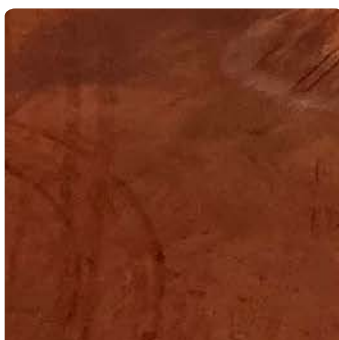
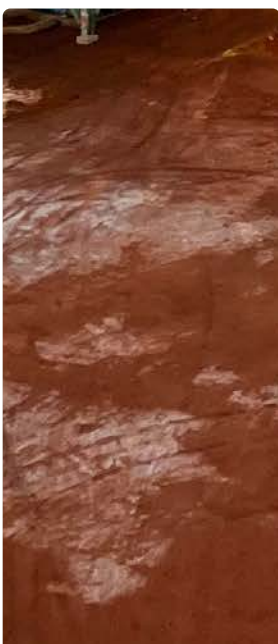
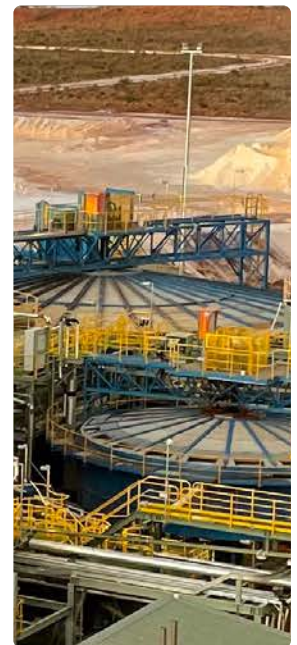


ANNUAL REPORT 2022



KALIUM
LAKES



COMPANY

Kalium Lakes Limited (ABN: 98 613 656 643)

Directors

Stephen Dennis Non-Executive Director (Chairman)

Mark Sawyer Non-Executive Director

Brent Smoothy Non-Executive Director

Salvatore (Sam) Lancuba Non-Executive Director

Robert Adam Non-Executive Director
(appointed 12 October 2022)

Simon Wandke Non-Executive Director
(appointed 12 October 2022)

Company Secretaries

Sophie Raven

Jason Shaw

Chief Executive Officer

Len Jubber

Chief Financial Officer

Jason Shaw

Registered Office & Principal Place of Business

Unit 1, 152 Balcatta Road
Balcatta WA 6021

PO Box 610
Balcatta WA 6914

Telephone: +61 8 9240 3200

Website & Email

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

Auditors

RSM Australia Partners

Level 32/2 The Esplanade, Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace, Perth WA 6000

Telephone: 1300 850 505

Telephone: +61 3 9415 4000

Solicitors

DLA Piper Australia

Level 21, 240 St Georges Terrace, Perth WA 6000

Thomson Geer

Level 27, 2 The Esplanade, Perth WA 6831

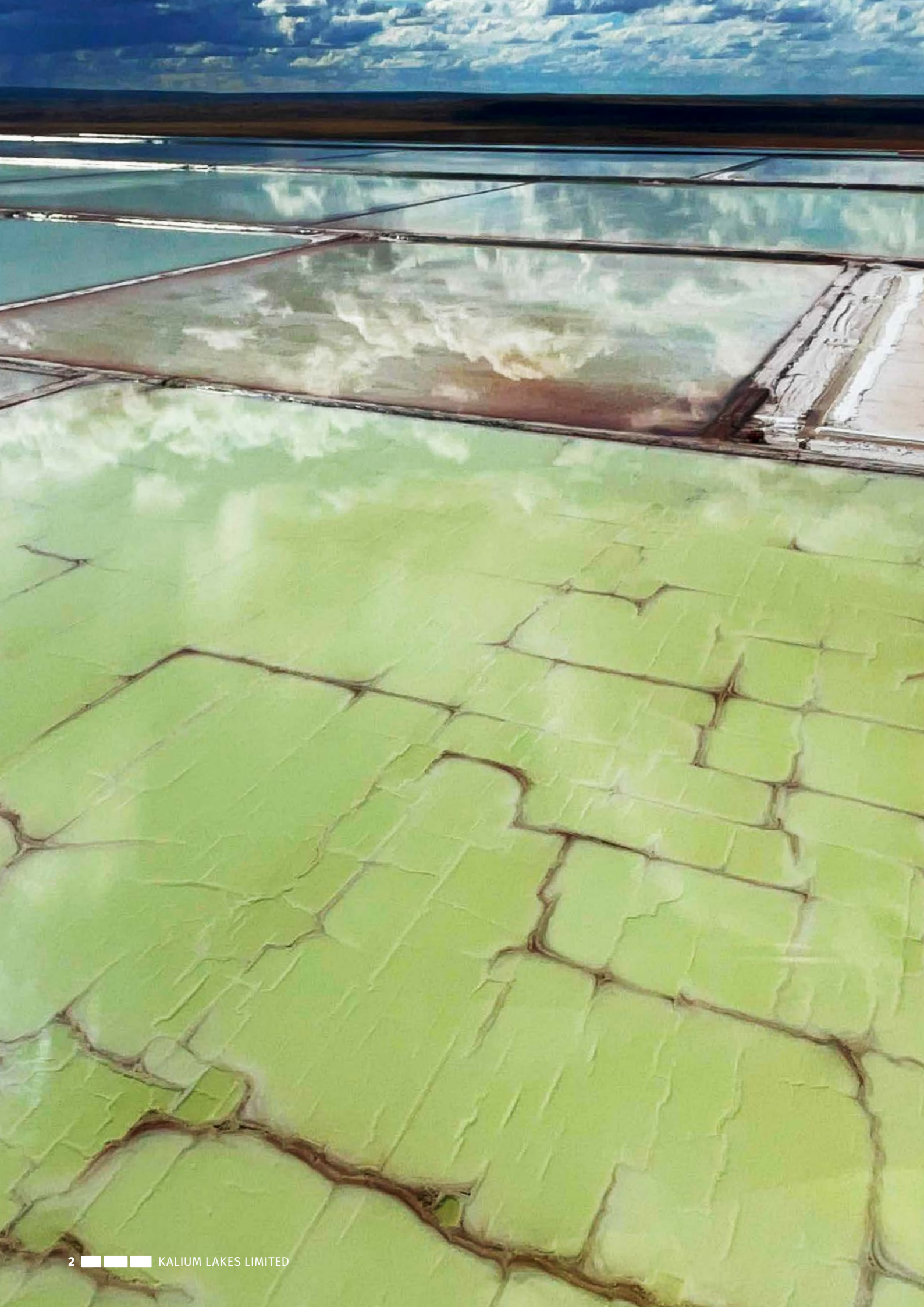
Home Exchange

Australian Securities Exchange

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

ASX Code

KLL





Contents

| | |
|--|-----|
| Chairman's Letter | 4 |
| CEO's Message | 6 |
| Overview | 8 |
| Operating and Corporate Activities | 14 |
| Company Activities | 22 |
| Company Summary | 27 |
| Interests and Resources | 28 |
| Competent Persons Statement and Compliance Statements | 36 |
| Directors' Report | 38 |
| Corporate Governance Statement | 56 |
| Auditor's Independence Declaration | 57 |
| Financial Report | 58 |
| Directors' Declaration | 100 |
| Independent Auditor's Report | 101 |
| Additional Information | 106 |

On behalf of the Board and Management, I am pleased to present the 2022 Annual Report of Kalium Lakes Limited.



Dear Shareholder

On behalf of the Board and Management, I am pleased to present the 2022 Annual Report of Kalium Lakes Limited.

During the 12 months since I last wrote my Chairman's Letter for the Company's Annual Report, your company has faced a number of challenges, ranging from the ongoing impact of COVID-19 restrictions through to a variety of commissioning and harvest salt supply issues at the Beyondie SOP Project.

As a result of those unique and significant challenges having been met and progressively addressed, the Kalium Lakes' Beyondie SOP Mine ("Beyondie") is now the only fully constructed and producing SOP mine in Australia.

Longstanding shareholders understand that there have been many operational, technical and financial hurdles during the past eight years and yet, the dedication and commitment needed to overcome each of those challenges by those that work for our company has been outstanding.

Despite Kalium Lakes becoming Australia's first SOP producer in October 2021, and the completion of construction activities at Beyondie in December 2021, a number of difficulties were encountered during the commissioning process for the complex SOP purification plant.

Those difficulties resulted in a revised ramp-up and production schedule, with the commissioning activities continuing up to and beyond the delivery of the first commercial sale of Australian SOP in July 2022.

As a result of the delayed production profile, it was also necessary for the Company to restructure its debt arrangements and initiate a capital raise to fund additional working capital at Beyondie.

You will be aware that Kalium Lakes recently successfully completed that capital raise, which included a share placement to raise \$22 million, together with \$12 million raised through the significantly oversubscribed Share Purchase Plan, giving a total capital raise of \$34 million.

At a global scale, the outlook for SOP fertiliser remains strong with 2022 pricing at levels not seen for over a decade as geopolitical tensions, weather, energy prices and other macro factors influence supply and demand.

I would like to thank our management team, led by Rudolph van Niekerk in the first half of the financial year and Len Jubber since December 2021, for their dedicated effort to maintain the momentum for Kalium Lakes. I would also like to thank the Directors for their substantial contributions during a period of intense activity.

The Company also welcomes Bob Adam and Simon Wandke, who joined the Board as additional independent non-executive directors on 12 October 2022. Bob and Simon's blend of technical expertise, strategic management roles and experience in public company governance will complement and strengthen the Kalium Lakes Board skill set.



Lastly, the Directors acknowledge and thank our shareholders for your continued support. Everyone working for the Company remains committed to ensuring that Kalium Lakes operates efficiently and sustainably into the future. I am sure I speak for everyone in saying that we understand our purpose is to deliver long term investment returns for all stakeholders.

I encourage you to follow the development progress of the Beyondie SOP Mine via our ASX announcements and through Kalium Lakes' website.

Yours faithfully

Stephen Dennis
CHAIRMAN

At a global scale, the outlook for SOP fertiliser remains strong with 2022 pricing at levels not seen for over a decade as geopolitical tensions, weather, energy prices and other macro factors influence supply and demand.

A critical milestone came with the first commercial sale of SOP in July 2022. This heralded the start of the era of domestic SOP production in Australia...



There can be no doubt that the many challenges faced by Kalium Lakes during this year have been both complex and time consuming, but the Company is now in a stronger position, as the sole Australian producer of SOP, to ensure the long-term success of this business.

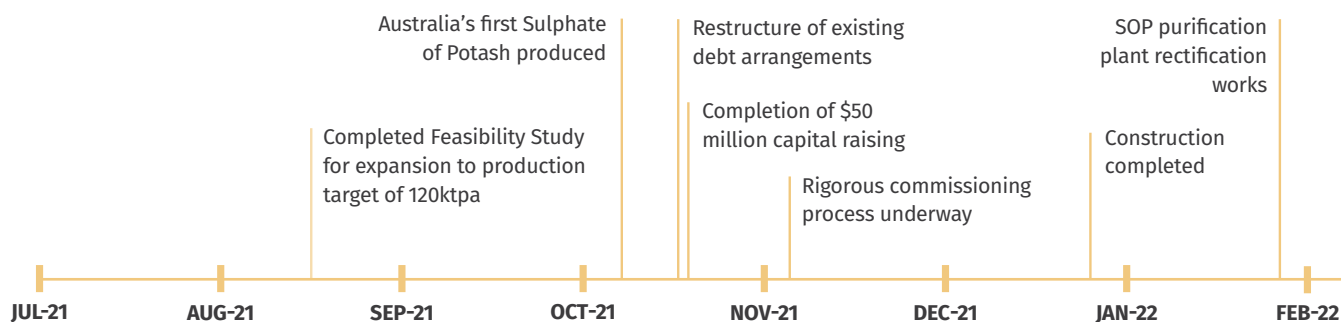
Kalium Lakes and its partners have always strived to target that the Beyondie SOP Mine achieved commercial production and then nameplate capacity in a safe and sustainable manner, as rapidly as possible.

