

ANNUAL REPORT

2021

KALIUM
LAKES

Kalium Lakes Limited ABN: 98 613 656 643



COMPANY

Kalium Lakes Limited (ABN: 98 613 656 643)

Directors

Stephen Dennis	Non-Executive Director
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Salvatore (Sam) Lancuba	Non-Executive Director

Company Secretaries

Gareth Widger
Jason Shaw

Chief Financial Officer

Jason Shaw

Chief Executive Officer

Rudolph van Niekerk

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Website & Email

www.kaliumlakes.com.au and info@kaliumlakes.com.au

Auditors

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Share Registry

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Level 11, 172 St Georges Terrace, Perth WA 6000
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Solicitors

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Thomson Geer
Level 27, 2 The Esplanade, Perth WA 6831

Home Exchange

Australian Securities Exchange
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Perth WA 6000

ASX Code

KLL





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On behalf of the Board and Management, I am pleased to present the 2021 Annual Report of Kalium Lakes Limited.



Dear Shareholder

On behalf of the Board and Management, I am pleased to present the 2021 Annual Report of Kalium Lakes Limited.

Very recently we announced that we had become Australia's first producer of Sulphate of Potash (SOP), an achievement of which we are tremendously proud. The road to first production has taken seven years, during which time we have overcome many technical and financial challenges. It is a credit to the Kalium Lakes' team that we have been able to reach this historic milestone.

Construction activities at Beyondie SOP Project are now winding down, and project commissioning activities are well under way. Our immediate goal is to ramp up production and to ensure that we operate sustainably within design parameters.

We have also taken the important step of committing to expand production capacity at Beyondie from 90,000 tonnes per annum to 120,000 tonnes per annum and are targeting completion of this by the fourth quarter of the 2022 calendar year. This will deliver greater project economies of scale and is feasible because of the long-life brine resource which exists at Beyondie. Our ultimate goal is to significantly expand this capacity.

You will also have seen that we recently initiated a \$50 million capital raising and restructured our current debt facilities, thereby ensuring we have the financial capacity to undertake an early expansion at Beyondie. We were delighted with the support we received from both the equity markets and our lenders, and it is with a great deal of confidence that we will now be able to fast track this next stage of development.

The current outlook for SOP remains positive, with recent price increases and ongoing indications that demand for premium fertiliser is strong. Northern European SOP prices, on an FOB basis, are today 40% - 50% higher than at this time last year, which is very encouraging as we move into production. We are also supported by a 100% offtake arrangement for 120,000 tonnes per annum with K+S.

I would like to thank our management team, led by Rudolph van Niekerk for their extensive efforts throughout this transformational year for Kalium Lakes. I would also like to thank both past and present directors for their substantial contributions, in particular Dale Champion who retired during the year.



Finally, I would like to thank our shareholders for your continued support. Be assured that while we are celebrating the milestone of first production at Beyondie, we are very much focussed on ensuring that the Company will operate sustainably into the future, enabling us to deliver long term investment returns for all stakeholders. I am confident that Kalium Lakes will consolidate its position as the pre-eminent producer in Australia's new Sulphate of Potash industry.

I encourage you to follow the development progress of the Beyondie SOP Project via our ASX announcements and on our website.

Yours faithfully

Stephen Dennis
CHAIRMAN

We recently initiated a \$50 million capital raising and restructured our current debt facilities, thereby ensuring we have the financial capacity to undertake an early expansion at Beyondie.

We have developed a world class SOP production facility to become the first SOP producer in the history of Australia.



In the seven years since the Company was founded we have strived to carefully assess and then prepare to overcome the many challenges that the Beyondie SOP Project has faced.

With the support of our shareholders, employees, contractor, senior lenders and other stakeholders, this business developed a world class SOP production facility on the edge of a desert in a remote area of Western Australia where we have recently become the first SOP producer in the history of this nation.

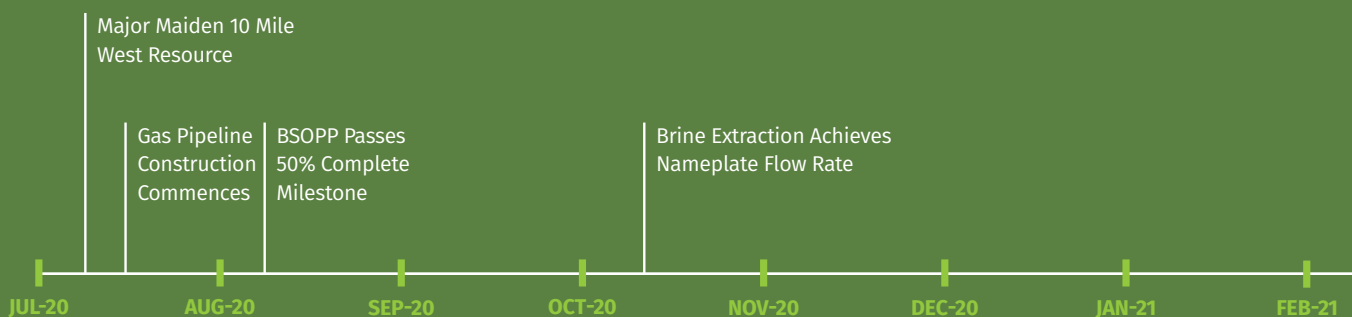
It has been a remarkable journey to reach this point and we thank everyone who has contributed to the success of the Project, particularly our long-term shareholders, management team and employees.

We have always said that it was not a race to be the first producer of SOP and that we were focused on getting it right rather than being first, but in the end, we have been fortunate to achieve both outcomes.

At the time of writing this message Beyondie is in the final stages of commissioning and preparing to commence steady state SOP production. This will follow as soon as the recirculating feed circuits within the plant reach design chemistry levels and all of the equipment is commissioned at nameplate capacity.

The Project is now substantially de-risked, allowing the Company to commence with critical works for expanding production to 120,000 tonnes per annum of SOP.

2020/21 ASX Significant Announcement Timeline





During the 2021/22 financial year Kalium Lakes is set to achieve its initial production target of 90,000 tonnes per annum before integrating the expansion to take production to 120,000 tonnes per annum by the end of 2022.

The Company remains committed to deliver an agronomically superior product to Australian and New Zealand farmers and growers for many decades to come, while at the same time delivering a satisfactory return to our shareholders.

Rudolph van Niekerk
CHIEF EXECUTIVE OFFICER

It has been a remarkable journey to reach this point and we thank everyone who has contributed to the success of the project.



\$280^m

Cost of initial Processing Plant and Resource Development for 90 ktpa production capacity

100%

of SOP currently imported into Australia

50

Year Mine Life

98%

Standard Grade SOP Plant Complete

1st

The first producer of Sulphate of Potash in Australia/New Zealand

\$70^m

LOM EBITDA
at 120Ktpa
production rate

—

5^{Mt}

Of Sulphate of Potash
Beyondie Ore Reserve

41[%]

LOM EBITDA Margin
at 120Ktpa
production rate

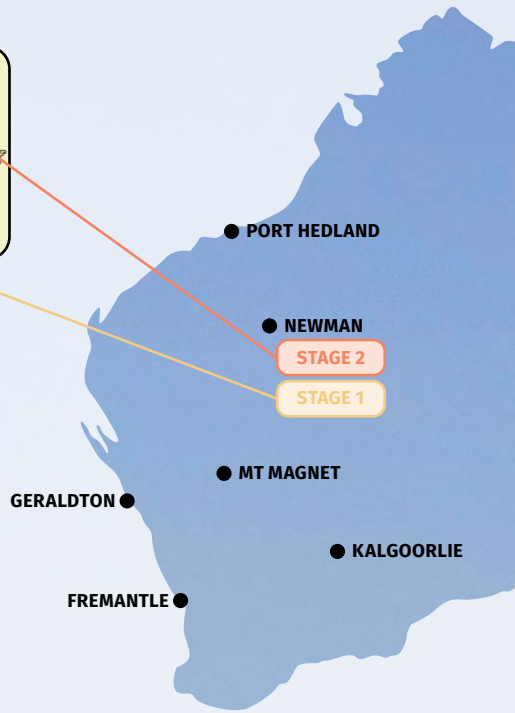
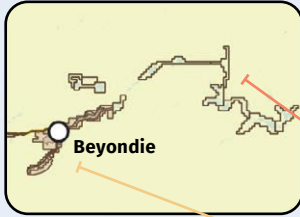
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120^{kt}

Annual Production Target

**A Long Life,
Low Cost,
High Grade
SOP Producer.**

Kalium Lakes Beyondie Sulphate Of Potash Project Location



Review of Operations

Kalium Lakes is a new producer of premium fertiliser, focused on developing the 100% owned Beyondie Sulphate of Potash Project in Western Australia.

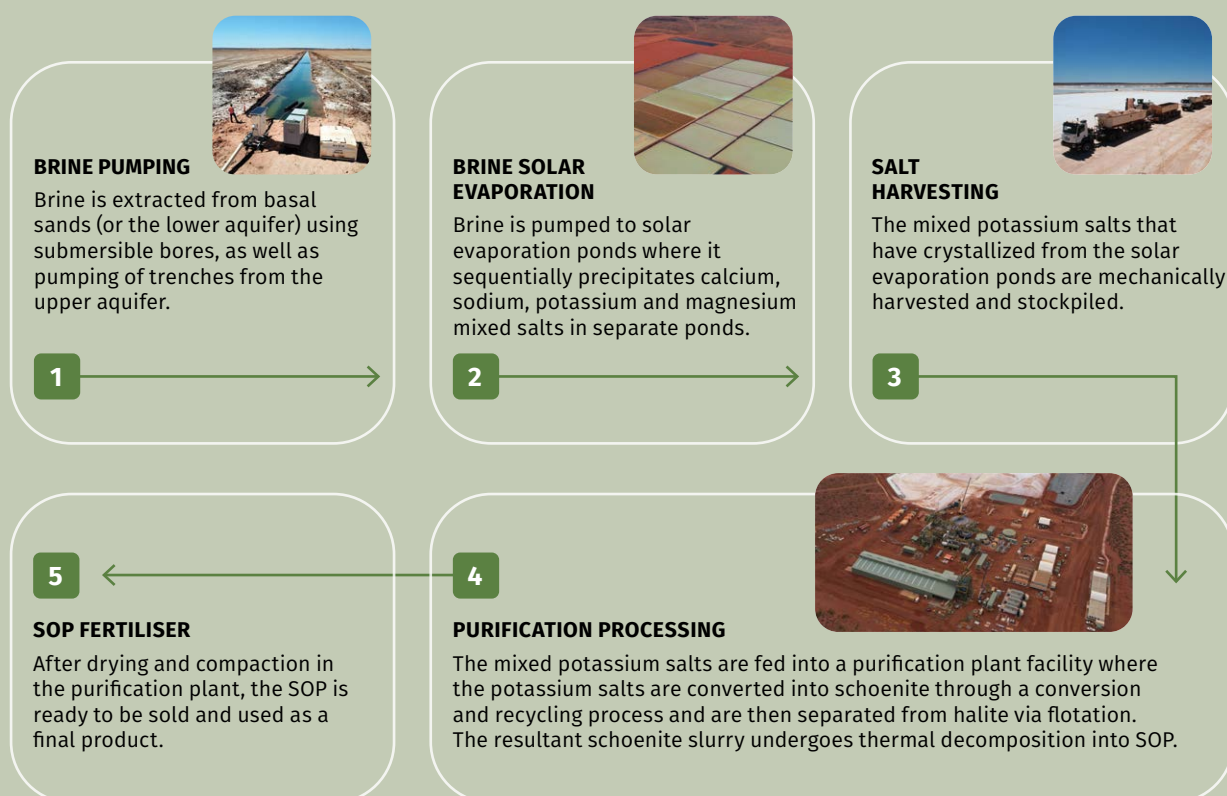
Beyondie is on the verge of commencing Sulphate of Potash (SOP) production, ramping up to a rate of 90,000 tonnes per annum, for domestic and international sale, before expanding to 120,000 tonnes per annum of SOP by end of the 2022.

The Company holds rights to granted tenure of approximately 1,692 square kilometres, as well as further tenement applications covering approximately 96 square kilometres at the eastern margin of the East Pilbara region of Western Australia, as shown in the map left.

Beyondie SOP Project Production Process

SOP is a widely used agricultural fertiliser with annual global consumption of approximately seven million tonnes per annum. Australia currently imports 100% of its SOP 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:



OVERVIEW

Kalium Lakes is currently completing commissioning at Beyondie, 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.

