
Kalium Lakes Limited

ABN: 98 613 656 643

FINANCIAL REPORT

For the Half Year Ended
31 December 2020

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CORPORATE DIRECTORY

DIRECTORS

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

CHIEF EXECUTIVE OFFICER

Rudolph van Niekerk

CHIEF FINANCIAL OFFICER

Antony Beckmand

COMPANY SECRETARY

Gareth Widger

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Perth WA 6021

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Perth WA 6914

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AUDITORS

RSM Australia Partners

Level 32, Exchange Tower

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SOLICITORS

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KLL

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half year ended 31 December 2020 of Kalium Lakes Limited ("Kalium Lakes" or the "Group"), and the independent auditors report thereon.

DIRECTORS

The Directors who held office during or since the end of the half year and up to the date of this report are as follows:

Stephen Dennis	Chairman, appointed 27 November 2020
Dale Champion	Non-Executive Director
Brent Smoothy	Non-Executive Director
Mark Sawyer	Non-Executive Director
Sam Lancuba	Non-Executive Director, appointed 14 October 2020
Malcolm Randall	Former Chairman, resigned 27 November 2020
Brett Hazelden	Former Managing Director, ceased employment 24 July 2020

PRINCIPAL ACTIVITIES

During the financial half-year, the principal continuing activities of the Group comprised of exploration and mining of mineral resources in Australia.

REVIEW OF OPERATIONS

The Company is progressing the development of its 100% owned Beyondie Sulphate of Potash Project (BSOPP) in Western Australia, which is on schedule to achieve first production in Q3'2021. During the half year, focus continued on the project construction works, which was 78% complete at the end of December. Achievement of key milestones and planned progress across the half year have included:

- Completed all works on brine extraction and supply infrastructure, notably achieving "nameplate" brine flow rates above the planned 100 litres per second, and concentration grades of 12,470 mg/L of potassium exceeding mine plan estimates of 8,970 mg/L potassium.
- All Primary Evaporation Ponds completed
- Construction of the SOP Purification Plant was at 65% completion with the final shipment of Ebtec supplied equipment having arrived on site in January 2021.
- Completion of all non-process infrastructure.
- Gas supply infrastructure and Power Station nearing completion, with all engineering and design works concluded and commissioning due to commence during the first quarter of 2021.

In addition to the substantial progress made on delivering the Beyondie project, the Company has also developed its Mineral Resources base. During the half year, the Company announced the maiden Mineral Resource for Ten Mile West following acquisition of the tenement and subsequent initial exploration in 2019. Further, a significant increase in Mineral Resources at Lake Sunshine was following achieved following the completion of additional drilling and test work.

FINANCIAL RESULTS

The profit after tax for the half year ended 31 December 2020 was \$4,729,591 (2019: loss \$7,720,803). The profit after tax for the half year ended 31 December 2020 included non-cash realised and unrealised foreign exchange income of \$9,278,954.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to the reporting date:

- The Company announced that the Beyondie Sulphate of Potash Project ("BSOPP") was 80% complete at 28 January 2021, on schedule and on budget. Achievement of key milestones and planned progress included;
 - All key process equipment from Ebtec GbR (Ebtec) delivered to site
 - SOP Purification Plant construction progress at 71% completion
 - Gas and power pre-commissioning commenced
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 31 December 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.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2020 has been received and is included within the financial statements.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



Stephen Dennis
Non-Executive Chairman

24 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kalium Lakes Limited for the half year ended 31 December 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
24 February 2021