Following the milestone of becoming Australia's first SOP producer in October 2021, the purification plant commissioning challenges and the harvested potassium salt (KTMS) supply issues experienced in November and December 2021 highlighted the challenges associated with starting up a new operation, in a remote location, that was effectively providing the cornerstone for a new Australian industry.

The impact of stringent COVID-19 restrictions in Western Australia, from early 2020 through to early 2022, also had a substantial impact on all facets of this project. However, at the end of day, the interruptions to the commissioning process provided the opportunity to review previous assumptions and re-assess the level of operational readiness across the entire organisation.

A critical milestone came with the first commercial sale of SOP in July 2022. This heralded the start of the era of domestic SOP production in Australia for distribution to the Australian and international agricultural markets. This achievement would not have been possible without the bankability and surety of the offtake agreement with Kalium Lakes' international partner, K+S, together with the strong support of its local WA buyer, CSBP.

2021/22 ASX Significant Announcement Timeline





Similar levels of robust support were echoed by the Company's senior lenders during the discussions held prior to the successful capital raising undertaken during August 2022. The debt financing provided by NAIF and KfW, as well as the technical support arrangement and performance guarantee provided by EBTEC, continue to reinforce Kalium Lakes' position as the industry leader in Australia.

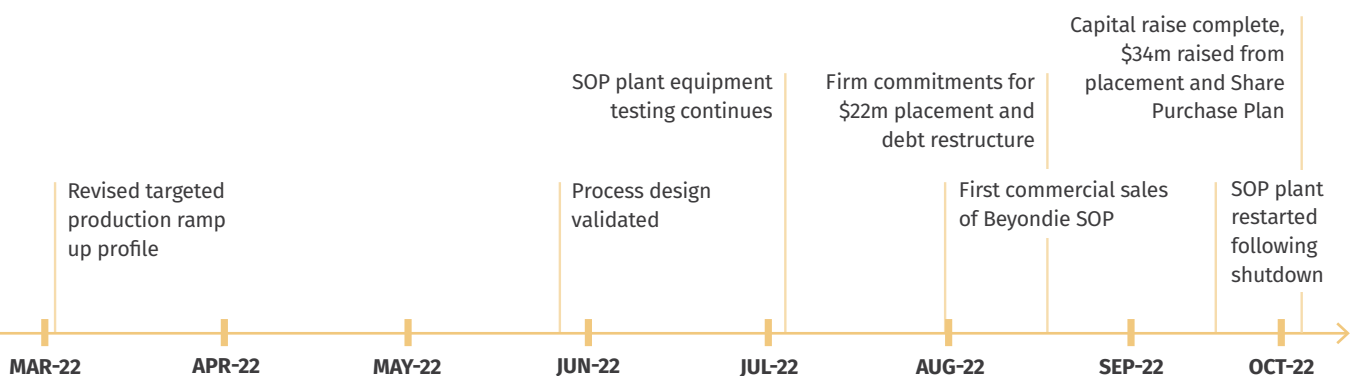
We are proud to have now reached the point where the Beyondie SOP Mine is fully constructed, incorporating industry leading technology, and retains the potential to be further expanded in a favourable potash market environment.

The operational team can now focus on systematically addressing the remaining bottlenecks in the pond operations and plant, and progressively increasing production. This anticipated ramp up in production is set to take advantage of the current strong SOP pricing environment globally, including as Australia's only producing SOP mine.

Our key immediate focus remains the delivery of safe, sustainable operations which support local Western Australian communities. This is by way of a mining process that involves environmentally friendly solar evaporation and which reduces, for the first time, Australia's reliance on imported SOP fertiliser.

My personal thanks go to all employees, contractors and consultants involved with Kalium Lakes, as we strive to ensure the production and delivery of an agronomically superior product to Australian farmers, while at the same time delivering an appropriate return to our shareholders.

Len Jubber
CHIEF EXECUTIVE OFFICER



Australia's sole Sulphate of Potash producer.



Leading market position

Australia's sole SOP producer, set to capitalise on domestic and international demand



Buoyant potash market

High crop prices and ongoing geo-political tensions continuing to drive attractive product pricing



Integrated production operation

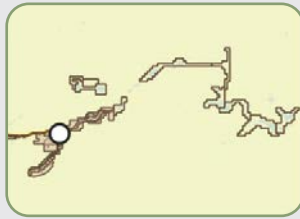
Initially targeting 80ktpa and expanding to 120ktpa fully integrated SOP production target



Significant potential expansion upside

Detailed studies planned to evaluate significant potential future value drivers

Kalium Lakes Beyondie Sulphate Of Potash Mine Location



● PORT HEDLAND

● NEWMAN

BEYONDIE

● MT MAGNET

GERALDTON ●

● KALGOORLIE

FREMANTLE ●



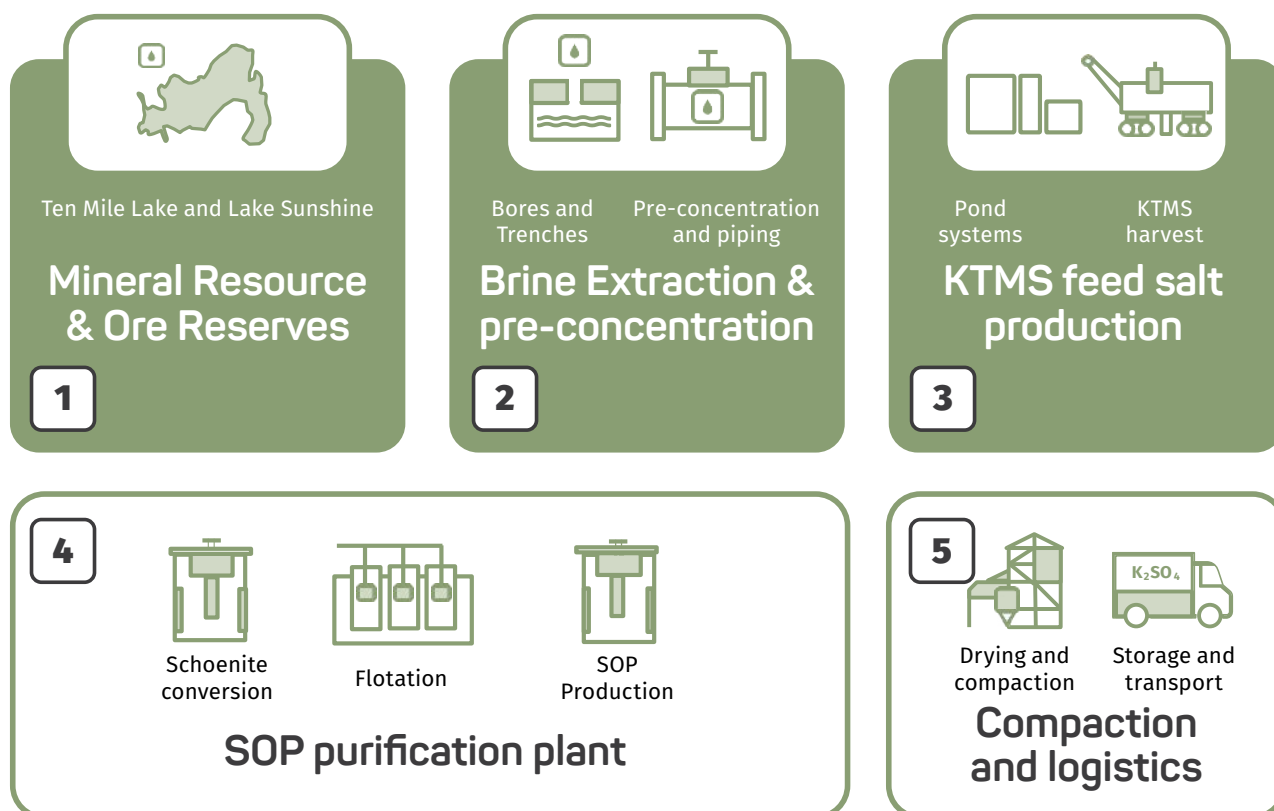
Review of Operations

Kalium Lakes is a producer of premium Sulphate of Potash fertiliser, focused on the 100% owned Beyondie SOP Mine in Western Australia and producing SOP for domestic and international sale.

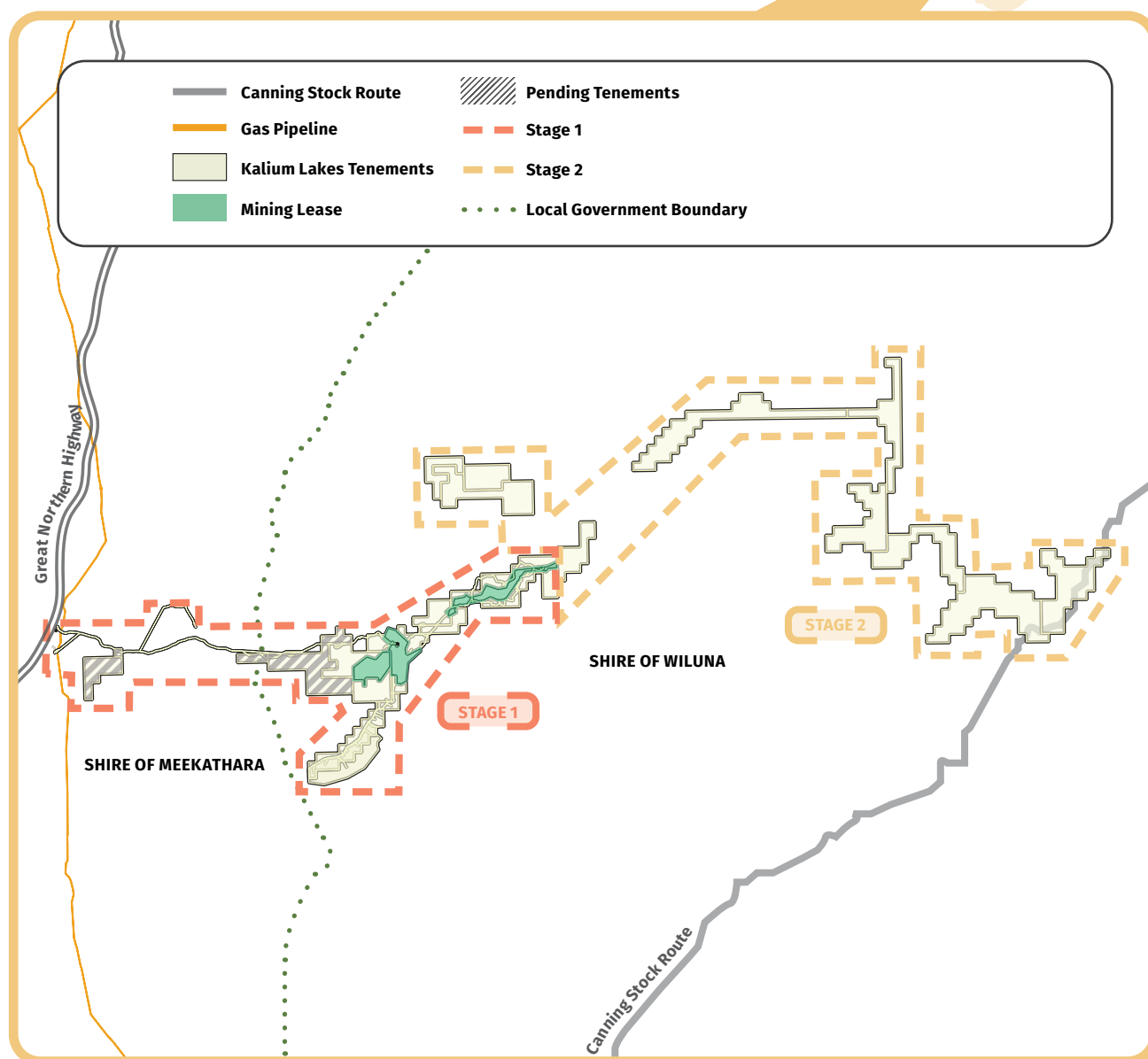
Beyondie SOP Mine Production Process

Sulphate of Potash ("SOP") is a widely used agricultural fertiliser with annual global consumption of approximately seven million tonnes per annum. Prior to Kalium Lakes' first commercial production and sales, Australia imported 100% of its SOP requirements from overseas producers.