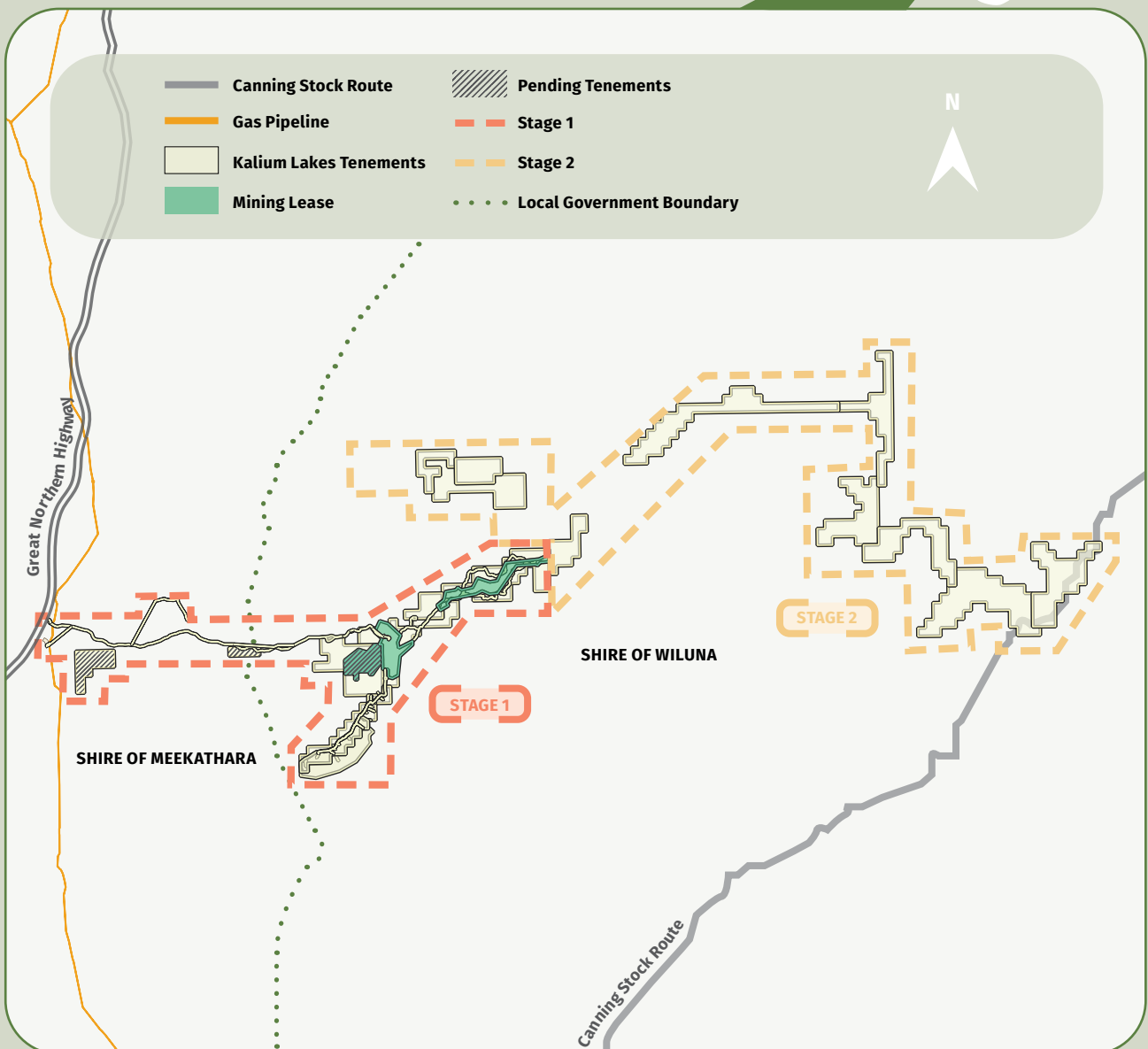
The remaining 23,856 hectares or 79% of the total available lake surface area and palaeovalley sequence, represents the next major phase. It is anticipated to deliver considerable benefits in terms of increased production volumes and potential extension to the life of the Project.

BSOPP Stages and Phases

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

There are two(2) separate phases within the Stage 1 Approval Footprint, Phase 1 containing the construction and operation of a 100,000 tonnes per annum SOP Project, with Phase 2 containing the ramp up to a 120,000 tonnes per annum SOP Project, to minimise operational and financial risk.

The 5.1Mt SOP Ore Reserve is related to Stage 1 only, with this stage covering 35 kilometres in length and including two(2) lakes.



Beyondie Project Footprint

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

Stage 2 is 180 kms in length and includes 12 lakes.



On 5 October 2021 the Company announced that the Beyondie SOP Project had produced its first batch of high grade Sulphate of Potash, to the required product specification, during the product commissioning process.

Process plant commissioning has continued with EBTEC GbR preparing to complete its performance testing in the near future. The scheduled SOP commercial production and ramp-up remains on track.

Although the demands of undertaking construction of the Company's first SOP project during a global pandemic has proved challenging, the construction and commissioning activities remain within the capital expenditure budget.

The test batch of SOP produced was a major milestone and occurred almost exactly seven (7) years after Kalium Lakes was founded in September 2014.

Expansion To 120,000 Tonnes Per Annum

In consultation with its advisors and senior lenders, Kalium Lakes has identified a number of low capital expansion opportunities which will enable it to take advantage of a rising SOP price environment. Kalium Lakes made the decision to expand the production levels to 120,000 tonnes per annum as the new base case to maximise the benefit gained by retaining key technical experts currently working on the Project.

In addition, although SOP prices are increasing, there are also macro-economic headwinds and operational pressures, including the strengthening of the Australian dollar and inflationary pressures increasing the forecast operating costs. The expansion of the production target to 120,000 tonnes per annum will achieve greater economies of scale and allow a more robust operation to mitigate the effects of adverse macro-economic and operational cost pressures.

Beyondie has a very large Mineral Resource (combined Measured and Indicated Resources of 19.71 million tonnes of SOP equivalent) and the intention has always been to explore its expansion potential, leverage economies of scale and increase Kalium Lakes' profitability potential.

In August 2021 Kalium Lakes announced the completion of its Feasibility Study for the Expansion to 120,000 tonnes per annum (120,000Ktpa Feasibility Study) at Beyondie. This Feasibility Study (which is inclusive of the 90,000 tonnes per annum and 100,000 tonnes per annum production targets previously announced by Kalium Lakes) is based on expanding existing infrastructure where required (i.e., brine extraction and evaporation ponds), combined with a process plant debottlenecking and optimisation using German SOP process design experts, EBTEC GbR.

Expansion areas to target the increase in SOP production to 120,000 tonnes per annum are relatively small compared to the footprint of the Project for the existing 90,000 tonnes per annum nameplate production. In addition, expansion of the Ten Mile West area will not be required for at least the first two (2) years at the 120,000 tonnes per annum SOP production rate.

Standard Grade SOP Production

The first product delivered by Beyondie will be Standard Grade SOP (SSOP), which will generate all of the forecast sales for the final quarter of 2021.

At the date of this report construction works, for the SSOP component of the plant, are focussed on completing the remaining punch-list items and commissioning.

Expected Timeline



Granular SOP Production

Following the completion of construction and commissioning activities on the SSOP plant, the focus moves across to the compaction plant, and the commissioning of that plant. This plant produces Granular SOP (GSOP) and is scheduled to commence as soon as there is sufficient additional SSOP feed stock. GSOP sales are forecast to commence in the first quarter of the 2022 calendar year.

SOP Storage and Materials Handling

Another significant facility recently completed at Beyondie is the SOP product handling infrastructure, which includes the product storage shed and SOP load out facilities.



Key Project Developments

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.

Gas Pipeline Construction Commenced

The Company announced on 9 July 2020 that construction works on its fully owned gas pipeline, to supply the Beyondie Sulphate of Potash Project, had commenced on schedule.

The scope of the gas pipeline lateral included: an inlet station from the Goldfields Gas Pipeline which receives gas from a metering facility near the Kumarina Roadhouse; 79.4 kilometre of 100mm gas main line and a delivery station (which provides the gas at controlled temperature and pressure) for both power generation and use within the SOP production facility.

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.

Brine Extraction Achieves Nameplate Flow Rate

On 6 October 2020 the Company announced that the brine extraction and supply infrastructure at Beyondie SOP Project had been commissioned at nameplate rate with:

- all trenches completed at Lake Sunshine (15km) and Ten Mile (6km);
- all trench pump stations – Ten Mile (2) and Lake Sunshine (2) commissioned;
- all production bores – Ten Mile (12) and Lake Sunshine (9) commissioned;
- Installation of 68km of brine supply and distribution piping; and
- all of the brine extraction infrastructure had been delivered within budget and on schedule.

Major Capacity Upgrade For Beyondie SOP Project

Kalium Lakes announced on Wednesday 24 March 2021 that a 'debottlenecking' style review of the plant design for the Beyondie SOP Project had confirmed that an annual steady-state production rate of at least 100,000 tonnes per annum is achievable. Additionally, the current evaporation ponds' performance indicated that this production rate can be achieved by mid-2022.

The Company had also identified the potential to increase production to 120,000 tonnes per annum by way of further short term and low capital intensity opportunities which were under review.

Commissioning Under Way At Beyondie SOP Project

The Company announced the achievement of a major milestone on 31 March 2021 with the completion of its first major commissioning activity for the Beyondie SOP Project. Gas had been introduced all the way to the delivery station near the SOP processing facility. From the delivery station, gas is supplied through low pressure pipelines to the power station, boiler and other process plant equipment.

All commissioning personnel had been on-boarded and key technical personnel had transitioned to site base roles while commissioning activities were accelerating. The team included senior EBTEC GbR specialists who were on site (following a mandatory quarantine period) in preparation for the SOP Purification Plant commissioning. The specialists' scope encompassed training of operations personnel to run the plant during commissioning and ramp-up, facilitating the acceleration to the initial 90,000 tonnes per annum production target.

Expanded Land Access Agreement Signed

On 27 April 2021, Kalium Lakes and the Marputu Aboriginal Corporation RNTBC, representing the Gingirana People, signed a variation to the existing Land Access Agreement which redefines the production area at the Beyondie SOP Project to cover the area of the proposed mining leases, including Ten Mile West.

The Company continues to progress lodgement of the required mining tenure application over the Ten Mile West tenement, to facilitate access for further development activities. These activities will include



the installation of additional bores and trenches to support the increased production target of 120,000 tonnes per annum.

Feasibility Study Complete for new Base Case Production Increase to 120ktpa at Beyondie SOP Project

On 18 August 2021 Kalium Lakes announced the completion of its Feasibility Study for the expansion to 120,000 tonne per annum at Beyondie. The 120,000 tonne per annum Feasibility Study (which was inclusive of the 90,000 tonnes per annum and 100,000 tonnes per annum a production targets previously announced) is based on expanding existing infrastructure where required (i.e. brine extraction and evaporation ponds), combined with a process plant debottlenecking and optimisation using German SOP process design experts, EBTEC GbR.

Key Corporate Developments

Board Changes

On 23 April 2021 Kalium Lakes announced that Mr Dale Champion had resigned as a Non-Executive Director.

Mr Champion informed the Company that, as a result of having established a collaboration with international interests to examine investments in the Australian potash sector, there was potential for conflict of interests to arise with his role as a Non-Executive Director.

Management Changes

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.

On 29 June 2021 the Company announced the appointment of Mr Jason Shaw as Chief Financial Officer. Mr Shaw commenced in July 2021, transitioning with the outgoing CFO, Mr Antony Beckmand, who had relocated back to Norway for personal reasons.

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 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.



Jason Shaw
CHIEF FINANCIAL OFFICER

Mr Shaw is a Chartered Accountant who has more than 25 years' experience, with his most recent positions being Joint Group Chief Financial Officer and Chief Financial Officer – America, at the Chelsfield Group.

Jason has extensive knowledge of asset acquisition, development, management and financing, as well as establishing and operating corporate financial and administration business systems. Prior to Chelsfield, he held the senior finance executive role at Heytesbury, a private Australian family office with interests including agribusiness and property. He is a Fellow of Chartered Accountants Australia & New Zealand and holds a Bachelor of Commerce Honours (1st) Degree and a Master of Accounting from the University of Western Australia.



It has been a remarkable journey to reach this stage and we thank everyone who has contributed to the success of the project.

Finance

Restructure of Existing Debt Arrangements

On 13 October 201 Kalium Lakes Limited announced that it had entered into formal binding documentation with its two senior lenders, being KfW IPEX-Bank and the State of Western Australia, through the Ministerial body corporate preserved and continued pursuant to Section 5 of the Industry and Technology Development Act 1988 (WA) (facilitated by the Northern Australia Infrastructure Facility) in respect to a restructure of its existing debt arrangements, including the provision of an additional liquidity facility for an aggregate of A\$20 million ("Debt Restructure"). The Debt Restructure was foreshadowed in the Company's ASX announcement dated 18 August 2021 relating to the completion of the new base case production increase to 120,000 tonnes per annum at the Beyondie SOP Project.

The key terms of the Debt Restructure include a deferral of all senior principal repayments for the first two years of production until 31 March 2024 and a two-year extension to the maturity of the senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until March 2033.

The Debt Restructure includes a condition that the Company successfully complete an equity raise by 3 January 2022 of at least \$47.1m (net of costs) to fund the expansion of production to 120,000 tonnes per annum and for working capital purposes. A failure to satisfy this condition will trigger an event of default under the Senior Lenders' financing arrangements.

Successful Completion Of A\$50 Million Capital Raising

Kalium Lakes announced on 14 October 2021 that it had successfully completed a bookbuild to raise A\$50 million through a two-tranche placement of new fully paid ordinary shares ("Offer").