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Revenue	3	9,476,641	1,911,184
Accounting fees		(20,720)	(78,680)
Compliance fees		(83,684)	(174,509)
Depreciation		(454,055)	(255,907)
Employee expenses		(1,195,469)	(1,501,068)
Site and exploration expenses		-	(2,098,566)
Legal fees		(732,452)	(3,353,574)
Share based payments	4	(450,000)	(143,887)
Travel costs		(12,124)	(309,975)
Other expenses		(1,798,546)	(1,715,821)
Profit/(loss) before income tax expense		4,729,591	(7,720,803)
Income tax expense		-	-
Profit/(loss) after income tax expense		4,729,591	(7,720,803)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Profit/(loss) for the half-year attributable to:			
Owners of Kalium Lakes Limited		4,729,591	(7,720,803)
		4,729,591	(7,720,803)
Comprehensive income/(loss) for the half-year attributable to:			
Owners of Kalium Lakes Limited		4,729,591	(7,720,803)
Total comprehensive income/(loss) for the half-year, net of tax		4,729,591	(7,720,803)
Basic and diluted profit per share (cents per share)		0.57	(2.19)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		48,768,435	54,623,007
Trade receivables and other assets		2,580,431	1,594,745
Total Current Assets		51,348,866	56,217,752
Non-Current Assets			
Property, plant and equipment		2,277,559	2,662,071
Rehabilitation asset		8,546,326	4,166,074
Work in progress	5	205,672,499	118,957,531
Mine in development		16,236,211	14,754,721
Right-of-use asset		145,834	200,541
Total Non-Current Assets		232,878,429	140,740,938
Total Assets		284,227,295	196,958,690
LIABILITIES			
Current Liabilities			
Trade and other payables		4,258,833	6,532,453
Provisions		219,295	208,809
Lease liabilities		105,020	105,020
Total Current Liabilities		4,583,148	6,846,282
Non-Current Liabilities			
Provisions		8,546,326	4,166,074
Borrowings	6	125,838,568	50,472,783
Total Non-Current Liabilities		134,384,894	54,638,857
Total Liabilities		138,968,042	61,485,139
Net Assets		145,259,253	135,473,551
EQUITY			
Contributed equity	7	184,670,757	179,614,646
Reserves	8	8,271,356	8,271,356
Accumulated losses		(47,682,860)	(52,412,451)
Total Equity		145,259,253	135,473,551

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2020

Consolidated	Contributed equity	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2019	53,053,533	3,249,635	(33,519,834)	22,783,334
Loss for the period	-	-	(7,720,803)	(7,720,803)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(7,720,803)	(7,720,803)
Transactions with owners in their capacity as owners:				
Shares issued during the period	72,630,930	-	-	72,630,930
Share issue costs	(3,996,815)	-	-	(3,996,815)
Exercise of options	375,000	-	-	375,000
Share based payments	100,000	43,887	-	143,887
Balance at 31 December 2019	122,162,648	3,293,522	(41,240,637)	84,215,533
Balance at 1 July 2020	179,614,646	8,271,356	(52,412,451)	135,473,551
Profit for the period	-	-	4,729,591	4,729,591
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,729,591	4,729,591
Transactions with owners in their capacity as owners:				
Shares issued during the period	5,135,535	-	-	5,135,535
Security issue expenses	(79,424)	-	-	(79,424)
Balance at 31 December 2020	184,670,757	8,271,356	(47,682,860)	145,259,253

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
OPERATING ACTIVITIES		
Other receipts	857,903	294,536
Research and Development rebate	-	1,387,425
Payments to suppliers and employees	(4,124,856)	(7,128,478)
Payments for site and exploration expenditure	-	(1,755,579)
Payments for mine development	(87,076,452)	(58,586,940)
Net cash used in operating activities	(90,343,405)	(65,789,036)
INVESTING ACTIVITIES		
Interest received	63,378	297,163
Payments for property, plant and equipment	(14,835)	(686,427)
Net cash provided by/(used in) investing activities	48,543	(389,264)
FINANCING ACTIVITIES		
Proceeds from issue of shares	3,045,811	72,670,930
Share issue costs	(79,424)	(3,996,815)
Proceeds from borrowings	81,473,903	19,602,669
Net cash provided by financing activities	84,440,290	88,276,784
Net decrease in cash and cash equivalents	(5,854,572)	22,098,484
Cash and cash equivalents at the beginning of the period	54,623,007	15,467,180
Cash and cash equivalents at the end of the period	48,768,435	37,565,664

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020

1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

2. Operating segments

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

3. Revenue

	31 December 2020 \$	31 December 2019 \$
Foreign exchange gain/(loss)	7,928,358	(85,837)
Gain on derivative financial instruments	1,359,596	1,307,987
Other income	125,309	417,971
Interest income	63,378	271,063
Revenue	9,476,641	1,911,184

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020

4. Share based payments

During the half-year ended 31 December 2020, 2,250,000 Performance Rights were granted to employees of the Group.

The two separate tranches of Performance Rights will vest upon satisfaction of the following Performance Conditions:

- 1,125,000 Performance Rights will vest upon the achievement of first commercial sale of Sulphate of Potash (SOP) on or before 30 September 2021; and
- 1,125,000 Performance Rights will vest upon the Company not exceeding the revised capital expenditure budget in respect of the construction of the Beyondie Sulphate of Potash Project, detailed in the Company's investor presentation and prospectus dated 21 May 2020, when the Company achieves First Sales.