Kalium Lakes produces SOP by extracting brine (hypersaline water) from underground, then evaporating the water to precipitate mixed potassium salts (kanite type mixed salts, or "KTMS") which are, in turn, purified to produce the SOP fertiliser, as illustrated in the flow diagram below:



The Beyondie footprint, covering Stage 1 and Stage 2, provides the resources and reserves for a 50 year mine life at the production target of 120ktpa, plus significant potential for expansion upside.



OVERVIEW

Kalium Lakes holds rights to granted tenure of approximately 1,844 square kilometres, as well as further tenement applications covering approximately 217 square kilometres, as shown in the map on the previous page.

The Company is currently completing commissioning at Beyondie, based solely on Stage 1 of the mine which covers 6,400 hectares or 22% of the 29,400 hectares of total available lake surface area.

The remaining 23,000 hectares or 78% 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 mine.

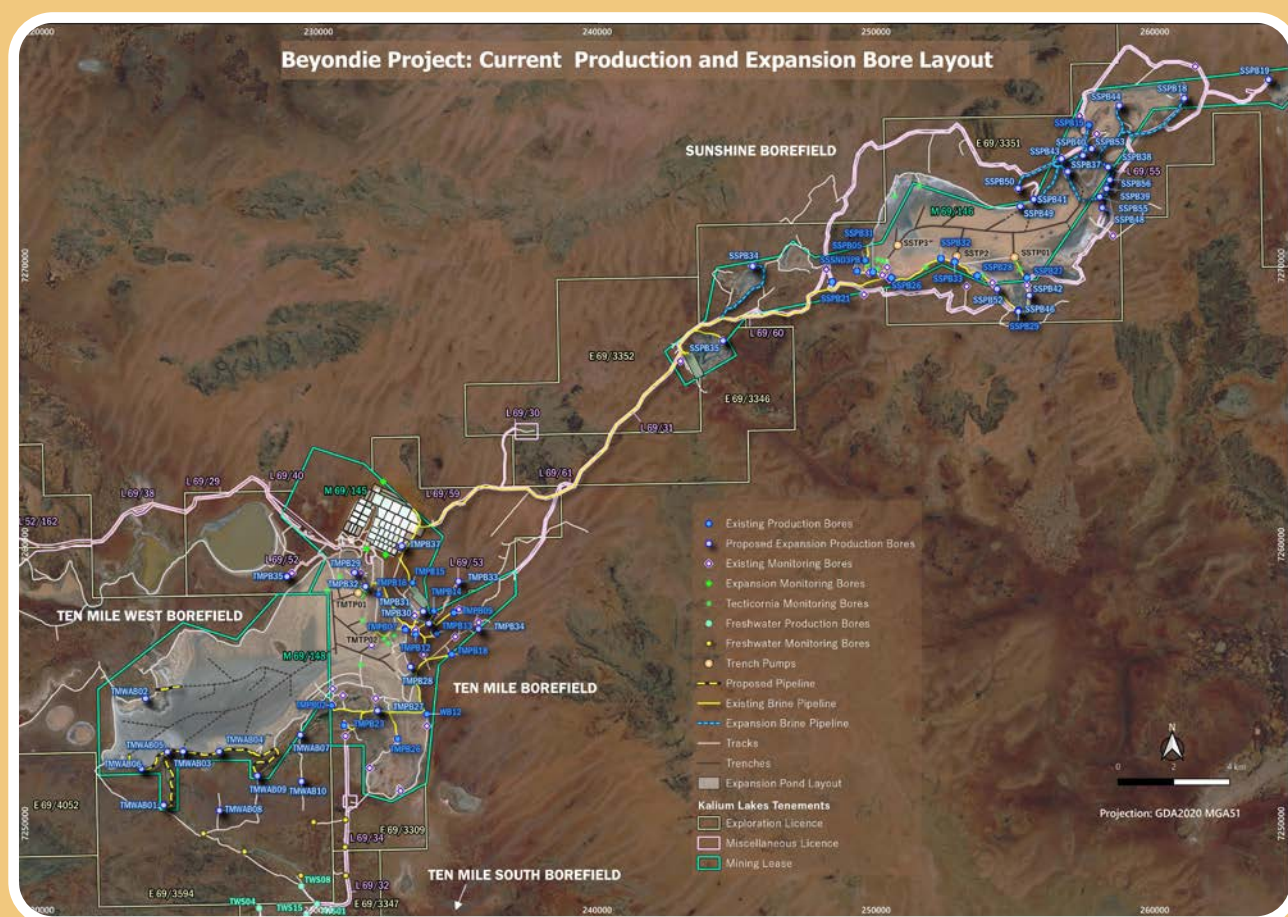
SOP Mine Stages

The current 33.47 million tonne Total SOP Mineral Resource includes both Stage 1 and Stage 2 (see map on previous page).

The 4.89 Mt SOP Ore Reserve is related to Stage 1 only, with this stage covering 35 kilometres in length and including Ten Mile Lake (including Ten Mile West) and Lake Sunshine.

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 1



An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers, had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The 2022 financial year was a challenging one for Kalium Lakes as it was faced with a number of significant issues during the commissioning phase of the purification plant at the Company's Beyondie SOP Project.

In the first half of the year, Kalium Lakes completed a feasibility study for an increase in its production target from 90 ktpa to 120 ktpa as a new base case, which was followed by an equity raising targeted to fund the expansion.

In addition, the offtake agreement with K+S Asia Pacific ("K+S") was extended to cover increased production at the 120 ktpa level and included improved payment terms for the first three years to assist the Company with its working capital needs.

With harvesting operations and the stockpiling of potassium salt continuing, plant commissioning activities saw completed plant modules progressively handed over by the construction contractor. On 5 October 2021 the Company announced it had produced its first batch of SOP at the required product specification during the product commissioning process.

Formal binding documentation to restructure the Company's debt facilities with its two senior lenders, KfW and NAIF, was completed on 12 October 2021 with the senior lenders also providing an additional short term \$20 million liquidity facility as a general-purpose facility. The restructure included a condition that the Company successfully complete an equity raise of at least \$47.1m, which the Company completed by way of a two-tranche equity placement to raise \$50 million at an offer price of \$0.18 per share. In addition, a Share Purchase Plan offer was announced for eligible shareholders which aimed to raise up to \$10 million.

The successful completion of the equity placement was announced on 14 October 2021, with the placement significantly oversubscribed. The Share Purchase Plan closed one month later and raised approximately \$7.59 million.

During November 2021 the Company provided a commissioning update and noted that the operation of the trenches and bore fields had been impacted during late October because of silting and collapsing of trench walls in several places, as well as unexpected breakdowns of a few production bores. Product commissioning had entered the final stages although the process was trending slightly behind schedule and using more of the harvested salts than anticipated.

The Annual General Meeting was held in Perth on Tuesday 30 November 2021, with all resolutions as set out in the Notice of Meeting voted on at the meeting and passed by shareholders.

Following the decision of the Chief Executive Officer and co-founder, Mr Rudolph van Niekerk, to step down and move to the role of Project Director, Mr Leonard Jubber was appointed as Chief Executive Officer of Kalium Lakes, effective from 8 December 2021.

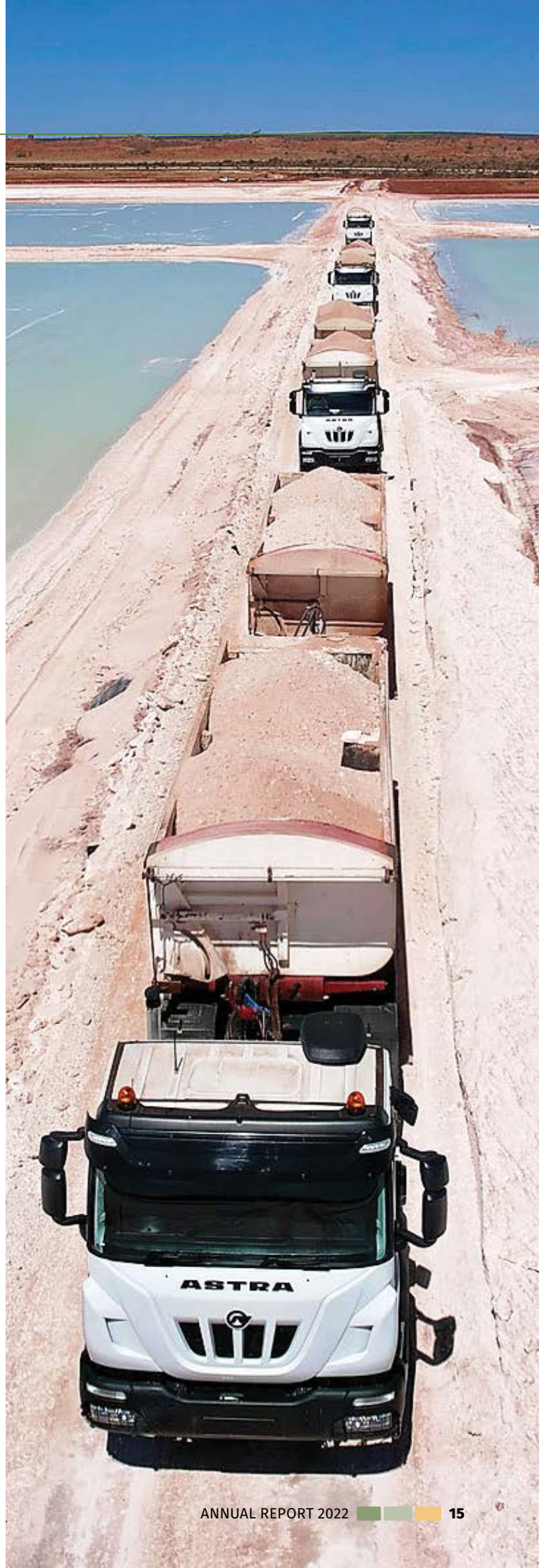
Mr Jubber is a mining engineer with broad operational and corporate leadership experience and a track record of successfully developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited.

The practical completion of the compaction plant occurred in late December 2021 and marked the completion of the construction contract with DRA Pacific Pty Ltd. Dry commissioning of the compaction plant commenced, with product commissioning expected to commence when sufficient quantities of standard grade SOP became available.

As certain later-stage plant commissioning issues had been identified, the Company announced on 22 December 2021 that Mr Jubber had initiated a review of the SOP purification plant operations. It was noted that the restricted availability of resources and logistical challenges in getting additional international experts of the original equipment manufacturers on site through COVID-19 restrictions had also contributed to some of the challenges during commissioning of specific plant equipment.