The Offer was significantly oversubscribed, receiving strong demand from existing shareholders as well as new institutional investors who will be introduced to the Company's share register. In determining allocations for the Offer, the Company considered a number of factors and focused (to the extent practicable and appropriate) on providing pro rata participation to existing shareholders.

In addition to the Offer, Kalium Lakes will conduct a share purchase plan (SPP) of up to A\$30,000 per shareholder to raise up to A\$10 million. The Company may decide to accept applications (in whole or in part) that result in the SPP raising more or less than

A\$10 million in its absolute discretion. Kalium Lakes reserves the right (in its absolute discretion) to close the SPP early and scale back applications under the SPP if demand exceeds A\$10 million or accept oversubscriptions (subject to the requirements of the ASX Listing Rules).

Kalium Lakes' largest shareholder, Greenstone Resources, has committed to take up its rights to retain a holding of 19.8% post the Offer and SPP under its anti-dilution right (as announced to the ASX on 11 May 2020).

Proceeds from the Offer will be used to fund the expansion of Kalium Lakes' Beyondie SOP Project to 120,000 tonnes per annum and provide working capital during the ramp-up.

Financial Position

The Company had \$34.2 million cash on hand as at 30 June 2021. The Company also had A\$7.4 million remaining in undrawn financing facilities (from a total financing equivalent of A\$174.6 million).

Securities on Issue

The Company had 839,161,349 ordinary shares on issue as at 30 June 2020.

As at the date of this report Kalium Lakes has 1,013,503,251 ordinary shares on issue. The following is a list detailing other securities on issue on issue, as at the date of this report:

- 10,375,000 performance rights
- 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
- 29,896,480 nil exercise price options expiring 16 June 2023
- 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 at that time.



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.

Construction activities at the Beyondie SOP Project increased the number of personnel both in the Kalium Lakes' Operations and Projects teams, as well as additional construction contractors. During the period The Total Recordable Injury Frequency Rate (TRIFR) reduced from the 17.8 recorded in July 2020 to a TRIFR rate of 8.2 in June 2021.

A total of 533,860 man hours were recorded for Beyondie SOP Project site during the Financial Year ended 30 June 2021.

Kalium Lakes continues to develop its Health Safety, Environmental and Social Systems as the company evolves from exploration and construction to SOP production 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. We recognise stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of our social and environmental impacts.

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 traditional 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 and protecting these sites and places.

Environment

Kalium Lakes is committed to responsible environmental management and environmental performance as an essential attribute of a sustainable, responsible, efficient, and successful company. This will be achieved through leadership, reliable environmental management systems, cultivating a positive environmental culture with employees and contractors and ensuring rigorous control and compliance over our activities.

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 slides 32-35 of the Equity Capital Raising Investor Presentation lodged with the ASX on 13 October 2021.

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

INTERESTS AND RESOURCES

Beyondie Sulphate of Potash Project (100% Owned): Tenement Interests

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
Exploration Licences						
E 52/3956	TBA	KLP	WA	Pending	TBA	100%
E 52/3957	TBA	KLP	WA	Pending	TBA	100%
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%



Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
Miscellaneous Licences						
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%
L69/46	TBA	KLP	WA	Granted	8-2-2021	100%
L69/47	TBA	KLP	WA	Pending	TBA	100%
L69/48	TBA	KLP	WA	Granted	27-7-2021	100%
L69/41	10 Mile Village	KLI	WA	Granted	8-2-2019	100%
Mining Leases						
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%
M69/146	Sunshine	KLP	WA	Granted	6-6-2018	100%
M69/148	10 Mile West	KLP	WA	Pending	TBA	100%
Gas Pipeline						
PL117	Gas Pipeline	KLI	WA	Granted	7-11-2018	100%

INTERESTS AND RESOURCES

Dora / Blanche (100% Owned): Tenement Interests

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

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E45/4436	Dora	Rachlan	WA	Application	-	100%
E45/4437	Blanche	Rachlan	WA	Application	-	100%

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 (Joint Venture): Tenement Interests

The Carnegie Joint Venture (CJV) 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	Tenement Name	Holder	State	Status	Grant Date	Interest
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%



Beyondie Sulphate of Potash Project (100% Owned): Measured Mineral Resources (inclusive of the ore reserves)

Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Aquifer Type: Lake Surface Sediments												
278	0.47	131	0.17	46	7,463	0.35	19,097	0.89	6,624	0.31	16.64	0.77
Aquifer Type: Alluvium												
122	0.31	38	0.12	15	2,432	0.04	10,556	0.15	4,379	0.06	5.42	0.08
Aquifer Type: Palaeovalley Clay												
935	0.36	333	0.06	58	4,628	0.27	14,495	0.84	4,130	0.24	10.32	0.60
Aquifer Type: Sand and Silcrete												
270	0.33	88	0.21	56	5,665	0.32	17,394	0.97	5,090	0.28	12.63	0.71
Aquifer Type: Fractured and Weathered Sandstone												
1,371	0.16	219	0.08	110	6,241	0.68	18,909	2.07	6,553	0.72	13.92	1.53
Aquifer Type: Fractured / Weathered Bedrock												
773	0.24	186	0.10	76	5,404	0.41	15,138	1.15	5,814	0.44	12.05	0.92
Total Resources												
3,749		995		361	5,718	2.06	16,853	6.08	5,701	2.06	12.75	4.60

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

INTERESTS AND RESOURCES

Beyondie Sulphate of Potash Project (100% Owned): Indicated Mineral Resources (inclusive of the ore reserves)

Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Aquifer Type: Lake Surface Sediments												
651	0.46	297	0.12	77	7,379	0.57	20,972	1.62	6,521	0.51	16.46	1.27
Aquifer Type: Lake Surface Leaching												
N/a	N/a	N/a	N/a	80	5,373	0.43	16,986	1.36	3,632	0.29	11.98	0.96
Aquifer Type: Alluvium												
1,240	0.35	438	0.13	155	4,852	0.75	13,618	2.12	4,088	0.64	10.82	1.68
Aquifer Type: Palaeovalley Clay												
1,396	0.34	478	0.07	100	6,043	0.61	16,540	1.66	5,395	0.54	13.48	1.35
Aquifer Type: Sand and Silcrete												
221	0.32	70	0.21	45	4,210	0.19	14,103	0.64	4,390	0.20	9.39	0.43
Aquifer Type: Fractured and Weathered Sandstone												
5,081	0.16	826	0.08	406	6,135	2.49	16,998	6.91	6,109	2.48	13.68	5.56
Aquifer Type: Fractured / Weathered Bedrock												
5,727	0.23	1,297	0.05	288	5,998	1.73	16,688	4.80	5,137	1.48	13.38	3.85
Total Resources												
14,316		3,406		1,153	5,875	6.77	16,577	19.11	5,319	6.13	13.10	15.11

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



Beyondie Sulphate of Potash Project (100% Owned): Inferred Mineral Resources

Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Aquifer Type: Lake Surface Sediments												
272	0.47	128	0.13	35	11,735	0.41	31,405	1.11	7,969	0.28	26.15	0.92
Aquifer Type: Alluvium												
1,352	0.43	579	0.11	153	5,884	0.90	17,939	2.75	5,899	0.90	13.11	2.01
Aquifer Type: Palaeovalley Clay												
14,508	0.35	5,086	0.03	466	5,898	2.75	17,929	8.35	6,171	2.87	13.14	6.12
Aquifer Type: Sand and Silcrete												
608	0.31	190	0.21	128	5,435	0.70	16,611	2.13	5,569	0.71	12.11	1.55
Aquifer Type: Weathered / Fractured Bedrock												
5,350	0.21	1,149	0.03	154	7,791	1.20	24,625	3.78	6,263	0.96	17.36	2.67
Total Resources												
22,091		7,132		936	6,363	5.96	19,357	18.12	6,127	5.74	14.18	13.27

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

INTERESTS AND RESOURCES

Beyondie Sulphate of Potash Project (100% Owned): Exploration Target *

Maximum Thickness (m)	Coverage (km ²)	Sediment Volume (10 ⁶ m ³)	Total Porosity (-)	Total Stored Brine (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine (10 ⁶ m ³)	K Grade (mg/L)	K Mass (Mt)	SO ₄ Grade (mg/L)	SO ₄ Mass (Mt)	Mg Grade (mg/L)	Mg Mass (Mt)	K ₂ SO ₄ Mass (Mt)
Geological Layer: Alluvium													
6	157	942	0.4	377	0.10	94	2,000	0.2	6,100	0.6	2,300	0.2	0.4
Geological Layer: Palaeovalley Clay													
30	1,148	34,440	0.45	15,498	0.04	1,378	1,800	1.2	5,500	3.8	2,100	1.4	5.5
Geological Layer: 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
Geological Layer: Weathered Sandstone													
10	253	2,530	0.15	380	0.06	152	3,500	0.5	10,500	1.6	4,200	0.6	1.2
Total													
				16,519		1,760	1,942	2.1		6.7		2.5	7.6
Geological Layer: 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
Geological Layer: Palaeovalley Clay													
50	1148	57,400	0.55	31,570	0.06	3,444	3,300	7.6	9,100	20.9	3,700	8.5	25.3
Geological Layer: Palaeochannel Sand													
15	108	1,620	0.45	729	0.25	405	3,200	1.0	8,700	2.6	3,500	1.1	2.9
Geological Layer: Weathered Sandstone													
30	299	8,972	0.25	2,243	0.10	897	6,000	5.4	18,000	16.1	7,200	6.5	12.0
Total													
				35,484		5,085	3,782	15.2		42.9		17.4	42.9

*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.



Beyondie Sulphate of Potash Project (100% Owned): Proved Ore Reserves as at 30 June 2021

Aquifer Type	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	K ₂ SO ₄ (SOP) Grade (kg/m ³)	K ₂ SO ₄ (SOP) Mass (Mt)
Production Bores	115.5	6,207	0.71	17,945	2.05	13.83	1.58
Total Proved Ore Reserves	115.5	6,207	0.71	17,945	2.05	13.83	1.58

Note: errors are due to rounding.

Beyondie Sulphate of Potash Project (100% Owned): Probable Ore Reserves as at 30 June 2021

Aquifer Type	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	K ₂ SO ₄ (SOP) Grade (kg/m ³)	K ₂ SO ₄ (SOP) Mass (Mt)
Lake Sediments	208.2	4,755	0.99	13,699	2.85	10.60	2.21
Production Bores	82	6,713	0.56	18,867	1.57	14.69	1.24
Total Probable Ore Reserves	290.2	5,306	1.55	15,129	4.42	11.82	3.45

Note: errors are due to rounding.

Beyondie Sulphate of Potash Project (100% Owned): Ore Reserves Summary as at 30 June 2021

Category	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (Mt)	K ₂ SO ₄ (SOP) Mass (Mt)
Proved Ore Reserve	115.5	6,207	0.71	2.05	1.58
Probable Ore Reserve	290.2	5,306	1.55	4.42	3.45
Total Ore Reserve	405.7	5,565	2.26	6.47	5.03

Note: errors are due to rounding.

Competent Persons Statement

The information in this document that relates to the Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target is based upon information compiled by Mr Adam Lloyd, a competent person who is an employee of Kalium Lakes. Mr Lloyd is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and the activity which is being undertaken to qualify as a Competent Person for reporting of Exploration Results, Mineral Resources, Ore Reserves and Exploration Targets as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Certain information in this document is extracted from the ASX announcement titled "BSOPP Feasibility Study Complete – New 120ktpa Base Case" dated 18 August 2021 that relates to Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target and is based upon information compiled by Mr Adam Lloyd.

Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the ASX announcement and, in the case of Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Kalium Lakes confirms that the form and context in which the Competent Person's findings are presented have not materially been modified from the original market announcement. Mr Lloyd consents to the inclusion in this document of the matters based upon his information in the form and context in which it appears.



Additional Cautionary Statement Regarding Forward-Looking Information

Certain information in this document refers to the intentions of Kalium Lakes, but, unless otherwise explicitly stated, 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.

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 2021.

Directors

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

Malcolm Randall

Non-Executive Chairman / Director
(resigned 26 November 2020)

Brett Hazelden

Managing Director (ceased employment 24 July 2020)

Stephen Dennis

Non-Executive Director / Chairman
(appointed Chairman 20 August 2020)

Dale Champion

Non-Executive Director (resigned 22 April 2021)

Mark Sawyer

Non-Executive Director

Brent Smoothy

Non-Executive Director

Salvatore Lancuba

Non Executive Director (appointed 14 October 2020)

Directors' Qualifications and Experience

The Directors' qualifications and experience are set out below:

Stephen Dennis

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Qualification

BCOM BLL.B GDipAppFin(Finsia)

Experience and expertise

Mr Stephen Dennis 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, Burgundy Diamond Mines Limited, Heron Resources, Graphex Limited

Former Directorships (last 3 years)

Nil

Interest in shares as at the date of this report

2,333,334

Interest in options as at the date of this report

Nil



Mark Sawyer

NON-EXECUTIVE DIRECTOR

Qualification

LL.B.