The Performance Conditions attached to the Rights have been assigned a probability of 100%. The fair value of the Performance Rights is \$450,000 (\$0.20 per Performance Right).

5. Work in progress

	31 December 2020 \$	30 June 2020 \$
Brine supply and ponds	42,716,506	37,247,365
Purification facility	69,087,691	38,332,187
Village accommodation	8,551,604	8,445,751
Access road	4,437,089	2,872,911
Gas pipeline & power station	35,128,479	18,166,630
Owners costs	32,704,180	5,152,390
Non process infrastructure	11,671,084	7,503,279
Other infrastructure	1,375,866	1,237,018
Work in progress	205,672,499	118,957,531

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020

6. Borrowings

	31 December 2020 \$	30 June 2020 \$
Loan from KfW	36,387,741	13,467,527
Loan from KfW/Euler Hermes	41,430,961	16,603,829
Loan from NAIF	45,978,036	19,599,924
	123,796,738	49,671,280
Interest on loan from KfW	464,451	52,695
Interest on loan from KfW/Euler Hermes	422,584	186,053
Interest on loan from NAIF	567,124	120,544
Commitment fees on loan from KfW/Euler Hermes	587,671	442,211
	2,041,830	801,503
Borrowings	125,838,568	50,472,783

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

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

Lender	Borrower	Facility Limit	Undrawn	Maturity Date
NAIF	Kalium Lakes Infrastructure	AU\$48,000,000	AU\$8,393,627	14 years ¹
NAIF	Kalium Lakes Potash	AU\$26,000,000	AU\$19,061,212	9 years ¹
KfW/Euler Hermes	Kalium Lakes Potash	EUR32,487,268	EUR4,568,842	9 years ¹
KfW	Kalium Lakes Potash	US\$37,000,000	US\$8,169,811	9 years ¹

¹ The maturity dates are 14 and 9 years after the first repayment date.

The first repayment date means the earlier of:

- a) the date falling six months after the starting point of credit¹; and
- b) the long stop date²

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020

7. Contributed equity

	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares - fully paid	839,161,349	802,257,785	184,670,757	179,614,646

Movements in share capital	Date	Shares	Issue price	\$
Balance	1 Jul 2020	802,257,785		179,614,646
Issue of shares	9 Jul 2020	20,305,409	0.15	3,045,811
Issue of shares - contractors	9 Jul 2020	13,931,488	0.15	2,089,724
Exercise of options	7 Sep 2020	2,666,667	-	-
Share issue costs	-	-	-	(79,424)
Balance	31 Dec 2020	839,161,349		184,670,757

8. Reserves

	31 December 2020 \$	30 June 2020 \$
Performance rights reserve	1,200,000	1,200,000
Options reserve	7,071,356	7,071,356
Reserves	8,271,356	8,271,356

Movements in performance rights reserve	Number	\$
Balance 1 July 2020	10,000,000	1,200,000
Grant of performance rights ¹	2,250,000	-
Balance at 31 December 2020	12,250,000	1,200,000

¹ Due to their nature and in accordance with accounting standards, the fair value (\$450,000) of the Performance Rights has been recognised within Trade and Other Payables in the Statement of Financial Position.

Movements in options reserve	Number	\$
Balance 1 July 2020	41,826,668	7,071,356
Exercise of options	(2,666,667)	-
Options cancelled	(1,000,000)	-
Balance at 31 December 2020	38,160,001	7,071,356

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020

9. Contingent liabilities and assets

The Group has no contingent liabilities and assets at 31 December 2020.

10. Commitments

	31 December 2020
	\$
Committed at the reporting date but not recognised as liabilities:	
Rental, rates and expenditure commitments relating to tenements	645,156
Construction of the Beyondie Sulphate of Potash Project (BSOPP)	72,349,346
	72,994,502

11. Events subsequent to reporting date

The following events have occurred subsequent to the reporting date:

- The Company announced that the Beyondie Sulphate of Potash Project ("BSOPP") was 80% complete at 28 January 2021, on schedule and on budget. Achievement of key milestones and planned progress included;
 - All key process equipment from Ebtec GbR (Ebtec) delivered to site
 - SOP Purification Plant construction progress at 71% completion
 - Gas and power pre-commissioning commenced
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 31 December 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.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of Directors:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Dennis
Non-Executive Chairman

24 February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Kalium Lakes Limited

We have reviewed the accompanying half-year financial report of Kalium Lakes Limited (company), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kalium Lakes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kalium Lakes Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

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

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 24 February 2021

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