A month later, at the end of January 2022, the Company released detailed information on the status of borefield and trenching operations, brine production, pond operations, the level of harvested potassium salts, the purification plant and SOP production to date.

On 1 March 2022, Kalium Lakes provided the market with a further update on brine production and the 120 ktpa expansion bore drilling and brine supply program. It advised that sufficient grades of harvested potassium sales were expected to be accumulated to coincide with the expected SOP purification plant re-start leading to targeted commercial SOP sales from July 2022. It was expected that an approximate targeted production run rate of 80 ktpa of SOP would be achieved by Q1 CY2023, with the targeted expansion to a 120 ktpa run rate established by Q3 CY2024. As a result of the revised production ramp-up schedule, the Company advised that it had a requirement for further external funding by Q3 CY2022 and had commenced discussions with its financiers to address this requirement.



At the end of May 2022, the Company reported that the SOP plant process design had been validated, and during April/May had produced approximately 400 tonnes of commercially saleable SOP. The SOP purification plant commissioning was proceeding as planned and ongoing discussions were being held with debt providers, NAIF and KfW, on funding initiatives that would be required by Q3 CY2022, as well as with key offtake partner, K+S, regarding the rescheduling of SOP deliveries.

At the beginning of July 2022, Kalium Lakes provided an update advising that the first commercial sales had been scheduled for later that month and that it had achieved cumulative production of 1,000 tonnes of commercially saleable SOP to 29 June 2022 (later restated at 972 tonnes following completion of end of month survey calculations at 30 June 2022).

Further testing of plant equipment was continuing and the purification plant would undertake a shutdown in August, with a restart anticipated for September 2022. The Company also noted that late rain events in May and June 2022 had filled trenches, pre-concentrator ponds and evaporation ponds, causing delays in pond salt precipitation due to longer evaporation periods.

An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers, had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The next month, on 18 August 2022, Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure its existing debt

arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing and undrawn \$20 million liquidity facility to January 2026.

The debt restructure included the requirement that the Company successfully complete an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the Placement announced on the same day enabled this requirement to be met.

In addition to the Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan ("2022 SPP") at the Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs).

On 13 September 2022, Kalium Lakes announced that the SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.

On 19 September 2022, Kalium Lakes announced that it had received applications in excess of \$8 million under the 2022 SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the 2022 SPP offer to \$12 million. The 2022 SPP closed on 27 September 2022, with the Company announcing on 30 September 2022 that it had been oversubscribed, receiving eligible applications of \$16.2 million, which was scaled back to \$12 million (before costs).

The second tranche of the Placement and the 2022 SPP offers were subject to the Company obtaining shareholder approval at a General Meeting which took place on 3 October 2022 at which all resolutions were passed.



Key Corporate Developments

Board Additions

Robert (Bob) Adam

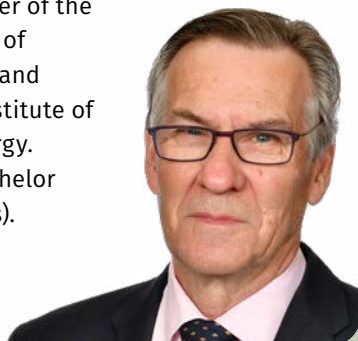
NON-EXECUTIVE DIRECTOR

(appointed 12 October 2022)

Bob is a senior executive with 40 years of experience in the resources industry. Bob has a proven record of achievement in project development, management and operational improvement. He has worked extensively in West Africa with a demonstrable record of success in multi-cultural and multi-lingual environments. Previous roles include 11 years leading an independent bauxite development company operating in Guinea, Managing Director of an international mining consultancy, and a senior management role with BHP Nickel West.

Bob has been involved in project developments in Guinea, Ghana, Mali, Zambia, Tanzania, Mauritania and Zimbabwe, principally in gold but also copper and iron ore and is an independent non-executive director of Indiana Resources Limited.

Mr Adam is a member of the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. He also holds a Bachelor of Science (Honours).



Simon Wandke

NON-EXECUTIVE DIRECTOR

(appointed 12 October 2022)

Simon has been leading multi-country strategy, commercial development and implementation for global mining and mineral assets for over 40 years. An accomplished C-suite leader and current Non-Executive Director (Australia) and Advisory Board member (USA), he has focused his expertise in the resource sector on maximizing value. He started his mining career in BHP in 1981. He was most recently CEO of ArcelorMittal Mining and has held senior executive roles at Ferrexpo plc, Destra Consulting Group and BHP with experience leading international teams in Australia, Indonesia, Hong Kong, Switzerland, United Kingdom, Canada and the USA.

Simon is a graduate of the Australian Institute of Company Directors with a diploma in Company Directorship. He also holds a post graduate diploma in Corporate Finance from Swinburne University as well as a B.A. majoring in Psychology and Marketing (Commerce) from the University of Melbourne.



Key Corporate Developments Management Changes

Len Jubber **CHIEF EXECUTIVE OFFICER**

Len is a mining engineer with broad operational and corporate leadership experience and a track record of successfully developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited, for eight years.

Prior roles included Managing Director and CEO of Perilya Limited, which was an ASX-listed zinc and lead production company and Chief Operating Officer of ASX-listed gold producer, Oceana Gold Limited. He started his career with Rio Tinto at the Rossing Uranium Mine in Namibia. Mr Jubber is also a non-executive director of Muriate of Potash (MOP) development business, South Harz Potash Limited.



Sophie Raven **COMPANY SECRETARY**

Sophie is a lawyer and governance professional who has extensive experience in corporate governance and legal roles in Australia and internationally.

During her career, Sophie has worked in legal and company secretary roles for a variety of ASX-listed and large private companies operating across Australia, Africa, the USA, and Europe, in the sulphate of potash (ASX: APC), mining services, technology and manufacturing sectors. She has also practiced as a corporate and commercial lawyer in law firms and as in-house legal counsel for more than twenty years, focusing on general corporate law, mergers and acquisitions, and investment funds.



Key Corporate Developments Management Changes

Jason Morin

GENERAL MANAGER OPERATIONS

Jason comes from a diverse background which includes operational excellence consulting, manufacturing heavy equipment, with the past 15 years spent in the resources sector.

Jason holds a Master of Business Administration, qualifications in mining and minerals engineering and was most recently WA Manager of Mines for Alcoa and prior to that General Manager Operations at St Barbara in which he championed a transformation at the Leonora Operations.

Jason is Canadian-born and has worked in several countries such as Canada, France, USA, Indonesia, Ireland, and Australia, having made Perth his home for the past few years.



Ian Hind

MANAGER MARKETING & LOGISTICS

Ian has 25 years of international marketing, shipping and logistics experience for bulk mineral commodities including base metals, mineral sands and other high value mineral commodities for Australian mining companies.

Ian's previous roles have included Vice President – Marketing EMEA for Iluka Resources Limited and Marketing Manager for Western Metals Ltd. Ian has worked in Belgium, India and the U.A.E. and holds a Bachelor of Business in Marketing and Communications.



Key Corporate Developments Management Changes

Helen Astill **GENERAL MANAGER – ESG**

Helen is an environmental scientist with more than 20 years' experience in regulatory approvals and impact assessments, HSE management systems, and performance reporting frameworks. She has worked across several industry sectors, including mining, energy and utilities.

Helen was previously HSE Manager at Jadestone Energy, Quadrant Energy, and Environmental Approvals Lead at Apache Energy. Helen started her career with natural resource management organisations including the WA Department of Water, and the Swan River Trust, later working with a number of proponents in bauxite mining.



Netra Goel **PROJECT DEVELOPMENT MANAGER**

Netra is a mechanical engineer with over 20 years' experience in design and development of new projects, operational debottlenecking, due diligence, solving complex technical issues in bulk material handling and process plants and developing professional teams and integrated systems.

Netra's previous roles include Engineering Manager at Alcoa and Talison lithium project and Group Leader (Director) of the WA Resource Power and Industrial Division at AECOM.



Market Update

During the financial year, the potash market experienced a period of volatility not seen in the past decade.

In the September 2021 quarter, Western sanctions against Belarus, which accounts for 11% of global production of Muriate of Potash (“MOP”), saw MOP prices increase to an average of ~US\$585/tonne FOB Europe, more than double the level seen in the previous financial year. With around half of the world’s SOP being produced from MOP (through the chemical-based “Mannheim” production method), the higher MOP price also resulted in an increase in SOP prices, reaching an average of US\$680/tonne FOB Europe.

During the December 2021 quarter, MOP prices only increased slightly to an average of US\$650/tonne FOB Europe however, SOP prices grew strongly due to the imposition of Chinese fertiliser export bans in October 2021 and at the end of December averaged ~US\$850/tonne FOB Europe.

The potash markets were relatively stable in the initial weeks of the March 2022 quarter, but Russia’s invasion of Ukraine on 24 February 2022 sent shockwaves

through potash markets. Russia, with an annual production of 9 million tonnes per annum is the world’s second largest producer of MOP, and their combined production with Belarus accounts for close to one-third of global production. As a result of these globally significant geo-political events the average MOP price had jumped to ~US\$930/tonne FOB Europe. Average SOP prices also increased to ~US\$940/tonne FOB Europe at the end of March 2022 with the margin between SOP and MOP for Mannheim SOP producers reduced to its lowest level in a decade.

MOP prices peaked at an average of US\$ 970/tonne FOB Europe in May 2022, before slowly falling as the impact of sanctions proved to be less severe than expected. SOP prices also peaked at US\$ 1,170/tonne FOB Europe in May 2022 and as MOP prices fell, so too did SOP prices. By June 2022, the average MOP price was 167% higher than in June 2021, while the SOP price was 120% higher than a year earlier.

Subsequent to June 2022, both MOP and SOP prices have continued to weaken due to lower seasonal demand and buyer resistance to prices which still remain significantly elevated relative to their historical long-term averages.



Deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers.

Finance

2021 Restructure of Existing Debt Arrangements

On 13 October 2021, Kalium Lakes Limited announced that it had entered into formal binding documentation with its two senior lenders, being KfW IPEX-Bank (“KfW”) 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 (“NAIF”)) in respect to a restructure of its existing debt arrangements, including the provision of an additional liquidity facility for an aggregate of \$20 million (“2021 Debt Restructure”).

The 2021 Debt Restructure was foreshadowed in the Company’s ASX announcement dated 18 August 2021 relating to the completion of the new base case production target increase to 120 ktpa at the Beyondie SOP Project. The key terms included 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 date of the project finance term facilities owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (“KLP”) until March 2033.

The 2021 Debt Restructure included 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 the production target to 120 ktpa and for working capital purposes.

2021 Successful Completion of \$50 Million Capital Raising

Kalium Lakes announced on 14 October 2021 that it had successfully completed a bookbuild to raise \$50 million through a two-tranche placement of new fully paid ordinary shares. The Offer was significantly oversubscribed, receiving strong demand from existing shareholders as well as new institutional investors.

In addition to the Offer, Kalium Lakes conducted a share purchase plan, which raised \$7.59 million.

The proceeds from the Offer were to be allocated to fund the expansion of the Beyondie SOP Project to the production target of 120 ktpa and provide working capital during the ramp-up.

Kalium Lakes’ largest shareholder, Greenstone Resources, 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).

2022 Successful Completion of Debt Restructure and \$34 Million Capital Raising

On 18 August 2022 the Company announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the “2022 Placement”) at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources, and co-founder and director Brent Smoothy, had respectively committed to subscribe for \$8 million and \$2 million under the 2022 Placement.