Experience and expertise

Mark Sawyer 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, North River Resources Plc, Serabi Gold Plc

Former Directorships (last 3 years)

Nil

Interest in shares as at the date of this report

Nil

Interest in options as at the date of this report

Nil



Directors' Qualifications and Experience

The Directors' qualifications and experience are set out below:

Brent Smoothy

NON-EXECUTIVE DIRECTOR

Experience and expertise

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 as at the date of this report

81,843,097

Interest in performance rights as at the date of this report

7,300,000

Interest in options as at the date of this report

Nil



Salvatore (Sam) Lancuba

NON-EXECUTIVE DIRECTOR (APPOINTED 14 OCTOBER 2020)

Experience and expertise

Sam 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.

Other current Directorships

Nil

Former Directorships (last 3 years)

Nil

Interest in shares as at the date of this report

Nil

Interest in performance rights as at the date of this report

Nil

Interest in options as at the date of this report

Nil





DIRECTORS' REPORT

OFFICERS OF THE COMPANY

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, production ramp-up and project hand-over to operations.

Jason Shaw
Chief Financial Officer

Jason Shaw is a Chartered Accountant with more than 25 years' experience. Prior to his appointment at Kalium Lakes, he was Joint Group Chief Financial Officer and Chief Financial Officer, America at the Chelsfield private property group. Jason has extensive knowledge of asset acquisition, development, management and financing, as well as establishing and operating corporate financial and administration business systems. Prior to Chelsfield, he held the senior finance executive role at Heytesbury, a private Australian family office with interests including agribusiness and property.

Jason is a Fellow of Chartered Accountants Australia & New Zealand and holds a Bachelor of Commerce Honours (1st) Degree and a Master of Accounting from the University of Western Australia.

Gareth Widger
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.

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	Risk and Audit Committee	Remuneration and Nomination Committee
Number of Meetings Held	13	2	2
Number of Meetings Attended:			
Malcolm Randall	7	1	1
Brett Hazelden	1	-	-
Stephen Dennis	13	2	2
Dale Champion	11	-	-
Mark Sawyer	13	1	1
Brent Smoothy	13	-	-
Salvatore Lancuba	6	1	1

DIRECTORS' REPORT

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
5,000,000	\$0.3583	30 June 2025
12,218,987	\$0.00	16 June 2023
17,677,493	\$0.00	16 June 2023
1,182,639	\$0.55	16 June 2022
1,750,000	\$0.625	16 June 2022

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

2,666,667 shares were issued as a result of the exercise of options during the financial year.

There was no option or performance right 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 2021. 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 2021.

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 \$750,000.

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 2021.

Remuneration Report Approval at the 2021 Annual General Meeting

The remuneration report for the year ended 30 June 2021 will be put to shareholders for approval at the Company's AGM. The Company received 99.4% of votes cast for its Remuneration Report for the year ended 30 June 2020.

Share Trading by Directors and Executives

In May 2021 the Board of Directors adopted a comprehensive Corporate Governance Plan and within this plan (at Schedule 7) the Securities Trading Policy sets out the Company's policy on dealing in the securities of the Company, as well as the securities of other entities, by its Directors, Officers, Employees and Contractors.

The Corporate Governance Plan can be accessed via the Company's website via the Corporate Governance menu tab (link: <https://www.kaliumlakes.com.au/Corporate-Governance>).

A. Details of Remuneration

	Year	Short-term benefits	Post-employment benefits	Share-based payments		Total \$
		Cash salary, bonuses ⁷ , leave cash out and other benefits \$	Superannuation \$	Equity-settled shares \$	Equity-settled options \$	
Non-Executive Directors						
Malcolm Randall ¹	2021	26,250	2,494			28,744
	2020	88,699	8,426	-	-	97,125
Stephen Dennis ²	2021	84,132	7,993	-	-	92,125
	2020	64,132	6,093	-	-	70,225
Dale Champion ³	2021	46,083	4,378	-	-	50,461
	2020	11,875	1,128	-	-	13,003
Brent Smoothy	2021	57,250	5,439	-	-	62,689
	2020	7,917	752	-	-	8,669
Mark Sawyer	2021	47,500	-	-	-	47,500
	2020	7,917	-	-	-	7,917
Salvatore Lancuba ⁴	2021	43,715	4,153	-	-	47,868
	2020	-	-	-	-	-
Executive Directors						
Brett Hazelden ⁸	2021	346,281	5,424	-	-	351,705
	2020	375,962	21,003	-	-	396,965
Key Management Personnel						
Rudolph Van Niekerk ⁵	2021	347,755	23,686	-	-	371,441
	2020	343,844	21,003	-	-	364,847
Chris Achurch ⁶	2021	24,970	1,425	-	-	26,395
	2020	189,132	17,968	-	43,887 ⁸	250,987
Antony Heitmann Beckmand ⁷	2021	193,333	14,964	-	-	208,297
	2020	-	-	-	-	-
Total	2021	1,217,269	69,956	-	-	1,287,225
Total	2020	1,089,478	76,373	-	43,887	1,209,738

- ¹ Malcolm Randall stepped down from the role of Chairman and remained as non-executive director on 20 August 2020. Malcolm Rendall resigned as Non-Executive Director on 30 November 2020.
- ² Stephen Dennis was appointed as Chairman on 20 August 2020.
- ³ Dale Champion resigned as Non-Executive Director on 30 April 2021.
- ⁴ Salvatore Lancuba was appointed as Non-Executive Director on 14 October 2020.
- ⁵ Rudolph van Niekerk was appointed as Interim Chief Executive Officer on 24 July 2020 and Chief Executive Officer on 6 October 2020.
- ⁶ Chris Achurch resigned as Chief Financial officer on 31 July 2020.
- ⁷ Antony Heitmann Beckmand was appointed as Chief Financial Officer (CFO) on 29 September 2020 and gave notice on 9 June 2021 that he would resign as CFO with effect on 30 September 2021.
- ⁸ On 24 July 2020, Brett Hazelden ceased his employment with the Company, as Managing Director and CEO.

DIRECTORS' REPORT

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

	Fixed remuneration		At risk – STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
Non-Executive Directors						
Malcolm Randall	100%	85%	-	15%	-	-
Stephen Dennis	100%	86%	-	14%	-	-
Dale Champion	100%	100%	-	-	-	-
Brent Smoothy	100%	100%	-	-	-	-
Mark Sawyer	-	100%	-	-	-	-
Salvatore Lancuba	100%	-	-	-	-	-
Executive Directors						
Brett Hazelden	100%	94%	-	6%	-	-
Key Management Personnel						
Rudolph Van Niekerk	100%	93%	-	7%	-	-
Chris Achurch	100%	79%	-	4%	-	17%
Antony Heitmann Beckmand	100%	-	-	-	-	-

B. Service Agreements

The Company has entered into executive service agreements with the Chief Executive Officer and Chief Financial Officer as detailed below:

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

The Board resolved to appoint Mr Rudolph van Niekerk as Chief Executive Officer on 6 October 2020. In respect to his employment as the Chief Executive Officer of the Company, the principal terms are as follows:

- An annual salary of \$378,305 excluding superannuation for the financial year ended 30 June 2021
- Rudolph may terminate the agreement by giving four months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving six 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 six months following termination of his employment.

Mr Antony Beckmand commenced employment as Chief Financial Officer on 9 November 2020. On 9 June 2021 Antony gave notice that he would resign from the Company with effect on 30 September 2021.

In respect to his employment as the Chief Financial 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 2021;
- Antony may terminate the agreement by giving no less than three months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving no less than three months' notice in writing to Antony (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 Antony, in which case no notice is required);

DIRECTORS' REPORT

- If Antony's employment ends due to the position being made redundant, he will be entitled to a minimum of three months of base salary; and
- Antony is subject to non-compete restrictions during his employment and for a maximum period of nine months following termination of his employment.

Mr Jason Shaw commenced employment as Chief Financial Officer on 5 July 2021.

In respect to his employment as the Chief Financial Officer of the Company, the principal terms are as follows:

- An annual salary of \$300,000 excluding superannuation at the commencement of his employment;
- Jason may terminate the agreement by giving no less than three months' notice in writing to the Company (subject to a six-month probationary period in which he may give one months' notice);
- The Company may terminate the agreement (without cause) by giving no less than three months' notice in writing to Jason (or make payment in lieu of notice) (subject to a six-month probationary period in which the Company may give Jason one months' notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Jason, in which case no notice is required);
- If Jason's employment ends due to the position being made redundant, he will be entitled to a minimum of three months of base salary; and
- Jason is subject to non-compete restrictions during his employment and for a maximum period of nine months following termination of his employment.

C. Share Based Compensation

No shares or options issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Revenue	7,525,648	638,559	1,705,960	4,261,759	2,519,040
EBITDA	298,745	(18,146,182)	(11,469,093)	(10,696,683)	(5,917,009)
EBIT	(623,273)	(18,892,617)	(11,885,909)	(10,900,473)	(5,952,926)
Loss after income tax	(623,273)	(18,892,617)	(11,762,018)	(10,757,324)	(5,889,309)
The factors that are considered to affect total shareholders return ("TSR") are summarised below:					
Share price at financial year end (\$)	0.245	0.145	0.59	0.54	0.36
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.07)	(4.71)	(6.15)	(6.95)	(5.40)

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:

DIRECTORS' REPORT

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	3,342,363	-	-	(3,342,363)	-
Stephen Dennis ²	1,020,791	-	1,312,543	-	2,333,334
Brent Smoothy	67,911,609	-	13,931,488	-	81,843,097
Dale Champion ³	3,749,061	-	-	(3,749,061)	-
Brett Hazelden ⁴	28,388,603	-	2,589,604	(30,978,207)	-
Rudolph van Niekerk ⁵	9,450,496	-	8,634,245	-	18,084,741
Chris Achurch ⁶	37,715	-	-	(37,715)	-
Mark Sawyer	-	-	-	-	-
Antony Beckmand ⁷	-	-	-	-	-
Total	113,900,638	-	-	-	102,261,172

- ¹ Malcolm Randall stepped down from the role of Chairman to remain as non-executive director on 20 August 2020. Mr Randall resigned as Non-Executive Director on 30 November 2020. The balance of his shareholding has been reduced to zero for the purpose of this report as he is no longer a member of key management personnel of the Consolidated Entity as at 30 June 2021.
- ² Stephen Dennis was appointed as Chairman on 20 August 2020.
- ³ Dale Champion resigned as Non-Executive Director on 30 April 2021. The balance of his shareholding has been reduced to zero for the purpose of this report as he is no longer a member of key management personnel of the Consolidated Entity as at 30 June 2021.
- ⁴ Brett Hazelden ceased his employment with the company, as Managing Director and CEO on 24 July 2020. The balance of his shareholding has been reduced to zero for the purpose of this report as he is no longer a member of key management personnel of the Consolidated Entity as at 30 June 2021.
- ⁵ Rudolph van Niekerk was appointed as Interim Chief Executive Officer on 24 July 2020 and Chief Executive Officer on 6 October 2020.
- ⁶ Chris Achurch resigned as Chief Financial officer on 31 July 2020. The balance of his shareholding has been reduced to zero for the purpose of this report as he is no longer a member of key management personnel of the Consolidated Entity as at 30 June 2021.
- ⁷ Antony Beckmand commenced as Chief Financial Officer on 9 November 2020.

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
Chris Achurch ¹	1,000,000	-	-	(1,000,000)	-
Total	1,000,000	-	-	(1,000,000)	-

- ¹ Chris Achurch resigned as Chief Financial Officer on 31 July 2020.

DIRECTORS' REPORT

Performance rights 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	7,300,000	-	-	-	7,300,000
Dale Champion	-	-	-	-	-
Mark Sawyer	-	-	-	-	-
Salvatore Lancuba	-	-	-	-	-
Brett Hazelden	2,100,000	-	-	-	2,100,000
Rudolph van Niekerk	600,000	-	-	-	600,000
Chris Achurch ¹	-	-	-	-	-
Antony Beckmand ²	-	1,000,000	-	-	1,000,000
Total	10,000,000	1,000,000	-	-	11,000,000

¹ Mr Chris Achurch resigned as Chief Financial Officer on 31 July 2020.

² Mr Antony Beckmand commenced as Chief Financial Officer with the Company on 9 November 2020 and on 9 June 2021 he gave notice that he would resign from the Company with effect on 30 September 2021. As a result of the cessation of his employment, on 30 September 2021 all of his performance rights were cancelled.

Other transactions with key management personnel and their related parties

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 of construction services provided by Smoothy Cattle Co Pty Ltd. During the financial year, payments for construction and maintenance services of pond roads and the airstrip from Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy) of \$5,455,602 were made. The current trade payable balance as at 30 June 2021 was \$261,996

Payments of \$3,031,106 were made during the financial year to K19 Mining Pty Ltd (a Director-related entity of Brent Smoothy) ("K19") for the construction of ponds, harvesting and haulage of harvested and waste salts. The current trade payable balance as at 30 June 2021 was \$644,396.

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 2021 was \$623,273 (2020: \$18,892,617 loss).

