiring 16-Jun-22	-	1,750,000	1,750,000
\$0.00 unlisted options expiring 16-Jun-23	-	12,218,987	12,218,987
\$0.00 unlisted options expiring 16-Jun-23	-	17,677,493	17,677,493
\$0.00 unlisted options expiring 16-Jun-23	-	1,666,667	1,666,667
\$0.3583 unlisted options expiring 30-Jun-25	-	5,000,000	5,000,000
Performance rights	-	10,000,000	10,000,000
<b>Total</b>	<b>802,257,785</b>	<b>51,826,668</b>	<b>854,084,453</b>

## Distribution of Listed Ordinary Fully Paid Shares as at 30 June 2020

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	249	136,954	0.02
1,001	-	5,000	1,253	3,440,025	0.43
5,001	-	10,000	747	5,918,492	0.74
10,001	-	100,000	2,010	77,236,011	9.63
100,001	-	and over	707	715,526,303	89.18
<b>Total</b>			<b>4,966</b>	<b>802,257,785</b>	<b>100</b>

## Top 20 Listed Ordinary Fully Paid Shareholders as at 30 June 2020

Rank	Shareholder	Shares Held	% Issued Capital
1.	GREENSTONE RESOURCES II (AUSTRALIA) HOLDINGS L P	84,801,857	10.57
2.	GREENSTONE MANAGEMENT (DELAWARE) II LLC	78,673,124	9.81
3.	VINCE SMOOTHY SUPER PTY LTD <VINCE SMOOTHY S/FUND A/C>	40,339,800	5.03
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	33,389,224	4.16
5.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	24,296,755	3.03
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,174,956	2.51
7.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	19,199,159	2.39
8.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	18,818,187	2.35
9.	CITICORP NOMINEES PTY LIMITED	17,866,710	2.23
10.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	15,670,475	1.95
11.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	12,619,537	1.57
12.	MR STACEY RADFORD	10,686,254	1.33
13.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	9,378,452	1.17
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	8,785,987	1.10
15.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,284,669	0.91
16.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	6,666,667	0.83
17.	MR PHILIPPUS RUDOLPH VAN NIEKERK + MRS JEAN-MARIE VAN NIEKERK <R & J VAN NIEKERK A/C>	6,574,896	0.82
18.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	6,390,614	0.80
19.	VALDARNO PTY LTD <VALDARNO A/C>	5,960,491	0.74
20.	ANDIUM PTY LIMITED	5,521,569	0.69
<b>Total</b>		<b>433,099,383</b>	<b>53.99</b>

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NOTES

Lined area for notes, consisting of alternating light gray and white horizontal bands.







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**KALIUM LAKES LIMITED**

**Office Address**

Unit 1, 152 Balcatta Road  
Balcatta WA 6021

**Postal Address**

PO Box 610  
Balcatta WA 6914

**Telephone:** +61 (0)8 9240 3200

**Email:** [info@kaliumlakes.com.au](mailto:info@kaliumlakes.com.au)

**[www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)**

**ABN** 98 613 656 643