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure its existing debt arrangements (“2022 Debt Restructure”) including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities owed by its wholly owned subsidiaries, KLP and Kalium Lakes Infrastructure Pty Ltd (“KLI”) from March 2024 to March 2025, an extension to the final maturity date for these facilities to March 2040 and an extension to the maturity date for the existing \$20 million liquidity facility to January 2026. The 2022 Debt Restructure included the requirement that the Company successfully completed an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the 2022 Placement announced on the same day (18 August 2022) enabled that requirement to be met.

In addition to the 2022 Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan (“2022 SPP”) at the 2022 Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs). An SPP shortfall offer was also announced, which would allow the Company to accept subscriptions from investors who wanted to subscribe to make up any shortfall if total subscriptions for the 2022 SPP offer were below \$8 million.

Later, on 19 September 2022, Kalium Lakes announced that it had received applications in excess of \$8 million under the 2022 SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the 2022 SPP offer to \$12 million. The 2022 SPP closed on 27 September 2022, with the Company announcing on 30 September 2022 that it had been oversubscribed, receiving eligible applications of \$16.2 million, which was scaled back to \$12 million (before costs).

Together the 2022 Placement and the 2022 SPP raised a total of \$34 million (before costs) for the Company.

The second tranche of the 2022 Placement and the 2022 SPP offers were subject to the Company obtaining shareholder approval at a General Meeting and all necessary resolutions were passed by shareholders at the General Meeting held on 3 October 2022.

Transition to Beyondie SOP Mine

During the financial year the Beyondie Sulphate of Potash Project transitioned from project development into operations, in relation to activities in its ponds and borefields, to become known as the Beyondie Sulphate of Potash Mine. The SOP purification plant remained in the commissioning phase as at 30 June 2022.

Financial Position

As at 30 June 2022, Kalium Lakes had approximately \$21.5 million cash and \$179.1 million of drawn senior debt facilities with NAIF and KfW. Undrawn debt capacity is \$2.4 million under Facility A, provided by KfW, which is set aside for final commissioning payments.

Following successful completion of the 2022 Debt Restructure and capital raise referred to above on 7 October 2022, Kalium Lakes had approximately \$35.9 million of cash and \$187 million of drawn senior debt facilities with NAIF and KfW. Undrawn debt capacity is \$2.4 million under Facility A, provided by KfW, which is set aside for final commissioning payments and \$20 million under the Liquidity Facility provided by NAIF and KfW. (Note: cash balances and drawn and undrawn debt at 7 October 2022 as set out above have been converted to their \$A equivalents using the currency exchange rates at that date).

Securities on Issue

The Company had 1,181,712,214 ordinary shares on issue as at 30 June 2022. As at the date of this report Kalium Lakes has 2,031,712,214 ordinary shares on issue. The following is a list detailing other securities on issue on issue, as at the date of this report:

- 17,677,493 nil exercise price options expiring 16 June 2023; and
- 5,000,000 options exercisable at \$0.50 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.

During the financial year the Beyondie Sulphate of Potash Project transitioned from project development into operations, in relation to activities in its ponds and borefields, to become known as the Beyondie Sulphate of Potash Mine.

The SOP purification plant remained in the commissioning phase as at 30 June 2022.





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 decreased during this period as the project transitioned into operational readiness.

Kalium Lakes continues to develop its Health Safety, Environmental and Social Systems. Considerable progress has been made in establishing an integrated Risk Management process for tracking Hazard Reporting, Risks and Actions, and as proactive reporting increases these systems will continue to grow and mature.

Construction activities at the Beyondie SOP Mine decreased during the financial year as the project transitioned into commissioning and operations. A Lost Time Injury Frequency Rate of 6.72 was recorded for the period.

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.

Ongoing communication and consultation remain key to Kalium Lakes's relationship with the Traditional Owners. During the year the Company commissioned some artwork from local groups, which is now displayed the administration areas at the mine site. This original local artwork is not only visually impressive it also plays an important role in promoting cultural awareness at site.

Kalium Lakes recognises the importance of country, law and culture to the Traditional Owners of the land in which they operate.

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.

Kalium Lakes completed a number of flora and fauna surveys during the year to help gain a better understanding of the biodiversity present within the bounds of the mine site and its surroundings. It is actively working to ensure important conservation species are able to continue flourishing in unison with SOP production.

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.

Cultural Awareness Training is a key part of how the Company operates and there is ongoing interaction with the Traditional Owners aimed at ensuring that this training is maintained and continually improved.

Key Risks

The key risks for the Beyondie SOP Mine are set out in the comprehensive list published on slides 41-46 of the Equity Capital Raising Investor Presentation announced to the ASX on 18 August 2022.

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

The Board considers that, due to the Company's size and nature, the current Board composition needed to expand to deliver a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the implementation of additional structures and corporate governance policies will be reviewed. The Company's Corporate Governance Statement is available on the Company's website at: www.kaliumlakes.com.au



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

| Tenement | Tenement Name | Holder | State | Status | Grant Date | Interest |
|-----------------------------|-------------------------|--------|-------|---------|------------|----------|
| Exploration Licences | | | | | | |
| E52/3956 | Access Rd FW A | KLP | WA | Pending | TBA | 100% |
| E52/3957 | Access Rd FW B | KLP | WA | Pending | TBA | 100% |
| E52/4038 | Access Rd FW C | KLP | WA | Pending | TBA | 100% |
| E69/4052 | Kendenura Hill | KLP | WA | Pending | TBA | 100% |
| E69/4098 | Ten Mile Lake | 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% |



INTERESTS AND RESOURCES

| 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% |
| L69/41 | 10 Mile Village | KLI | WA | Granted | 8-2-2019 | 100% |
| L69/46 | 10MS FW E | KLP | WA | Granted | 8-2-2021 | 100% |
| L69/47 | 10MS FW F | KLP | WA | Granted | 27-7-2021 | 100% |
| L69/48 | 10MS FW G | KLP | WA | Granted | 27-7-2021 | 100% |
| L69/52 | Ten Mile Expansion 1 | KLP | WA | Granted | 31-3-22 | 100% |
| L69/53 | Ten Mile Expansion 2 | KLP | WA | Granted | 31-3-22 | 100% |
| L69/54 | Sunshine Expansion 1 | KLP | WA | Granted | 31-3-22 | 100% |
| L69/55 | Sunshine Expansion 2 | KLP | WA | Granted | 31-3-22 | 100% |
| L69/59 | Sunshine Access Rd A | KLP | WA | Granted | 15-7-22 | 100% |
| L69/60 | Sunshine Access Rd B | KLP | WA | Granted | 15-7-22 | 100% |
| L69/61 | Sunshine Access Rd C | KLP | WA | Granted | 15-7-22 | 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 | Granted | 10-11-21 | 100% |
| Gas Pipeline | | | | | | |
| PL117 | Gas Pipeline | KLI | WA | Granted | 7-11-2018 | 100% |

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, E38/2982, E38/3295, E38/5296 and E38/3297) 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 | Carnegie Potash | 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% |

Note: Carnegie Potash Pty Ltd (Carnegie Potash) is a wholly owned subsidiary of Kalium Lakes Limited and is the entity which holds Kalium Lakes' interest in the CJV.

Beyondie JORC Measured Mineral Resources at at 30 June 2022

| Volume (10 ⁶ m ³) | Total Porosity (-) | Brine Volume (10 ⁶ m ³) | Specific Yield (-) | Drainable Brine Volume (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 (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) Mass (Mt) |
|--|--------------------------|--|--------------------------|---|----------------------|-------------------|------------------------------------|---------------------------------|-----------------------|--------------------|--|---|
| Aquifer Type: Lake Surface Sediments | | | | | | | | | | | | |
| 280 | 0.47 | 132 | 0.17 | 47 | 7,484 | 0.35 | 19,083 | 0.89 | 6,623 | 0.31 | 16.69 | 0.78 |
| Aquifer Type: Alluvium | | | | | | | | | | | | |
| 131 | 0.31 | 41 | 0.12 | 16 | 2,673 | 0.04 | 10,556 | 0.17 | 4,379 | 0.07 | 5.96 | 0.09 |
| Aquifer Type: Palaeovalley Clay | | | | | | | | | | | | |
| 936 | 0.36 | 333 | 0.06 | 58 | 4,745 | 0.28 | 14,482 | 0.85 | 4,129 | 0.24 | 10.58 | 0.62 |
| Aquifer Type: Sand and Silcrete | | | | | | | | | | | | |
| 265 | 0.33 | 87 | 0.21 | 55 | 5,633 | 0.31 | 17,353 | 0.95 | 5,080 | 0.28 | 12.56 | 0.69 |
| Aquifer Type: Fractured and Weathered Sandstone | | | | | | | | | | | | |
| 1,498 | 0.16 | 240 | 0.08 | 120 | 5,992 | 0.72 | 18,956 | 2.27 | 6,566 | 0.79 | 13.36 | 1.60 |
| Aquifer Type: Fractured / Weathered Bedrock | | | | | | | | | | | | |
| 916 | 0.24 | 220 | 0.10 | 89 | 5,466 | 0.48 | 15,334 | 1.36 | 5,866 | 0.52 | 12.19 | 1.08 |
| Total Resources | | | | | | | | | | | | |
| 4,025 | | 1,051 | | 384 | 5,675 | 2.18 | 16,883 | 6.49 | 5,739 | 2.21 | 12.66 | 4.86 |

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

INTERESTS AND RESOURCES

Beyondie JORC Indicated Mineral Resources at 30 June 2022

| Volume (10 ⁶ m ³) | Total Porosity (-) | Brine Volume (10 ⁶ m ³) | Specific Yield (-) | Drainable Brine Volume (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 (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) 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 | | | | | | | | | | | | |
| 1,335 | 0.35 | 467 | 0.13 | 167 | 5,119 | 0.85 | 13,494 | 2.25 | 4,082 | 0.68 | 11.41 | 1.91 |
| Aquifer Type: Palaeovalley Clay | | | | | | | | | | | | |
| 1,372 | 0.34 | 470 | 0.07 | 98 | 5,926 | 0.58 | 16,548 | 1.63 | 5,390 | 0.53 | 13.22 | 1.30 |
| Aquifer Type: Sand and Silcrete | | | | | | | | | | | | |
| 231 | 0.31 | 72 | 0.20 | 47 | 4,315 | 0.20 | 14,098 | 0.67 | 4,454 | 0.21 | 9.62 | 0.45 |
| Aquifer Type: Fractured and Weathered Sandstone | | | | | | | | | | | | |
| 3,494 | 0.17 | 587 | 0.08 | 280 | 6,241 | 1.74 | 16,984 | 4.75 | 6,026 | 1.68 | 13.92 | 3.89 |
| Aquifer Type: Fractured / Weathered Bedrock | | | | | | | | | | | | |
| 7,246 | 0.23 | 1,662 | 0.06 | 406 | 6,115 | 2.48 | 16,105 | 6.54 | 5,149 | 2.09 | 13.64 | 5.53 |
| Total Resources | | | | | | | | | | | | |
| 14,330 | | 3,555 | | 1,156 | 5,945 | 6.87 | 16,283 | 18.82 | 5,186 | 5.99 | 13.26 | 15.32 |

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

INTERESTS AND RESOURCES

Beyondie JORC Inferred Mineral Resources at at 30 June 2022

| Volume (10 ⁶ m ³) | Total Porosity (-) | Brine Volume (10 ⁶ m ³) | Specific Yield (-) | Drainable Brine Volume (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 (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) 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 | 26.17 | 0.93 |
| Aquifer Type: Alluvium | | | | | | | | | | | | |
| 1,352 | 0.43 | 579 | 0.11 | 153 | 5,884 | 0.90 | 17,939 | 2.75 | 5,899 | 0.90 | 13.12 | 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 | 13.15 | 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 | 12.12 | 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 | 17.37 | 2.67 |
| Total Resources | | | | | | | | | | | | |
| 22,091 | | 7,132 | | 936 | 6,363 | 5.96 | 19,357 | 18.12 | 6,127 | 5.74 | 14.19 | 13.28 |

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

INTERESTS AND RESOURCES

Beyondie Exploration Target at 30 June 2022

| Maximum Coverage Thickness (m) | Coverage (km ²) | Volume (10 ⁶ m ³) | Total Porosity (-) | Brine Volume (10 ⁶ m ³) | Specific Yield (-) | Drainable Brine Volume (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 (SOP) 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 - Lower Range Target

| | | | | | | | | | | | | | |
|--|--|--|--|---------------|--|--------------|--------------|------------|--|------------|--|------------|------------|
| | | | | 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 | 1,148 | 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 - Higher Range Target

| | | | | | | | | | | | | | |
|--|--|--|--|---------------|--|--------------|--------------|-------------|--|-------------|--|-------------|-------------|
| | | | | 35,484 | | 5,085 | 3,782 | 15.2 | | 42.9 | | 17.4 | 42.9 |
|--|--|--|--|---------------|--|--------------|--------------|-------------|--|-------------|--|-------------|-------------|

* The BSOPM 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.