CORPORATE

In July 2020:

- Kalium Lakes announced the maiden Mineral Resource for Ten Mile West following acquisition of the Ten Mile West tenement and subsequent initial exploration in 2019. The Ten Mile West tenement is located directly adjacent to the existing Ten Mile operations.
 - 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 a high grade SOP Resource 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 performing better than anticipated with 35% higher grade and higher flow rates than predicted, reducing pumping requirements from the borefield
- The Company advises that construction works on its fully owned gas pipeline had commenced on schedule. The scope of the gas pipeline lateral includes: an inlet station from the Goldfields Gas Pipeline (GGP) which receives gas from a metering facility near the Kumarina Roadhouse; 79.4 kilometre of 100mm gas main line; and a delivery station (which will provide the gas at controlled temperature and pressure) for both power generation and use within the SOP production facility. The construction of the gas pipeline had been enabled through debt funding received from the Northern Australia Infrastructure Facility (NAIF).
- The Board commenced a process, with the assistance of third-party advisers, to review the Board and Management composition and structure. 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 also resolved to appoint the Chief Development Officer, Rudolph van Niekerk, as the Interim Chief Executive Officer.

In August 2020:

- Kalium Lakes announced the Beyondie SOP Project was 52% complete and tracking ahead of its updated schedule. Construction had started in July on the SOP Processing Plant with the mobilisation of DRA to commence civil and concrete works and installation of underground services. Across several project areas, the numbers had peaked at more than 100 people on site during the month of July and were forecast to exceed 200 people, on average, in the coming months. Measures had been put in place to manage the risks and impact of restrictions

associated with COVID-19, allowing works to continue in accordance with the updated schedule. Delivery of equipment had commenced and forecast delivery of all long lead equipment is also on schedule.

- The Company advised that the construction of the gas pipeline was on budget and proceeding ahead of schedule. Activities had ramped up with grading, clearing and survey activities complete for the full 79.4 kilometres, with trenching in place for the first 12 kilometres. All of the gas piping had been delivered to site, of which 26 kilometres has been strung along the gas pipeline alignment and a total of 16 kilometres (or 20% of the overall length of the pipeline) welded.
- An updated Mineral Resource for the Beyondie SOP Project was announced following additional drilling and test work supported a threefold increase in Mineral Resources at Lake Sunshine. This represents an increase in Total Mineral Resources of 6.05 Mt SOP in the area which held 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 delivered an increased total drainable Mineral Resource figure of 31.42 Mt at 13,151 mg/L SOP for the Project.

In September 2020:

- Kalium Lakes announced the completion of Non-Process Infrastructure for the Project, including multiple facilities utilised to support construction works, future production and operational requirements. The Non-Process Infrastructure for the Beyondie SOP Project included the fully functional and operational village with a total of 216 rooms, wastewater treatment facilities, potable water treatment facilities, medical facilities, dry and wet mess facilities, a fully equipped gym, laundry facilities, a village office and vehicle parking area.

In October 2020:

- The Company advised that brine extraction and supply infrastructure at the Beyondie SOP Project had been commissioned and achieved nameplate rate, this included:
 - All trenches complete at Lake Sunshine (15km) and Ten Mile (6km)
 - Commissioning of all trench pump stations – Ten Mile (2) and Lake Sunshine (2)
 - Commissioning of all production bores – Ten Mile (12) and Lake Sunshine (9)
 - Installation of 68km of brine supply and distribution piping
 - All brine extraction infrastructure delivered within budget and on schedule
 - Evaporation ponds construction on schedule with 61% of primary pond areas commissioned
- Kalium Lakes announced that the Board has appointed Mr Sam Lancuba as a Non-executive Director. Mr Lancuba brings more than 42 years' experience in all aspects of the global fertiliser industry, following an extensive career with Incitec Pivot Limited. He is a qualified chemical engineer and has consulted to industry clients in Australia, New Zealand, USA, South America, Europe, India and China.
- The Company announced the completion of additional milestones, with the overall Beyondie SOP Project then approaching 70% complete, on budget and on schedule. These milestones included the practical completion of the 79.4 km BSOPP natural gas lateral, as well as the commencement of installation of steel and key mechanical equipment for the SOP purification plant.

In December 2020:

- Kalium Lakes advised that the overall Beyondie SOP Project had reached 75% complete, on budget and on schedule. All the primary evaporation ponds were complete and production of potassium salts for commissioning and production ramp-up was on target. The gas supply infrastructure was nearing completion with commissioning activities planned to commence in January and the power station had approximately 10% of work outstanding. More than 95% of all Ebtec equipment had been delivered to site and the final Ebtec shipment of equipment for the SOP purification plant was in transit.

In January 2021:

- The Company announced that:
 - Overall Beyondie SOP Project 80% complete, on schedule and on budget
 - All key process equipment from Ebtec GbR (Ebtec) had been delivered to site
 - SOP Purification Plant construction progress was at 71% completion
 - Gas and power pre-commissioning commenced.

In March 2021:

- Kalium Lakes advised that a 'debottlenecking' style review of the design for the SOP purification plant, combined with performance to date from the brine supply and evaporation ponds, indicated that:
 - steady state production of least 100ktpa of SOP is achievable at the Beyondie SOP Project due to:
 - Better than expected potassium grades in brines that will improve the quality of the plant feed salts.
 - Improvements in forecast availability and utilisation of the SOP purification plant.
 - Conservatism in the plant design.
 - Additional work is underway to increase production beyond 100ktpa and the Company had identified the potential to increase throughput up to 120ktpa through some short term, low capital intensity improvements. The Company continued to work with its technical consultants to develop an action plan for achieving these targets during the first year of production.
 - The Project's existing JORC Ore Reserve is 5.13mt tonnes with an SOP grading of 13.15kg/m³, representing only 16% of the Total Mineral Resource. An internal concept level analysis completed on the Company's published Resources and existing Mine Plan options (provided previously in the BSOPP Bankable Feasibility Study ASX announcement) shows potential for substantially increased production scenarios that will maximise the value of the resource endowment.
- Kalium Lakes announced that it had completed its first major commissioning activity for the Beyondie SOP Project, introducing gas all the way to the delivery station near the SOP processing facility. From the delivery station, gas is supplied through low pressure pipelines to the power station, boiler and other process plant equipment. Also:
 - Commissioning activities for the power station were nearing completion and it was anticipated that load testing would commence ahead of schedule in early April 2021.
 - Overall, the the Beyondie SOP Project was 83% complete as at mid-March 2021. All commissioning personnel had been on-boarded and key technical personnel had transitioned to site base roles while commissioning activities accelerated.

- The team included senior Ebtec specialists who are on site (post a mandatory quarantine period) in preparation for the SOP purification plant commissioning.
- More than 87,000 tonnes equivalent of SOP had been pumped from the bore fields and trenches into the primary evaporation ponds since 2019. In line with the current plan, potassium salts were ready for harvest, with harvesting due to commence in May 2021. Importantly, potassium salts had grown to a harvest cut thickness of at least 300mm, sufficient to provide the necessary feed for commissioning and subsequent ramp up of the SOP purification plant. In parallel, works were being finalised on the recycle ponds, comfortably in time to receive recovered brine from the purification plant.
- The Company advised that Mr Dale Champion had resigned as a Non-Executive Director. Mr Champion had informed the Company that, as a result of having established a collaboration with international interests to examine investments in the Australian potash sector, there was potential for conflict of interests to arise with his role as a Non-Executive Director.

In April 2021:

- Kalium Lakes Limited and the Marputu Aboriginal Corporation RNTBC, representing the Gingirana People, signed a variation to the existing Land Access Agreement which redefines the production area at the Beyondie SOP Project to cover the area of the proposed mining leases, including Ten Mile West. Kalium Lakes was then able to progress lodging the required mining tenure application over the Ten Mile West tenement, to facilitate access for further development activities. Those activities include the installation of additional bores and trenches to support the increased production target of 120Ktpa. The original Land Access Agreement was signed in March 2016 and provides for a number of mutually beneficial outcomes, including the consent to the grant of mining leases and ancillary tenure required to support the the Beyondie SOP Project, along with ensuring opportunities for employment and training and the provision of cultural awareness training for employees and contractors.

In May 2021:

- The Company announced it had successfully completed the commissioning of the Beyondie Sulphate of Potash Project's 7.5MW Power Station. Following on-site performance testing, each of the three 2.5MW gas engines and its associated equipment was fully operational, with all necessary operating licences and permits in place. In addition:
 - Construction of the standard grade SOP plant was in the final stages, with the focus of construction activities for this part of the plant shifting to piping, electrical and instrumentation works. Erection of the granular SOP plant had also commenced and was on schedule to be completed when the first standard grade SOP is ready for granulation.
 - More than 93,000 tonnes of contained SOP had been pumped from the bore fields and trenches into the primary evaporation ponds since 2019. Construction of the ROM pad had been completed and lined with halite in readiness to receive potassium salt stockpiles. Harvesting of potassium salts was in progress and potassium salts were being transferred to the ROM pad in preparation for commissioning and commencement of production.

In June 2021:

- Kalium Lakes advised it had successfully completed the lining of 42 hectares of recycle ponds at the Beyondie SOP Project. At the time, approximately 400 hectares of off-lake evaporation ponds, built and lined adjacent to the process plant and Ten Mile Lake, held more than 97,000

tonnes of contained SOP pumped from the bore fields and trenches. More than 2,400 rolls of HDPE liner were used to cover the laser levelled, tiered and graded area which, if rolled out end to end, would be approximately 500km long (i.e. the same as the straight-line distance from Sydney to Canberra and back). Completing this work required more than 3,000 man-days of effort by multiple contractors.

- The Company advised that its Chief Financial Officer and Joint Company Secretary, Antony Beckmand, had resigned citing personal matters that required his attention and presence with his family overseas. While Mr Beckmand was relocating to Norway during June, he remained committed to the Company and would provide his support and services remotely during the coming months.
- Kalium Lakes announced that it has appointed Mr Jason Shaw to the role of Chief Financial Officer. Mr Shaw, who commenced on a part time basis with the Company in July 2021, transitioned with the outgoing CFO, Mr Beckmand, who had relocated back to Norway. Mr Shaw is a Chartered Accountant who has more than 25 years' experience, with his most recent positions being Joint Group Chief Financial Officer and Chief Financial Officer – America, at the Chelsfield Group.

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 (SOP) Project ("BSOPP" or "Beyondie SOP Project"), 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.

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:

In August 2021:

- Kalium Lakes announced that more than 90,000 tonnes of potassium salt, that meets the plant feed cut-off grade, had been harvested and delivered to the ROM stockpile. Harvesting operations and potassium salt stockpiling continued, with several other ponds ready and available for harvest. The potassium salt, both harvested and ready for harvest, accounted for

approximately the first six months of SOP production during the ramp-up period.

- The Company advised:
 - That a Feasibility Study had been completed for a production increase to 120ktpa as a new base case (33% increase over the original 90ktpa production target). Key highlights included:
 - Incremental capital expenditure of \$45m, lower capital cost intensity of A\$1,513/t for the incremental 30ktpa production.
 - 120ktpa production throughput achieved by October quarter 2022.
 - Unlevered project pre-tax NPV (8%, nominal) of \$484m.
 - The expansion is subject to approval and funding, for which the Company is in the process of exploring equity and debt funding options.
 - Improved economies of scale from expansion to offset sector wide and macroeconomic cost pressures (Kalium Lakes remains a global first quartile low-cost producer).
 - K+S offtake agreement extended to cover increased production at 120ktpa level and improved payment terms for the first three years to reduce working capital needs.
 - That it is working with its senior lenders to restructure its existing debt arrangements and is in the process of negotiating the provision of an additional liquidity facility of A\$20m (to replace the existing A\$15m working capital facility provided by Westpac) which will be available for six months, with the potential to extend for another six months at the discretion of the senior lenders. The debt restructuring includes a deferral of principal repayments for the first two years of production and a two-year extension to the maturity of senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd and, combined with the expansion to the 120ktpa SOP production rate, will enable the Company to meet its debt service obligations. The liquidity facility will be used as short-term working capital, allowing the Project to commence production at 90ktpa in the event that the additional funding for the capital expenditure to expand production to 120ktpa is delayed.
 - First SOP production and ramp-up remains targeted for October 2021.
 - Commissioning risk regarded as low with:
 - The support of experienced German engineer and manufacturer (Ebtect GbR).
 - Start-up salts and brine equivalent to 113,000 tonnes of SOP already in production (as at end July 2021), including plant feed salts equivalent to 9,000 tonnes of SOP “harvested” and on the ROM pad ready for SOP production.
 - Favourable timing with first production and start-up into a rising SOP price environment (2022 forecast average price for standard grade SOP (CFR Aust) up to US\$617/t based on forecasts provided to the Company by CRU/Argus in July 2021).
 - Significant opportunity for further expansion beyond 120ktpa with further studies in progress.
- Kalium Lakes announced that commissioning activities for the Beyondie SOP Project were continuing, with completed plant modules progressively handed over by the construction contractor in accordance with the agreed commissioning plan. Key commissioning milestones included:
 - Hydro and vacuum tests on cooling crystalliser successfully completed.
 - Hydro testing through flotation successfully completed.
 - Water commissioning of process loop circuits was underway - fire, raw, gland, potable and process water headers had been successfully commissioned.