INTERESTS AND RESOURCES

Beyondie Produced Ore Reserves to 30 June 2022

| Bore ID | Brine Volume (10 ⁶ m ³) | K Grade (mg/L) | K Mass (Mt) | SO ₄ Grade (mg/L) | SO ₄ Mass (kt) | K ₂ SO ₄ (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) Mass (kt) |
|---|--|----------------|-------------|------------------------------|---------------------------|---|--|
| Extraction from Proved Ore Reserves | 4.6 | 8,672 | 40.0 | 24,900 | 115.1 | 19.3 | 89.2 |
| Extraction from Probable Ore Reserves | 4.4 | 9,627 | 42.1 | 27,600 | 119.7 | 21.7 | 93.9 |
| Total Extraction from Ore Reserves | 9.0 | 9,137 | 82.1 | 26,242 | 234.8 | 20.5 | 183.1 |

Note: errors are due to rounding. Abstracted tonnes are pre-recovery losses.

Beyondie JORC Proved Ore Reserves as at 30 June 2022

| Aquifer Type | Drainable Brine Volume (10 ⁶ m ³) | K Grade (mg/L) | K Mass (Mt) | SO ₄ Grade (mg/L) | SO ₄ Mass (Mt) | K ₂ SO ₄ (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) Mass (Mt) |
|----------------------------------|--|----------------|-------------|------------------------------|---------------------------|---|--|
| Production Bores | 114 | 6,207 | 0.70 | 17,945 | 2.02 | 13.8 | 1.56 |
| Total Proved Ore Reserves | 114 | 6,207 | 0.70 | 17,945 | 2.02 | 13.8 | 1.56 |

Note: errors are due to rounding.

Beyondie JORC Probable Ore Reserves as at 30 June 2022

| Aquifer Type | Drainable Brine Volume (10 ⁶ m ³) | K Grade (mg/L) | K Mass (Mt) | SO ₄ Grade (mg/L) | SO ₄ Mass (Mt) | K ₂ SO ₄ (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) Mass (Mt) |
|------------------------------------|--|----------------|-------------|------------------------------|---------------------------|---|--|
| Lake Sediments | 209 | 4,755 | 0.98 | 13,699 | 2.82 | 10.6 | 2.18 |
| Production Bores | 79 | 6,713 | 0.52 | 18,867 | 1.44 | 14.7 | 1.15 |
| Total Probable Ore Reserves | 288 | 5,290 | 1.50 | 15,111 | 4.26 | 11.7 | 3.33 |

Note: errors are due to rounding.

Beyondie JORC Ore Reserves Summary as at 30 June 2022

| Aquifer Type | Drainable Brine Volume (10 ⁶ m ³) | K Grade (mg/L) | K Mass (Mt) | SO ₄ Grade (mg/L) | SO ₄ Mass (Mt) | K ₂ SO ₄ (SOP) Grade (kg/m ³) | K ₂ SO ₄ (SOP) Mass (Mt) |
|--------------------------|--|----------------|-------------|------------------------------|---------------------------|---|--|
| Proved Ore Reserve | 114 | 6,207 | 0.70 | 17,945 | 2.02 | 13.83 | 1.56 |
| Probable Ore Reserve | 288 | 5,290 | 1.50 | 15,111 | 4.26 | 11.72 | 3.33 |
| Total Ore Reserve | 402 | 5,551 | 2.20 | 15,917 | 6.28 | 12.32 | 4.89 |

Note: errors are due to rounding.

Competent Persons Statement

The information in this document that relates to the Mineral Resource estimate, Ore Reserve estimate and Exploration Target is based upon, and fairly represents, information and supporting documentation prepared and 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 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 “Feasibility Study Complete for new Base Case Production Increase to 120ktpa at Beyondie SOP Project” dated 18 August 2021 as modified and supplemented by the investor presentation dated 26 July 2022, (together the “Announcements”) that relates to the 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 Announcements and, in the case of the Mineral Resource estimate, Ore Reserve estimate and Exploration Target, that all material assumptions and technical parameters underpinning the estimates in the Announcements 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.

Cautionary Statement

The Company advises that, while the 120ktpa of SOP production target is predominantly based on Ore Reserves (53% of the production target is underpinned by the Probable category of Ore Reserve and 24% is underpinned by the Proved category) and Measured and Indicated Mineral Resources which fall outside of the Ore Reserves (13% of the production target), it is also partly based on Inferred Mineral Resources (10% of the production target) over the mine life. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised or that the Inferred Mineral Resources will add to the economics of the Beyondie SOP Mine. However, in preparation of the production target and any associated financial forecasts derived from the production target, each of the modifying factors were considered. The Inferred Mineral Resource is not a determining factor in project viability and does not feature as a significant proportion early in the mine plan. None of the production target in years 0 to 11 of proposed production at the Beyondie SOP Mine is from the Inferred Mineral Resource category. The Company has concluded that it has reasonable grounds for disclosing a production target which includes an amount of Inferred Mineral Resource material. The estimated Ore Reserves and Mineral Resources underpinning the production target have been prepared by a Competent Person in accordance with the requirements in the 2012 edition of the JORC Code. No Exploration Target material has been included in the production target or financial forecasts of the Beyondie SOP Mine.



Additional Cautionary Statement Regarding Forward-Looking Information

Certain information in this document refers to the intentions of Kalium Lakes, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Kalium Lakes' actual results, performance or achievements to differ from those referred to in this document. Accordingly, Kalium Lakes and its affiliates and 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 2022.

Directors

The names of Directors who held office during or since the end of the year¹:

Stephen Dennis

Non-Executive Director / Chairman

Mark Sawyer

Non-Executive Director

Brent Smoothy

Non-Executive Director

Salvatore Lancuba

Non Executive Director

1. This Directors Report is dated 23 September 2022 and was included in the Annual Financial Report released on the ASX on that date. Since that date two additional non-executive directors (Robert Adam and Simon Wandke) have joined the Board of Kalium Lakes as detailed earlier in this Annual Report.

Directors' Qualifications and Experience

The Directors' qualifications and experience are set out below:

Stephen Dennis

NON-EXECUTIVE CHAIRMAN

(appointed Chairman 20 August 2020)

Qualification

BCOM BLL.B GDipAppFin(Finsia)

Experience and expertise

Mr Stephen Dennis has a career spanning more than 35 years as an experienced and well-regarded company director holding directorships at several ASX listed resources companies.

Mr Dennis was previously the Managing Director and Chief Executive Officer of CBH Resources Limited and has also held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.

Other current Directorships

Rox Resources Limited, Marvel Gold Limited

Former Directorships (last 3 years)

Burgundy Diamonds Limited, Lead FX Inc, Heron Resources Limited

Interest in shares as at the date of this report

2,611,112

Interest in options as at the date of this report

Nil



Mark Sawyer

NON-EXECUTIVE DIRECTOR

(appointed 1 May 2020)

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

Metro Mining Limited, Serabi Gold Plc, Rockcliff Metals Corp.

Former Directorships (last 3 years)

Heron Resources Limited, North River Resources Plc

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

(appointed 1 May 2020)

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

Nil

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 40 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





OFFICERS OF THE COMPANY

Leonard Jubber

Chief Executive Officer

Len Jubber (B.Eng, MBA) is a mining engineer with broad operational and corporate leadership experience and a track record of developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited, for eight years. Prior roles included Managing Director and CEO of Perilya Limited, which was an ASX-listed zinc and lead production company and Chief Operating Officer of ASX-listed gold producer, Oceana Gold Limited.

Mr Jubber started his career with Rio Tinto at the Rössing Uranium Mine in Namibia. He is also a Non-Executive Director of Muriate of ASX-listed Potash (MOP) development company, South Harz Potash Limited.

Jason Shaw

Chief Financial Officer and Joint Company Secretary

Jason Shaw (BCom (Hons) MAcc, FCA) 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.

Rudolph van Niekerk

Project Director

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.

Sophie Raven

Joint Company Secretary

Ms Raven is a lawyer and governance professional who has extensive experience in corporate governance and legal roles, both in Australia and internationally. During her career, Sophie has worked in legal and company secretary roles for a variety of ASX listed and large private companies operating across Australia, Africa, the USA, and Europe, in the mining, mining services, technology and manufacturing sectors. She has also practiced as a corporate and commercial lawyer in law firms and as in-house legal counsel for more than twenty years, focusing on general corporate law, mergers & acquisitions and investment funds.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

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

| | Board | Risk and Audit Committee | Remuneration and Nomination Committee |
|-------------------------------------|-------|-----------------------------|--|
| Number of Meetings Held | 30 | 2 | 1 |
| Number of Meetings Attended: | | | |
| Stephen Dennis | 30 | 2 | 1 |
| Mark Sawyer | 29 | 2 | 1 |
| Brent Smoothy | 30 | n/a | n/a |
| Salvatore Lancuba | 30 | 2 | 1 |

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:

| <u>Number under Option</u> | <u>Exercise Price</u> | <u>Expiry date</u> |
|----------------------------|-----------------------|--------------------|
| 5,000,000 | \$0.50 | 30 June 2025 |
| 17,677,493 | \$0.00 | 16 June 2023 |

PERFORMANCE RIGHTS

As at the date of this report no performance rights were on issue.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

12,218,987 shares were issued as a result of the exercise of options during the financial year.

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

REMUNERATION REPORT (AUDITED)

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2022. 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.

Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for KMP of the Consolidated Entity was in place for the financial year ended 30 June 2022.

The KMP remuneration and reward framework has the below components:

- base salary and other benefits; and
- other remuneration such as superannuation, annual leave, and long service leave.

The combination of these comprises the KMP's total remuneration.

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 Company did not seek external remuneration advice in 2022.

Remuneration Report Approval at the 2022 Annual General Meeting

The remuneration report for the year ended 30 June 2022 will be put to shareholders for approval at the Company's AGM. The Company received 99.00% of votes cast for its Remuneration Report for the year ended 30 June 2021.