- The gas power station was operating continuously, with all switchrooms and transformers energised.
- Harvesting of potassium salts was continuing on schedule.
- Construction activities and parallel commissioning activities remained within the capital expenditure budget.
- Several key equipment vendors had attended site to support commissioning activities.

In September 2021:

- The Company advised that operational readiness for the Beyondie SOP Project was ramping up as planned and included:
 - Commencement of production ramp-up remains on track for October 2021.
 - Operations team in place with on-site training of plant operators continuing.
 - 108,000 tonnes of “plant feed specification” potassium salts harvested and been delivered to the ROM pad.
 - Harvested ponds were being immediately placed back into operation for next round of salt production.
 - Pre-concentrator ponds were full (to maximum capacity) in preparation for high evaporation rate summer period.
- Kalium Lakes announced that the Beyondie SOP Project had entered the final phases of commissioning, which included the following key milestones:
 - Construction of standard grade SOP plant was substantially complete other than punch-list items that were not critical to progressing commissioning.
 - Water commissioning was nearing completion.
 - Product storage shed and product materials handling infrastructure were almost complete.
 - The commencement of production ramp-up remained on track for October 2021.
 - Construction activities and commissioning activities remained within the capital expenditure budget.
- In September 2021, the Company significantly progressed negotiations with its lenders to restructure its existing senior debt arrangements with its two senior lenders, as announced to the market in August 2021 in addition to its plan to expand its SOP production target to 120ktpa. The debt restructure, combined with the expansion to the 120ktpa SOP production rate, will enable the Company to meet its future debt service obligations. The Company considers it has reasonable grounds for expecting that, following the execution of the debt restructure, the additional funding for the expansion to 120 ktpa can be secured based on the ore reserves and mineral resources defined at the Beyondie SOP Project and the various assumptions made in the 120ktpa feasibility study.
- On 30 September 2021, the Company announced the appointment of the Chief Financial Officer, Mr Jason Shaw, to the additional role of Company Secretary alongside Mr Gareth Widger, effective 1 October 2021.

In October 2021:

- On 5 October 2021, Kalium Lakes announced that the Beyondie SOP Project had produced its first batch of Sulphate of Potash, at the required product specification, during the product commissioning process. Product commissioning would continue until EBTEC completes its performance test. The scheduled commercial production ramp-up remained on track, with both construction and commissioning activities remaining within the capital expenditure

budget.

- On 5 and 6 October, the Company announced that it had awarded additional contracts for SOP product haulage services. The Company has previously reported that it was assessing additional backloading arrangements and depot services following Toll Mining Services' notice that it was presently unable to provide services under its 2019 agreement with Kalium Lakes. While the Company continues to address the notice with Toll, the awarding of additional contracts will enable it to achieve a suitable product delivery logistics solution when production commences in October 2021.
- On 7 October 2021 the Company announced the cancellation of 1,875,000 performance rights (including 1,000,000 performance rights held by key management personnel) effective 30 September 2021, due to the cessation of employment and because the conditional right to securities have not been, or have been incapable of being, satisfied.
- On 11 October 2021, the Company successfully entered into formal binding documentation with its two senior lenders to restructure its debt facilities, The debt restructure includes a deferral of all senior principal repayments for the first two years of production until 31 March 2024 and a two-year extension to the maturity of the senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until March 2033.

The senior lenders have also provided an additional A\$20 million liquidity facility which is a general purpose facility (replacing the \$15 million working capital facility previously provided by Westpac) that will be available for six months, with the potential to extend for another six months at the discretion of the senior lenders. The liquidity facility will be used for short-term working capital purposes to enable the Beyondie SOP Project to commence production at 90ktpa until the additional funding for the capital expenditure to expand production to 120ktpa is secured.

The Debt Restructure includes a condition that the Company successfully complete an equity raise by 3 January 2022 of at least \$47.1m to fund the expansion of production to 120ktpa and for working capital purposes. The Company considers it has reasonable grounds for expecting that the additional funding for the expansion to 120 ktpa can be secured based on the ore reserves and mineral resources defined at the Beyondie SOP Project and the various assumptions made in the 120ktpa feasibility study.

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.

DIRECTORS' REPORT

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.

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*.



Stephen Dennis - Chairman
12 October 2021

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



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2021, 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.

A handwritten signature in black ink that reads 'David J Wall'.

D J WALL
Partner
RSM Australia Partners

Perth, Western Australia
12 October 2021

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 2021 \$	30 June 2020 \$
Revenue			
Other income	5	7,525,648	638,559
Expenditure			
Accounting fees	25	(96,230)	(169,724)
Compliance fees		(139,300)	(283,111)
Depreciation		(922,018)	(746,435)
Directors and executive remuneration	28	(1,287,225)	(1,165,851)
Employee expenses		(1,037,607)	(3,226,584)
Site and exploration expenditure		(100,019)	(6,798,079)
Legal fees		(1,002,469)	(4,616,755)
Share based payment expense	6	(93,750)	(243,887)
Travel expenses		(31,616)	(357,957)
Other expenses	7	(3,438,687)	(1,922,793)
Loss before tax		(623,273)	(18,892,617)
Income tax expense	8	-	-
Net loss for the year from operations		(623,273)	(18,892,617)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(623,273)	(18,892,617)
Loss attributable to:			
Owners of the parent		(623,273)	(18,892,617)
		(623,273)	(18,892,617)
Total comprehensive loss attributable to:			
Owners of the parent		(623,273)	(18,892,617)
		(623,273)	(18,892,617)
Basic and diluted loss per share (cents)	24	(0.07)	(4.71)

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 \$	30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	34,206,120	54,623,007
Trade and other receivables	10	1,245,525	1,594,745
Total Current Assets		35,451,645	56,217,752
Non-Current Assets			
Property, plant and equipment	11	15,956,872	6,828,145
Work in progress	12	258,756,965	118,957,531
Mine in development	13	17,023,986	14,754,721
Collateral for bank guarantees	14	610,000	-
Right-of-use assets	15	96,265	200,541
Total Non-Current Assets		292,444,088	140,740,938
Total Assets		327,895,733	196,958,690
LIABILITIES			
Current Liabilities			
Trade and other payables	16	8,528,610	6,532,453
Provisions	17	337,691	208,809
Borrowings	20	6,238,670	-
Lease liabilities	18	50,000	105,020
Total Current Liabilities		15,154,971	6,846,282
Non-Current Liabilities			
Provisions	19	13,681,710	4,166,074
Borrowings	20	159,152,664	50,472,783
Total Non-Current Liabilities		172,834,374	54,638,857
Total Liabilities		187,989,345	61,485,139
Net Assets		139,906,388	135,473,551
EQUITY			
Contributed equity	21	184,670,756	179,614,646
Reserves	22	8,271,356	8,271,356
Accumulated losses	23	(53,035,724)	(52,412,451)
Total Equity		139,906,388	135,473,551

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2019	53,053,533	3,249,635	(33,519,834)	22,783,334
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)
Transactions with owners in their capacity as owners:				
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
Balance at 30 June 2020	179,614,646	8,271,356	(52,412,451)	135,473,551
Balance at 1 July 2020	179,614,646	8,271,356	(52,412,451)	135,473,551
Loss for the year	-	-	(623,273)	(623,273)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(623,273)	(623,273)
Transactions with owners in their capacity as owners:				
Shares issued during the year	5,135,535	-	-	5,135,535
Security issue expenses	(79,425)	-	-	(79,425)
Share based payments	-	-	-	-
Balance at 30 June 2021	184,670,756	8,271,356	(53,035,724)	139,906,388

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
Receipts from customers/others		133,491	1,491,660
Payments to suppliers and employees		(7,607,695)	(10,318,880)
Payment for site and exploration expenditure		(131,635)	(7,156,038)
Payment for mine development		(132,785,149)	(108,397,268)
Net cash used in operating activities	26	(140,390,988)	(124,380,526)
Cash flows from investing activities			
Interest received		64,706	362,615
Collateral given for bank guarantee		(610,000)	-
Payments for property, plant and equipment		(430,833)	(1,791,014)
Net cash used in investing activities		(976,127)	(1,428,399)
Cash flows from financing activities			
Proceeds from issue of shares		3,045,811	133,671,178
Share issue transaction costs		(79,424)	(7,415,553)
Proceeds from borrowings		118,645,188	49,671,280
Transaction costs related to borrowings		(194,908)	(10,898,484)
Repayment of borrowings		(411,419)	-
Repayment of lease liabilities		(55,020)	(63,669)
Net cash provided by financing activities		120,950,228	164,964,752
Net (decrease) / increase in cash and cash equivalents		(20,416,887)	39,155,827
Cash and cash equivalents at beginning of the financial year		54,623,007	15,467,180
Cash and cash equivalents at the end of the financial year	9	34,206,120	54,623,007

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021 (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:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Consolidated Entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Consolidated Entity's financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 27.

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 2021 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 2021 \$	30 June 2020 \$
5. Other income		
Foreign exchange gain - realised	842,975	323,322
Foreign exchange gain - unrealised	6,484,476	-
Loss on derivative financial instruments	-	(151,613)
Other income	133,491	104,235
Interest income	64,706	362,615
	7,525,648	638,559

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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

	30 June 2021 \$	30 June 2020 \$
6. Share based payment expense		
Issue of performance rights to management ¹	93,750	-
Unlisted options to executive – vesting over next 12 months	-	43,887
Issue of shares for services ²	-	200,000
	93,750	243,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

¹ The Company issued 2,250,000 performance rights to members of management in during the financial year. 500,000 rights lapsed during the year as a result of the cessation of employment. An amount of \$93,750 was expensed to share based payments and recorded as other payables based on the terms below:

Condition 1 - 50% of the performance rights will convert to shares upon the achievement of first commercial production of Sulphate of Potash ("SOP") which shall be deemed to have occurred when SOP is delivered to a client under a contract of sale ("First Sales") on or before 30 September 2021; and

Condition 2 - 50% of the performance rights will convert to shares upon the Company not exceeding the revised capital expenditure budget of A\$280.2 million in respect to the construction of the Beyondie SOP Project, detailed in the Company's investor presentation and prospectus dated 21 May 2020, when the Company achieves First Sales.

² 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 21 and 22.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021 \$	30 June 2020 \$
7. Other expenses		
Bank charges	207,153	4,320
Insurance	1,371,588	929,833
Subscriptions and licenses	254,240	114,035
Other consultants	318,942	98,707
Head office and administration	1,286,764	775,898
	<u>3,438,687</u>	<u>1,922,793</u>

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 2021 \$	30 June 2020 \$
Loss before Income tax	<u>(623,273)</u>	<u>(18,892,617)</u>
Prima facie benefit on operating loss at 26% (2020: 27.5%)	162,051	5,195,470
Non allowable expenditure	(1,822)	(277,895)
Unrecognised deferred tax assets attributable to tax losses	<u>(156,423)</u>	<u>(4,917,575)</u>
Income tax expenses	-	-
Tax losses available	44,078,556	33,405,913

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$11,460,424 (2020: \$9,186,626) 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.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

- 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 2021 \$	30 June 2020 \$
9. Cash and cash equivalents		
Cash at bank	31,710,582	51,930,432
Cash on deposit	-	13,500
Restricted funds ¹	2,495,538	2,679,075
	34,206,120	54,623,007

¹ Restricted funds relate to cash set aside for future debt service repayments to the senior lenders to the Beyondie SOP Project.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	\$	\$
10. Trade and other receivables		
GST refundable	913,826	946,825
Prepayments	211,627	620,178
Fuel rebate	120,072	27,742
	1,245,525	1,594,745

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 (2020: \$Nil) in respect of expected credit losses for the year ended 30 June 2021.

	30 June 2021	30 June 2020
	\$	\$
11. Property, plant and equipment		
Carrying value		
Exploration & mining equipment	1,709,295	2,082,229
Office equipment	61,903	49,222
Motor vehicles	404,240	408,734
Rehabilitation asset	13,681,710	4,166,074
Computer software	99,724	121,886
	15,956,872	6,828,145

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
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	Rehabilitation asset	Computer software	Total
	\$	\$	\$	\$	\$	\$
Balance at 01 Jul 2019	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)
Balance at 30 Jun 2020	2,082,229	49,222	408,734	4,166,074	121,886	6,828,145
Additions	384,143	42,607	112,420	9,515,636	9,440	10,064,246
Disposal	(117,777)	-	-	-	-	(117,777)
Depreciation expense	(639,300)	(29,926)	(116,914)	-	(31,602)	(817,742)
Balance at 30 June 2021	1,709,295	61,903	404,240	13,681,710	99,724	15,956,872

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 and mining equipment	20%
Office equipment	33%
Motor vehicles	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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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.

	30 June 2021	30 June 2020
	\$	\$
12. Work in progress		
Brine supply and ponds	47,261,101	37,247,365
Purification facility	72,468,500	38,332,187
Village accommodation	10,129,146	8,445,751
Access road	5,579,460	2,872,911
Gas pipeline & power station	37,603,718	18,166,630
Owner's costs	69,111,616	5,152,390
Non process infrastructure	15,175,111	7,503,279
Other infrastructure	1,428,313	1,237,018
	258,756,965	118,957,531

	30 June 2021	30 June 2020
	\$	\$
13. Mine in development		
Mine in development	17,023,986	14,754,721
	17,023,986	14,754,721

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	\$	\$
14. Collateral for bank guarantees ¹		
Collateral for bank guarantees	<u>610,000</u>	-
	<u>610,000</u>	<u>-</u>

¹ Collateral for Bank guarantees is cash set aside to cover bank guarantees issued by the Consolidated Entity's bankers in relation to energy access service contracts.