DIRECTORS' REPORT

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

| | Short-term benefits | Post- employment benefits | Share-based payments | | |
|----------------------------------|--|---------------------------------|------------------------------------|-------------------------------------|------------------|
| 30 June 2022 | Cash salary, bonuses, leave cash out and other benefits \$ | Superannuation \$ | Equity- settled shares \$ | Equity- settled options \$ | Total \$ |
| Non-Executive Directors | | | | | |
| Stephen Dennis | 98,699 | 9,870 | - | - | 108,569 |
| Brent Smoothy | 67,000 | 6,700 | - | - | 73,700 |
| Mark Sawyer | 67,000 | - | - | - | 67,000 |
| Salvatore Lancuba | 67,000 | 6,700 | - | - | 73,700 |
| Key Management Personnel | | | | | |
| Leonard Jubber ¹ | 266,734 | 15,598 | - | - | 282,332 |
| Jason Shaw ² | 288,846 | 23,568 | - | - | 312,414 |
| Rudolph Van Niekerk ³ | 378,306 | 23,568 | - | - | 401,874 |
| Total | 1,233,584 | 86,004 | - | - | 1,319,588 |

¹ Leonard Jubber appointed as Chief Executive Officer on 8 December 2021.

² Jason Shaw appointed as Chief Financial Officer on 5 July 2021 and appointed as Company Secretary on 1 October 2021.

³ Rudolph van Niekerk stood down as Chief Executive Officer and was appointed Project Director on 8 December 2021.

DIRECTORS' REPORT

| | Short-term benefits | Post- employment benefits | Share-based payments | | |
|--|--|---------------------------------|------------------------------------|-------------------------------------|------------------|
| 30 June 2021 | Cash salary, bonuses, leave cash out and other benefits \$ | Superannuation \$ | Equity- settled shares \$ | Equity- settled options \$ | Total \$ |
| Non-Executive Directors | | | | | |
| Malcolm Randall ¹ | 26,250 | 2,494 | - | - | 28,744 |
| Stephen Dennis ² | 84,132 | 7,993 | - | - | 92,125 |
| Dale Champion ³ | 46,083 | 4,378 | - | - | 50,461 |
| Brent Smoothy | 57,250 | 5,439 | - | - | 62,689 |
| Mark Sawyer | 47,500 | - | - | - | 47,500 |
| Salvatore Lancuba ⁴ | 43,715 | 4,153 | - | - | 47,868 |
| Executive Director | | | | | |
| Brett Hazelden ⁵ | 346,281 | 5,424 | - | - | 351,705 |
| Key Management Personnel | | | | | |
| Rudolph Van Niekerk ⁶ | 347,755 | 23,686 | - | - | 371,441 |
| Chris Achurch ⁷ | 24,970 | 1,425 | - | - | 26,395 |
| Anthony Heitmann Beckmand ⁸ | 193,333 | 14,964 | - | - | 208,297 |
| Total | 1,217,269 | 69,956 | - | - | 1,287,225 |

¹ Malcolm Randall stepped down from the role of Chairman and remained as Non-Executive Director on 20 August 2020. Malcolm Randall 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 Brett Hazelden ceased his employment as the Managing Director and Chief Executive Officer on 24 July 2020.

⁶ Rudolph van Niekerk was appointed as Interim Chief Executive Officer on 24 July 2020 and Chief Executive Officer on 6 October 2020.

⁷ Chris Achurch resigned as Chief Financial Officer on 31 July 2020.

⁸ Anthony Heitmann Beckmand was appointed as Chief Financial Officer on 29 September 2020 and resigned on 30 September 2021.

DIRECTORS' REPORT

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

| | Fixed remuneration | | At risk – STI | | At risk - LTI | |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Non-Executive Directors | | | | | | |
| Stephen Dennis | 100% | 100% | - | - | - | - |
| Brent Smoothy | 100% | 100% | - | - | - | - |
| Mark Sawyer | 100% | 100% | - | - | - | - |
| Salvatore Lancuba | 100% | 100% | - | - | - | - |
| Malcolm Randall | - | 100% | - | - | - | - |
| Dale Champion | - | 100% | - | - | - | - |
| Executive Directors | | | | | | |
| Brett Hazelden | - | 100% | - | - | - | - |
| Key Management Personnel | | | | | | |
| Leonard Jubber | 100% | - | - | - | - | - |
| Jason Shaw | 100% | - | - | - | - | - |
| Rudolph van Niekerk | 100% | 100% | - | - | - | - |
| Chris Achurch | - | 100% | - | - | - | - |
| Anthony 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:

The Board resolved to appoint Mr Jubber as Chief Executive Officer on 8 December 2021.

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

- Total fixed annual salary of \$500,000 inclusive of superannuation.
- Mr Jubber will be eligible to receive an annual short term incentive, payable in equity or cash at Mr Jubber's election, with payment up to a maximum amount equal to 75% base salary.
- Mr Jubber will be eligible to receive an annual long term incentive, payable in equity up to a maximum amount equal to 100% of base salary, subject to achieving mutually agreed key performance indicators.
- Mr Jubber may terminate the agreement by giving no less than six months notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving no less than six months' notice in writing to Mr Jubber (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 Mr Jubber, in which case no notice is required);
- Mr Jubber is subject to non-compete restrictions during his employment and for a maximum period of nine months following termination of his employment.

DIRECTORS' REPORT

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;
- Mr Shaw may terminate the agreement by giving no less than four months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving no less than four months' notice in writing to Mr Shaw (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 Mr Shaw, in which case no notice is required); and
- Mr Shaw 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 were issued to Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2022.

Additional Information

The earnings of the Consolidated Entity for the five financial years to 30 June 2022 are summarised below:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------|--------------|-----------|--------------|--------------|--------------|
| Revenue (\$) | 41,058 | 7,525,648 | 638,559 | 1,705,960 | 4,261,759 |
| EBITDA (\$) | (24,334,788) | 298,745 | (18,146,182) | (11,469,093) | (10,696,683) |
| EBIT (\$) | (27,027,299) | (623,273) | (18,892,617) | (11,885,909) | (10,900,473) |
| Loss after income tax | (36,547,723) | (623,273) | (18,892,617) | (11,762,018) | (10,757,324) |

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Share price at financial year end (\$) | 0.061 | 0.245 | 0.145 | 0.59 | 0.54 |
| Total dividends declared (cents per share) | - | - | - | - | - |
| Basic earnings / (loss) per share (cents per share) | (3.45) | (0.07) | (4.71) | (6.15) | (6.95) |

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 |
|--|----------------------------------|----------------------------------|----------------|-------------------|--------------------------------|
| Stephen Dennis ¹ | 2,333,334 | - | 277,778 | - | 2,611,112 |
| Brent Smoothy | 81,843,097 | - | - | - | 81,843,097 |
| Rudolph van Niekerk ² | 18,084,741 | - | - | - | 18,084,741 |
| Mark Sawyer | - | - | - | - | - |
| Leonard Jubber ³ | - | - | 100,000 | - | 100,000 |
| Jason Shaw ⁴ | - | - | 100,000 | - | 100,000 |
| Anthony Heitmann Beckmand ⁵ | - | - | - | - | - |
| Total | 102,261,172 | - | 477,778 | - | 102,738,950 |

¹ Stephen Dennis was appointed as Chairman on 20 August 2020.

² Rudolph van Niekerk stood down as Chief Executive Officer and commenced as Project Director on 8 December 2021.

³ Leonard Jubber appointed as Chief Executive Officer on 8 December 2021.

⁴ Jason Shaw appointed as Chief Financial Officer on 5 July 2021.

⁵ Anthony Heitmann Beckmand stood down as Chief Financial Officer on 30 September 2021.

Option holding

No options over ordinary shares in the Company were held during the financial year by any Director and other members of Key Management Personnel of the Consolidated Entity, including their personally related parties.

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 |
|---------------------------------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| Brent Smoothy | 7,300,000 | - | - | (7,300,000) | - |
| Rudolph van Niekerk | 600,000 | - | - | (600,000) | - |
| Brett Hazelden | 2,100,000 | - | - | (2,100,000) | - |
| Antony Heitmann Beckmand ¹ | 1,000,000 | - | - | (1,000,000) | - |
| Total | 11,000,000 | - | - | (11,000,000) | - |

¹ Mr Antony Heitmann 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

Payments of \$5,140,185 were made during the financial year to K19 Mining Pty Ltd (a Director-related entity of Mr 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 2022 was \$1,271,787.

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

As part of the senior debt restructure completed by the Consolidated Entity with its senior lenders on 12 October 2021, the existing founders' royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust and Greenstone Resources II (Australia) Holdings L.P. (both of whom are related parties of the Company), agreed to subordinate and defer the payment of their royalties over the tenements at Ten Mile Lake, Lake Sunshine and Lake Carnegie until the debt principal repayments to the Consolidated Entity's senior lenders begin on 31 March 2024 and that all such royalties accrued before that date are deferred until the senior lenders' deferred debt is repaid. In consideration for the deferral of the royalty payments the Consolidated Entity agreed to grant a further royalty over the tenements at Ten Mile West to the existing founders' royalty holders on the same terms as their existing royalties (being 1.9% of gross revenue).

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 2022 was \$36,547,723 (2021: \$623,273 loss).

CORPORATE

The 2022 financial year was one of mixed fortunes for Kalium Lakes as it was faced with a number of significant issues during the commissioning phase of the purification plant at the Company's Beyondie SOP Project.

In the first half of the year, Kalium Lakes completed a feasibility study for an increase in its production target from 90 ktpa to 120 ktpa as a new base case, which was followed by an equity raising targeted to fund the expansion.

In addition, the offtake agreement with K+S Asia Pacific ("K+S") was extended to cover increased production at the 120 ktpa level and included improved payment terms for the first three years to assist the Company with its working capital needs.

With harvesting operations and the stockpiling of potassium salt continuing, plant commissioning activities saw completed plant modules progressively handed over by the construction contractor. On 5 October 2021 the Company announced it had produced its first batch of SOP at the required product specification during the product commissioning process.

Formal binding documentation to restructure the Company's debt facilities with its two senior lenders, KfW and NAIF, was completed on 12 October 2021 with the senior lenders also providing an additional short term \$20 million liquidity facility as a general-purpose facility. The restructure included a condition that the Company successfully complete an equity raise of at least \$47.1m, which the Company completed by way of a two-tranche equity placement to raise \$50 million at an offer price of \$0.18 per share. In addition, a Share Purchase Plan offer was announced for eligible shareholders which aimed to raise up to \$10 million.

The successful completion of the equity placement was announced on 14 October 2021, with the placement significantly oversubscribed. The Share Purchase Plan closed one month later and raised approximately \$7.59 million.

During November 2021 the Company provided a commissioning update and noted that the operation of the trenches and bore fields had been impacted during late October because of silting and collapsing of trench walls in several places, as well as unexpected breakdowns of a few production bores. Product commissioning had entered the final stages although the process was trending slightly behind schedule and using more of the harvested salts than anticipated.

The Annual General Meeting was held in Perth on Tuesday 30 November 2021, with all resolutions as set out in the Notice of Meeting voted on at the meeting and passed by shareholders.

DIRECTORS' REPORT

Following the decision of the Chief Executive Officer and co-founder, Mr Rudolph van Niekerk, to step down and move to the role of Project Director, Mr Leonard Jubber was appointed as Chief Executive Officer of Kalium Lakes, effective from 8 December 2021.

Mr Jubber is a mining engineer with broad operational and corporate leadership experience and a track record of successfully developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited.

The practical completion of the compaction plant occurred in late December 2021 and marked the completion of the construction contract with DRA Pacific Pty Ltd. Dry commissioning of the compaction plant commenced, with product commissioning expected to commence when sufficient quantities of standard grade SOP became available.

As certain later-stage plant commissioning issues had been identified, the Company announced on 22 December 2021 that Mr Jubber had initiated a review of the SOP purification plant operations. It was noted that the restricted availability of resources and logistical challenges in getting additional international experts of the original equipment manufacturers on site through COVID-19 restrictions had also contributed to some of the challenges during commissioning of specific plant equipment.

A month later, at the end of January 2022, the Company released detailed information on the status of borefield and trenching operations, brine production, pond operations, the level of harvested potassium salts, the purification plant and SOP production to date.