	30 June 2021	30 June 2020
	\$	\$
15. Right-of-use assets		
Head office space - right-of-use	200,541	309,955
Less: Accumulated depreciation	<u>(104,276)</u>	(109,414)
	<u>96,265</u>	<u>200,541</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 2021	30 June 2020
	\$	\$
16. Trade and other payables		
Accounts payable	5,582,672	6,084,266
Derivative financial instruments	-	151,613
Other payables	125,964	256,574
Accrued expenses	<u>2,819,974</u>	40,000
	<u>8,528,610</u>	<u>6,532,453</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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.

	30 June 2021 \$	30 June 2020 \$
17. Current provisions		
Employee entitlements	<u>337,691</u>	<u>208,809</u>
	<u>337,691</u>	<u>208,809</u>

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 2021 \$	30 June 2020 \$
18. Lease liabilities		
Head office space - lease liabilities	<u>50,000</u>	<u>105,020</u>
	<u>50,000</u>	<u>105,020</u>

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	\$	\$
19 Non-Current provisions		
Opening balance	4,166,074	553,347
Additions	9,515,636	3,612,727
Closing balance	13,681,710	4,166,074

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 2021	30 June 2020
	\$	\$
20. Borrowings		
<i>Current borrowings</i>		
Loan from KfW	2,234,800	-
Loan from KfW/Euler Hermes	2,026,670	-
Loan from NAIF	1,977,200	-
	6,238,670	-
<i>Non-Current borrowings</i>		
Loan from KfW	43,698,522	13,467,527
Loan from KfW/Euler Hermes	43,140,295	16,603,829
Loan from NAIF	68,104,883	19,599,924
	154,943,700	49,671,280
Interest on loan from KfW	1,273,007	52,695
Interest on loan from KfW/Euler Hermes	812,459	186,053
Interest on loan from NAIF	1,486,378	120,544
Commitment fees on loan from KfW/Euler Hermes	637,120	442,211
	4,208,964	801,503
	159,152,664	50,472,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

The total Debt facilities are as follows (all secured and pledged against the assets of the Consolidated Entity):

Lender	Borrower	Facility Limit	Maturity
NAIF	Kalium Lakes Infrastructure	AUD 48,000,000	14 years ¹
NAIF	Kalium Lakes Potash	AUD 26,000,000	9 years ¹
KfW/Euler Hermes	Kalium Lakes Potash	EUR 32,487,268	9 years ¹
KfW	Kalium Lakes Potash	USD37,000,000	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 credit ¹; and
- b) the long stop date ²

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).

On the basis of the above the first principal repayments on the loans are expected to commence on 31 March 2022 and continue on a quarterly basis thereafter.

The company made prepayments of USD 311,069 to KfW/Euler Hermes as a result of closing out hedging agreements in relation to drawdowns on this facility during the year.

Financing arrangements

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

	30 June 2021 \$	30 June 2020 \$
Total facilities		
Bank loans ¹	174,580,433	179,156,779
Used at the reporting date		
Bank loans	165,391,334	50,472,783
Unused at the reporting date		
Bank loans	7,351,720	128,683,996

¹ Converted using AUD-EUR at 0.6320 and AUD-USD at 0.7523. Total facilities available include principal, commitment fees and interest. The reduction of total facilities in AUD terms was a result of the AUD strengthening against the USD (and to a lesser extent against the EUR) between 30 June 2020 and 30 June 2021 and as a result the USD and EUR facilities converted to a lower AUD facility size as at 30 June 2021.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
21. Contributed equity

	2021 Shares	2020 Shares	2021 \$	2020 \$
Ordinary shares – fully paid	839,161,349	802,257,785	184,670,756	179,614,646

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 Jul 2019	238,966,103		53,053,533
Placement	02 Aug 2019	76,248,464	0.50	38,124,232
Issue of shares for goods/services	02 Aug 2019	470,000	0.50	235,000
Issue of shares for services	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	09 Jun 2020	720,000	0.15	108,000
Issue of shares to contractors	09 Jun 2020	666,667	0.15	100,000
Issue of shares to contractors	09 Jun 2020	1,303,300	0.15	195,495
Issue of shares to advisors	09 Jun 2020	1,033,333	0.15	155,000
Share issue costs	-	-	-	(8,103,560)
Balance	30 Jun 2020	802,257,785		179,614,646
Issue of shares to contractors ¹	09 Jul 2020	13,931,488	0.15	2,089,724
Issue of shares under the Contingent Placement	09 Jul 2020	20,305,408	0.15	3,045,811
Exercise of options by contractors	04 Sep 2020	2,666,667	-	-
Share issue costs				(79,425)
Balance	30 Jun 2021	839,161,348		184,670,756

¹ Shares issued to contractors for work performed on the Beyondie SOP Project have been capitalised on the Consolidated Statement of Financial Position as non-current assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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.

	30 June 2021	30 June 2020
	\$	\$
22. Reserves		
Performance rights reserve	1,200,000	1,200,000
Options reserve	7,071,356	7,071,356
	8,271,356	8,271,356

Movements in performance rights reserve

	Number	\$
Balance 1 July 2020	10,000,000	1,200,000
Conversion of performance rights	-	-
Balance at 30 June 2020	10,000,000	1,200,000
Issue performance rights	2,250,000	-
Balance at 30 June 2021	12,250,000	1,200,000

The Company issued 2,250,000 performance rights to members of management during the financial year. 500,000 rights lapsed during the year as a result of the cessation of employment. An amount of \$93,750 was expensed to share based payments and recorded as other payables based on the terms of those particular performance rights.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
Movements in options reserve

	Number	\$
Balance at 1 July 2019	10,674,818	2,049,635
Unlisted options issued in a prior year vesting over multiple periods ¹⁰	-	43,887
Exercise of options by Directors on 13 December 2019 ¹	(2,000,000)	-
Exercise of options by Adviser on 16 December 2019 ¹	(1,500,000)	-
Options lapsed on 16 January 2020 ¹	(843,936)	-
Issue of options to contractors on 16 June 2020 ^{2,8&11}	12,218,987	1,832,848
Issue of options to contractors on 16 June 2020 ^{3,8&11}	17,677,493	2,651,624
Issue of options to contractors on 16 June 2020 ^{4,8&11}	1,666,667	250,000
Issue of options to contractors on 16 June 2020 ^{5,8&11}	1,000,000	150,000
Issue of options to advisors on 16 June 2020 ^{6&9}	1,182,639	40,160
Issue of options to advisors on 16 June 2020 ^{7&9}	1,750,000	53,202
Balance at 30 June 2020	<u>41,826,668</u>	<u>7,071,356</u>
Exercise of options by contractors on 07 September 2020 ¹	(2,666,667)	-
Cancellation of CFO options	(1,000,000)	-
Balance at 30 June 2021	<u>38,160,001</u>	<u>7,071,356</u>

¹ 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 prior 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
²	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
³	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
⁴	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
⁵	15/05/20	16/06/22	0.15	0.00	100%	0%	0.22%	0.15
⁶	15/05/20	16/06/22	0.15	0.55	100%	0%	0.22%	0.0340
⁷	15/05/20	16/06/22	0.15	0.625	100%	0%	0.22%	0.0304

⁸ Options issued to contractors for work performed on the Beyondie SOP Project have been capitalised on the Consolidated Statement of Financial Position as non-current assets, within work in progress and mine in development assets.

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	\$	\$
23. Accumulated losses		
Accumulated losses at the beginning of the financial year	(52,412,451)	(33,519,834)
Loss after income tax expense for the year	(623,273)	(18,892,617)
Accumulated losses at the end of the financial year	(53,035,724)	(52,412,451)
	30 June 2021	30 June 2020
	\$	\$
24. Earnings/(loss) per share		
Loss after income tax	(623,273)	(18,892,617)
Loss after income tax attributable to the owners of Kalium Lakes Limited used in calculating diluted earnings per share	(623,273)	(18,892,617)
Basic loss per share	(0.07)	(4.71)
Diluted loss per share	(0.07)	(4.71)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	837,950,677	400,814,955

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. 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 diluted EPS was not calculated as the consolidated entity has incurred a net loss for the current and prior year. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021 \$	30 June 2020 \$
25. Auditor's remuneration		
Audit and review of the financial report	70,000	65,936
Research and development tax	-	40,976
Investigative accountants report	-	19,943
Taxation and technical advice services	26,230	75,747
	<u>96,230</u>	<u>202,602</u>
	30 June 2021 \$	30 June 2020 \$
26. Reconciliation of cashflows from operating activities		
Loss after income tax expense for the year	(623,273)	(18,892,617)
Adjustments for:		
Depreciation	922,018	746,435
Share based payment expense	93,750	243,887
(Gain)/Loss on derivative financial instruments	-	151,613
Unrealised currency translation losses/(gains)	(6,484,476)	-
Change in operating assets and liabilities:		
Trade & other receivables	349,220	1,086,191
Trade & other payables	2,125,040	2,564,349
Work in progress	(134,504,002)	(96,169,388)
Mine development	(2,269,265)	(14,110,996)
Net cash used in operating activities	<u>(140,390,988)</u>	<u>(124,380,526)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
27. Parent entity information

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

	30 June 2021	30 June 2020
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss after income tax	(4,432,837)	(29,629,117)
Total comprehensive loss	(4,432,837)	(29,629,117)
Statement of financial position		
Total current assets	3,998,092	6,743,107
Total assets	140,226,094	136,176,199
Total current liabilities	(319,706)	(702,648)
Total liabilities	(319,706)	(702,648)
Net assets	139,906,388	135,473,551

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.

28. 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 2021	30 June 2020
	\$	\$
Short-term employee benefits	1,217,269	1,089,478
Post-employment benefits	69,956	76,373
	1,287,225	1,165,851
Share-based payments	-	43,887
	1,287,225	1,209,738

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
29. Related party transactions
Parent entity

Kalium Lakes Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

The following transactions occurred with related parties:

	30 June 2021	30 June 2020
	\$	\$
Payment for services:		
Payment for employee services from Tanya Hazelden (Director related entity of Brett Hazelden)	40,608	90,820
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) ^{2 & 3}	5,455,602	4,323,731
Payment for construction services from FIRM Construction Pty Ltd ³	-	4,901,101
Payment for construction services from K19 Mining Pty Ltd (Director related entity of Brent Smoothy) ¹	3,031,106	
	8,527,316	9,315,652

¹ K19 mining Pty Ltd and Smoothy Cattle Co Pty Ltd are Director related entities of Brent Smoothy. The companies were engaged in the construction works, harvesting and haulage of harvested and waste salts for the Beyondie SOP Project.

² Smoothy Cattle Co Pty Ltd were engaged in the construction and maintenance works of pond roads and the airstrip.

³ 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 prior 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 2021	30 June 2020
	\$	\$
Current payables:		
Payment for construction services from K19 Mining Pty Ltd (Director related entity of Brent Smoothy)	644,396	-
Payment for construction services and haulage of harvested and waste sale from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy)	261,996	2,089,723 ¹
	906,392	2,089,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

¹On 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 of 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.

30. 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.

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 2021	30 June 2020
	\$	\$
Unused at the reporting date		
Bank loans ¹	7,351,720	128,683,996

¹ Refer to note 20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
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 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivates					
<i>Non-interest bearing</i>					
Trade payables	-	5,582,672	-	-	5,582,672
Other payables	-	125,964	-	-	125,964
Lease liability	-	50,000	-	-	50,000
<i>Interest bearing</i>					
Bank loans	3.10%	6,238,670	62,637,378	96,515,306	165,391,334 ¹
Total non-derivatives		11,997,306	62,637,378	96,515,306	171,149,970
Derivatives					
Forward foreign exchange contracts and options net settled					
	-	-	-	-	-
Total derivatives		-	-	-	-

¹ Refer to note 20.

30 June 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivates					
<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 ¹	-	50,472,783 ¹
Total non-derivatives		6,461,853	50,472,783	-	56,934,636
Derivatives					
Forward foreign exchange contracts and options net settled					
	-	151,613	-	-	151,613
Total derivatives		151,613	-	-	151,613

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**
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 1% 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
		\$
Cash and cash equivalents	30 June 2021	34,206,120
Cash and cash equivalents	30 June 2020	54,623,007

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 2021	342,016	(342,061)
Cash and cash equivalents	30 June 2020	546,230	(546,230)

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 \$165,391,334 (2020: \$50,472,783), are principal and interest payment loans. Of these, \$93,822,892 (2021: \$30,752,315) are variable rate interest loans and \$71,568,462 (2020: \$19,720,468) are fixed rate interest loans. An official increase/decrease in interest rates of 100 (2020: 100) basis points would have an adverse/favourable effect on profit before tax of \$938,228 (2020: \$197,204) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. Principal repayments of \$6,238,670 are due during the year ending 30 June 2022

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.

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, presented in AUD were as follows:

	Sell USD dollars		Average exchange rates	
	2021	2020	2020	2020
Buy AUD dollars				
Maturity:				
0-6 months	-	22,331,111	-	0.690
6-12 months	-	9,204,328	-	0.693

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Sell USD dollars		Capped EUR to USD rate	
	2021	2020	2021	2020
Buy EUR				
Maturity:				
0-6 months	-	15,753,779	-	1.15
6-12 months	-	46,794	-	1.15

The Consolidated Entity had net liabilities denominated in foreign currencies in USD (AUD equivalent \$93,822,892 (2020: \$25,521,990)) and in EUR (AUD equivalent \$Nil (2020: \$176,708)) totalling AUD \$93,822,892 as at 30 June 2021 (2020: AUD \$25,698,698). 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 \$9,382,289 higher / \$4,691,145 lower (2020: \$2,569,870 higher / \$1,284,935 lower) and equity would have been \$9,382,289 lower / \$4,691,145 higher (2020: \$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 total of the actual realised and unrealised foreign exchange gains for the year ended 30 June 2021 was \$7,327,451 (2020: \$323,322).

The Consolidated Entity had net assets denominated in foreign currencies in EUR (AUD equivalent \$2,606,940 (2020: \$41,075)) and USD (AUD equivalent \$296,364 (2020: \$Nil)) as at 30 June 2021. If the AUD-EUR and AUD-USD 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 \$290,330 lower / higher (2020: \$4,107 lower / higher).

All foreign exchange forward contracts and options as at 30 June 2020 were closed by 30 June 2021.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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.

31. 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 2021 %	30 June 2020 %
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 ¹	Australia	100	100

¹ Magnesium Lakes Pty Ltd was dormant at the reporting date.

32. Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities and assets as at 30 June 2021 (2020: Nil).

33. Commitments

	30 June 2021 \$	30 June 2020 \$
Committed at the reporting date but not recognised as liabilities, payable:		
Rental, rates and expenditure commitments relating to tenements	2,696,232	1,124,496
Construction of the Beyondie SOP Project	42,848,243	155,186,218
	45,544,475	156,310,714

34. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021	30 June 2020
		%	%
Carnegie Joint Operation	Australia	70%	70%

35. 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:

In August 2021:

- Kalium Lakes announced that more than 90,000 tonnes of potassium salt, that meets the plant feed cut-off grade, had been harvested and delivered to the ROM stockpile. Harvesting operations and potassium salt stockpiling continued, with several other ponds ready and available for harvest. The potassium salt, both harvested and ready for harvest, accounted for approximately the first six months of SOP production during the ramp-up period.
- The Company advised:
 - That a Feasibility Study had been completed for a production increase to 120ktpa as a new base case (33% increase over the original 90ktpa production target). Key highlights included:
 - Incremental capital expenditure of \$45m, lower capital cost intensity of A\$1,513/t for the incremental 30ktpa production.
 - 120ktpa production throughput achieved by October quarter 2022.
 - Unlevered project pre-tax NPV (8%, nominal) of \$484m.
 - The expansion is subject to approval and funding, for which the Company is in the process of exploring equity and debt funding options.
 - Improved economies of scale from expansion to offset sector wide and macroeconomic cost pressures (Kalium Lakes remains a global first quartile low-cost producer).
 - K+S offtake agreement extended to cover increased production at 120ktpa level and improved payment terms for the first three years to reduce working capital needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- That it is working with its senior lenders to restructure its existing debt arrangements and is in the process of negotiating the provision of an additional liquidity facility of A\$20m (to replace the existing A\$15m working capital facility provided by Westpac) which will be available for six months, with the potential to extend for another six months at the discretion of the senior lenders. The debt restructuring includes a deferral of principal repayments for the first two years of production and a two-year extension to the maturity of senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd and, combined with the expansion to the 120ktpa SOP production rate, will enable the Company to meet its debt service obligations. The liquidity facility will be used as short-term working capital, allowing the Project to commence production at 90ktpa in the event that the additional funding for the capital expenditure to expand production to 120ktpa is delayed.
 - First SOP production and ramp-up remains targeted for October 2021.
 - Commissioning risk regarded as low with:
 - The support of experienced German engineer and manufacturer (Ebtac GbR).
 - Start-up salts and brine equivalent to 113,000 tonnes of SOP already in production (as at end July 2021), including plant feed salts equivalent to 9,000 tonnes of SOP “harvested” and on the ROM pad ready for SOP production.
 - Favourable timing with first production and start-up into a rising SOP price environment (2022 forecast average price for standard grade SOP (CFR Aust) up to US\$617/t based on forecasts provided to the Company by CRU/Argus in July 2021).
 - Significant opportunity for further expansion beyond 120ktpa with further studies in progress.
- Kalium Lakes announced that commissioning activities for the Beyondie SOP Project were continuing, with completed plant modules progressively handed over by the construction contractor in accordance with the agreed commissioning plan. Key commissioning milestones included:
 - Hydro and vacuum tests on cooling crystalliser successfully completed.
 - Hydro testing through flotation successfully completed.
 - Water commissioning of process loop circuits was underway - fire, raw, gland, potable and process water headers had been successfully commissioned.
 - The gas power station was operating continuously, with all switchrooms and transformers energised.
 - Harvesting of potassium salts was continuing on schedule.
 - Construction activities and parallel commissioning activities remained within the capital expenditure budget.
 - Several key equipment vendors had attended site to support commissioning activities.

In September 2021:

- The Company advised that operational readiness for the Beyondie SOP Project was ramping up as planned and included:
 - Commencement of production ramp-up remains on track for October 2021.
 - Operations team in place with on-site training of plant operators continuing.
 - 108,000 tonnes of “plant feed specification” potassium salts harvested and been delivered to the ROM pad.
 - Harvested ponds were being immediately placed back into operation for next round of salt production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- Pre-concentrator ponds were full (to maximum capacity) in preparation for high evaporation rate summer period.
- Kalium Lakes announced that the Beyondie SOP Project had entered the final phases of commissioning, which included the following key milestones:
 - Construction of standard grade SOP plant was substantially complete other than punch-list items that were not critical to progressing commissioning.
 - Water commissioning was nearing completion.
 - Product storage shed and product materials handling infrastructure were almost complete.
 - The commencement of production ramp-up remained on track for October 2021.
 - Construction activities and commissioning activities remained within the capital expenditure budget.
- In September 2021, the Company significantly progressed negotiations with its lenders to restructure its existing senior debt arrangements with its two senior lenders, as announced to the market in August 2021 in addition to its plan to expand its SOP production target to 120ktpa. The debt restructure, combined with the expansion to the 120ktpa SOP production rate, will enable the Company to meet its future debt service obligations. The Company considers it has reasonable grounds for expecting that, following the execution of the debt restructure, the additional funding for the expansion to 120 ktpa can be secured based on the ore reserves and mineral resources defined at the Beyondie SOP Project and the various assumptions made in the 120ktpa feasibility study.
- On 30 September 2021, the Company announced the appointment of the Chief Financial Officer, Mr Jason Shaw, to the additional role of Company Secretary alongside Mr Gareth Widger, effective 1 October 2021.

In October 2021:

- On 5 October 2021, Kalium Lakes announced that the Beyondie SOP Project had produced its first batch of Sulphate of Potash, at the required product specification, during the product commissioning process. Product commissioning would continue until EBTEC completes its performance test. The scheduled commercial production ramp-up remained on track, with both construction and commissioning activities remaining within the capital expenditure budget.
- On 5 and 6 October, the Company announced that it had awarded additional contracts for SOP product haulage services. The Company has previously reported that it was assessing additional backloading arrangements and depot services following Toll Mining Services' notice that it was presently unable to provide services under its 2019 agreement with Kalium Lakes. While the Company continues to address the notice with Toll, the awarding of additional contracts will enable it to achieve a suitable product delivery logistics solution when production commences in October 2021.
- On 7 October 2021 the Company announced the cancellation of 1,875,000 performance rights (including 1,000,000 performance rights held by key management personnel) effective 30 September 2021, due to the cessation of employment and because the conditional right to securities have not been, or have been incapable of being, satisfied.
- On 11 October 2021, the Company successfully entered into formal binding documentation with its two senior lenders to restructure its debt facilities, The debt restructure includes a deferral of all senior principal repayments for the first two years of production until 31 March 2024 and a two-year extension to the maturity of the senior loans owed by its wholly owned

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until March 2033.

The senior lenders have also provided an additional A\$20 million liquidity facility which is a general purpose facility (replacing the \$15 million working capital facility previously provided by Westpac) that will be available for six months, with the potential to extend for another six months at the discretion of the senior lenders. The liquidity facility will be used for short-term working capital purposes to enable the Beyondie SOP Project to commence production at 90ktpa until the additional funding for the capital expenditure to expand production to 120ktpa is secured.

The Debt Restructure includes a condition that the Company successfully complete an equity raise by 3 January 2022 of at least \$47.1m to fund the expansion of production to 120ktpa and for working capital purposes. The Company considers it has reasonable grounds for expecting that the additional funding for the expansion to 120 ktpa can be secured based on the ore reserves and mineral resources defined at the Beyondie SOP Project and the various assumptions made in the 120ktpa feasibility study.

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 2021 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.



Stephen Dennis
Chairman

12 October 2021



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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 2021, 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 2021 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.

THE POWER OF BEING UNDERSTOOD

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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
<p>Impairment of non-current assets Refer to Notes 12 and 13 in the financial statements</p>	
<p>The Group has brought to account work in progress of \$258,756,965 and mine in development of \$17,023,986 as at 30 June 2021.</p> <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 (WACC).</p> <p>Management performed an impairment assessment over the carrying value of these non-current assets by:</p> <ul style="list-style-type: none"> • 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 • Comparing the resulting value-in-use with the carrying value of non-current assets. <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>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • 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; • Reviewing the management expert's report on internal consistency and integrity of the model; • Involving our internal financial modelling specialists to assess the integrity of the model and reasonableness of management's key assumptions; • Checking the mathematical accuracy of the cash flow model; and • Assessing the appropriateness of the disclosures in the financial statements.



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 2021 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. 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 2021.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2021, 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 that reads 'David J Wall'.

D J WALL
Partner
RSM Australia Partners

Perth, Western Australia
12 October 2021

ADDITIONAL INFORMATION

Issued Securities as at 30 June 2021

	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
\$0.55 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
\$0.3583 unlisted options expiring 30-Jun-25	-	5,000,000	5,000,000
Performance rights	-	10,000,000	10,000,000
\$0.00 unlisted options expiring 30-Nov-25	-	1,000,000	1,000,000
\$0.00 unlisted options expiring 26-Oct-25	-	1,250,000	1,250,000
Exercise of options by contractors	2,666,667	-	2,666,667
\$0.15 shares issued for services 09-Jul-20	13,931,488	-	13,931,488
\$0.15 shares issued to directors and executives 09-Jul-20	20,305,409	-	20,305,409
Total	839,161,349	50,410,001	889,571,350

Distribution of Listed Ordinary Fully Paid Shares as at 30 June 2021

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	233	101,651	0.01
1,001	-	5,000	1,605	4,951,480	0.59
5,001	-	10,000	1,068	8,632,924	1.03
10,001	-	100,000	2,734	104,361,202	12.44
100,001	-	and over	841	721,114,092	85.93
Total			6,481	839,161,349	100.00

Top 20 Listed Ordinary Fully Paid Shareholders as at 30 June 2021

Rank	Shareholder	Shares Held	% Issued Capital
1.	GREENSTONE RESOURCES II (AUSTRALIA) HOLDINGS L P	93,570,874	11.15
2.	GREENSTONE MANAGEMENT (DELAWARE) II LLC	78,673,124	9.38
3.	MR VINCENT MARTIN SMOOTHY	40,339,800	4.81
4.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	23,922,679	2.85
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,023,646	2.74
6.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	21,727,585	2.59
7.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	20,598,155	2.45
8.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	19,199,159	2.29
9.	MR PHILIPPUS RUDOLPH VAN NIEKERK + MRS JEAN-MARIE VAN NIEKERK <R & J VAN NIEKERK A/C>	15,831,741	1.89
10.	CITICORP NOMINEES PTY LIMITED	11,843,115	1.41
11.	MR STACEY RADFORD	10,230,323	1.22
12.	VALDARNO PTY LTD <VALDARNO A/C>	10,123,055	1.21
13.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	8,450,142	1.01
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,331,407	0.87
15.	KUMARINA HOLDINGS PTY LTD <TOM SMOOTHY INVESTMENT A/C>	6,000,000	0.71
16.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,971,453	0.71
17.	THOMAS ELLIS + SALLY ELLIS <COOLA STATION S/F 1982 A/C>	5,000,000	0.60
18.	COOLA STATION PTY LTD <TC ELLIS FAMILY A/C>	4,935,028	0.59
19.	HISHENK PTY LTD	4,700,000	0.56
20.	KUMARINA HOLDINGS PTY LTD <THE LANCE SMOOTHY INVEST A/C>	4,531,460	0.54
Total		416,002,746	49.57





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