On 1 March 2022, Kalium Lakes provided the market with a further update on brine production and the 120 ktpa expansion bore drilling and brine supply program. It advised that sufficient 'start-up grade' harvested potassium salts were expected to be accumulated to coincide with the expected SOP purification plant re-start leading to targeted commercial SOP sales from July 2022. It was expected that an approximate production run rate of 80 ktpa of SOP would be achieved by Q1 CY2023, with the targeted expansion to a 120 ktpa run rate established by Q3 CY2024. As a result of the revised production ramp-up schedule, the Company advised that it had a requirement for further external funding by Q3 CY2022 and had commenced discussions with its financiers to address this requirement.

At the end of May 2022, the Company reported that the SOP plant process design had been validated, and during April/May had produced approximately 400 tonnes of commercially saleable SOP. The SOP purification plant commissioning was proceeding as planned and ongoing discussions were being held with debt providers, NAIF and KfW, on funding initiatives that would be required by Q3 CY2022, as well as with key offtake partner, K+S, regarding the rescheduling of SOP deliveries.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Consolidated Entity transitioned the Beyondie Sulphate of Potash ("SOP") Mine ("BSOPM") from project development into operations in relation to activities in its ponds and borefields. The SOP purification plant remained in the commissioning phase as at 30 June 2022.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Entity intends to continue its development of the Beyondie SOP Mine, for which commissioning of the SOP purification and compaction plant 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 its 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:

At the beginning of July 2022, Kalium Lakes provided an update advising that the first commercial sales had been scheduled for later that month and that it had achieved cumulative production of 1,000 tonnes of commercially saleable SOP to 29 June 2022. Further testing of plant equipment was continuing and the purification plant would undertake a shutdown in August, with a restart anticipated for September. The Company also noted that late rain events in May and June 2022 had filled trenches, pre-concentrator ponds and evaporation ponds, causing delays in pond salt precipitation due to longer evaporation periods.

An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers (CSBP), had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The next month, on 18 August 2022, Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.

In addition to the Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan ("SPP") at the Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs). An SPP shortfall offer was also announced, which would allow the Company to accept subscriptions from investors who wanted to subscribe to make up any shortfall if total subscriptions for the SPP offer were below \$8 million. The second tranche of the Placement and the SPP offers are subject to the Company obtaining shareholder approval at a General Meeting scheduled to be held on 3 October 2022.

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure of its existing debt arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing \$20 million liquidity facility to January 2026.

The debt restructure is subject to the requirement that the Company successfully completes an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the Placement announced on the same day enables this requirement to be met.

On 13 September 2022, Kalium Lakes announced that the SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.

On 19 September 2022, Kalium Lakes announced that, it had received applications in excess of \$8 million under the SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the SPP offer to \$12 million.

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

DIRECTORS' REPORT

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

AUDITOR'S DECLARATION OF INDEPENDENCE

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

AUDITOR

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

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



Stephen Dennis - Chairman
23 September 2022

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

AUDITOR'S INDEPENDENCE DECLARATION



RSM Australia Partners

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

T + 61 (0) 8 9261 9100

F + 61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2022, 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.

RSM AUSTRALIA PARTNERS

AIK KONG TING
Partner

Perth, WA
Dated: 23 September 2022

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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 its own legal. The RSM network is not used as a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 065 085 036

Liability limited by a scheme approved under Professional Standards Legislation

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

| | Note | 30 June 2022 \$ | 30 June 2021 \$ |
|---|------|---------------------|--------------------|
| Revenue | | | |
| Other income | 5 | 41,058 | 7,525,648 |
| Expenditure | | | |
| Accounting and audit fees | 29 | (140,500) | (96,230) |
| Depreciation and amortisation expense | 6 | (2,692,511) | (922,018) |
| Directors and executive remuneration | 32 | (1,319,588) | (1,287,225) |
| Employee expenses | | (1,424,088) | (1,037,607) |
| Finance costs | | (9,520,424) | - |
| Foreign currency gain/(loss) | | (8,755,607) | - |
| Legal fees | | (603,706) | (1,002,469) |
| Operating expenses | 7 | (8,281,296) | - |
| Share based payment (credit)/expense | 8 | 93,750 | (93,750) |
| Other expenses | 9 | (3,944,811) | (3,709,622) |
| Loss before tax | | (36,547,723) | (623,273) |
| Income tax expense | 10 | - | - |
| Net loss for the year from operations | | (36,547,723) | (623,273) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Total comprehensive loss for the year | | (36,547,723) | (623,273) |
| Loss attributable to: | | | |
| Owners of the parent | | (36,547,723) | (623,273) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | (36,547,723) | (623,273) |
| Basic and diluted loss per share (cents) | 28 | (3.45) | (0.07) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | Note | 30 June 2022 \$ | 30 June 2021 \$ |
|--------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 11 | 21,512,780 | 34,206,120 |
| Trade and other receivables | 12 | 358,383 | 1,033,898 |
| Other assets | 13 | 2,112,287 | 211,627 |
| Inventory and raw materials | 14 | 4,524,848 | - |
| Total Current Assets | | 28,508,298 | 35,451,645 |
| Non-Current Assets | | | |
| Property, plant and equipment | 15 | 3,372,790 | 15,956,872 |
| Capital work in progress | 16 | 168,065,199 | 258,756,965 |
| Mine properties - in development | 17 | - | 17,023,986 |
| Mine properties – in production | 18 | 165,027,311 | - |
| Collateral for bank guarantees | 19 | 610,000 | 610,000 |
| Right-of-use assets | 20 | 50,435 | 96,265 |
| Total Non-Current Assets | | 337,125,735 | 292,444,088 |
| Total Assets | | 365,634,033 | 327,895,733 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 21 | 5,590,408 | 8,528,610 |
| Lease liabilities | 22 | - | 50,000 |
| Borrowings | 23 | - | 6,238,670 |
| Provisions | 24 | 606,288 | 337,691 |
| Total Current Liabilities | | 6,196,696 | 15,154,971 |
| Non-Current Liabilities | | | |
| Borrowings | 23 | 179,080,406 | 159,152,664 |
| Provisions | 24 | 18,055,533 | 13,681,710 |
| Total Non-Current Liabilities | | 197,135,939 | 172,834,374 |
| Total Liabilities | | 203,332,635 | 187,989,345 |
| NET ASSETS | | 162,301,398 | 139,906,388 |
| EQUITY | | | |
| Contributed equity | 25 | 243,613,489 | 184,670,756 |
| Reserves | 26 | 7,071,356 | 8,271,356 |
| Accumulated losses | 27 | (88,383,447) | (53,035,724) |
| TOTAL EQUITY | | 162,301,398 | 139,906,388 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

| | Contributed equity \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
|--|-----------------------------|------------------|-----------------------------|---------------------|
| 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) |
| Balance at 30 June 2021 | 184,670,756 | 8,271,356 | (53,035,724) | 139,906,388 |
| Balance at 1 July 2021 | 184,670,756 | 8,271,356 | (53,035,724) | 139,906,388 |
| Loss for the year | - | - | (36,547,723) | (36,547,723) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (36,547,723) | (36,547,723) |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued during the year | 61,292,587 | - | - | 61,292,587 |
| Security issue expenses | (2,349,854) | - | - | (2,349,854) |
| Lapse of performance rights | - | (1,200,000) | 1,200,000 | - |
| Share based payments | - | - | - | - |
| Balance at 30 June 2022 | 243,613,489 | 7,071,356 | (88,383,447) | 162,301,398 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 30 June 2022 \$ | 30 June 2021 \$ |
|---|-----------|---------------------|----------------------|
| OPERATING ACTIVITIES | | | |
| Receipts from customers/others | | 34,806 | 133,491 |
| Interest received | | 10,592 | 64,706 |
| Payments to suppliers and employees | | (23,194,960) | (7,607,695) |
| Net cash used in operating activities | 30 | (23,149,562) | (7,409,498) |
| INVESTING ACTIVITIES | | | |
| Collateral given for bank guarantee | | - | (610,000) |
| Payments for mine development | | (37,758,097) | (132,785,149) |
| Interest paid | | (5,316,333) | - |
| Payment for site and exploration expenditure | | (787,276) | (131,635) |
| Payments for property, plant and equipment | | (1,914,134) | (430,833) |
| Net cash used in investing activities | | (45,775,840) | (133,957,617) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 59,459,738 | 3,045,811 |
| Share issue transaction costs | | (2,349,854) | (79,424) |
| Proceeds from borrowings | | 4,526,484 | 118,645,188 |
| Transaction costs related to borrowings | | (5,220,513) | (194,908) |
| Repayment of borrowings | | - | (411,419) |
| Repayment of lease liabilities | | (50,000) | (55,020) |
| Net cash provided by financing activities | | 56,365,855 | 120,950,228 |
| Net decrease in cash and cash equivalents | | (12,559,547) | (20,416,887) |
| Cash and cash equivalents at beginning of the financial year | | 34,206,120 | 54,623,007 |
| Effects of currency translation on cash and cash equivalent | | (133,793) | - |
| Cash and cash equivalents at the end of the financial year | 11 | 21,512,780 | 34,206,120 |

The above consolidated statement of changes in cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 (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.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2022. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of asset and the settlement of liabilities in the ordinary course of business.

As disclosed in this report, for the full year, the Group incurred a net loss of \$36.5 million and had net cash outflows from operating and investing activities of \$23.1 million and \$45.7 million respectively for the year ended 30 June 2022. The Group has unrestricted cash reserves of \$18.8 million, net current assets of \$22.3 million and net assets of \$162.3 million as at 30 June 2022.

The Directors believe that it is reasonably foreseeable that the going concern basis of preparation of the financial report remains appropriate, after consideration of the following factors:

- The Consolidated Entity agreed to a debt restructure subsequent to the financial year end in August 2022 with its senior lenders that will defer the commencement of principal repayments on term loan facilities until March

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2025 and extend the maturity of these facilities 5-7 years to March 2040.

- The maturity date of the liquidity facility (currently undrawn) has also been extended to 1 January 2026. The terms of the debt restructure will allow access to the \$20 million liquidity facility on the condition that additional equity funds of \$20 million (net of costs) are raised on or before 7 October 2022. This condition will be met by the raising of equity by way of a two tranche placement detailed below.
- The Company conducted an equity capital raising in August 2022 whereby commitments were received for \$22m (\$20.5m net of costs), by way of a two tranche placement ("Placement"). The second tranche is subject to approval by shareholders at the Company's forthcoming General Meeting on 3 October 2022.
- The Company also announced a Share Purchase Plan ("SPP") at the time of the Placement, to raise up to \$8 million. The SPP has received subscriptions in excess of \$8 million and as a result, on 19 September 2022 the Company announced that the maximum size of the SPP would be increased to \$12 million. The SPP is also subject to approval by shareholders at the Company's forthcoming General Meeting on 3 October 2022.
- The Placement and the SPP together will fund additional working capital during ramp-up of the Beyondie SOP Mine and assist in the expansion of the mine to the targeted 120ktpa production run rate, targeted to be achieved by Q3 CY2024.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

Deferred tax assets and liabilities are always 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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 at the respective notes.

Coronavirus (COVID-19) pandemic

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

4. Operating segments

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

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

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

Accounting policy:

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
5. Other income

| | 30 June 2022 \$ | 30 June 2021 \$ |
|------------------------------------|--------------------|--------------------|
| Foreign exchange gain - realised | 16,455 | 842,975 |
| Foreign exchange gain - unrealised | - | 6,484,476 |
| Other income | 14,011 | 133,491 |
| Interest income | 10,592 | 64,706 |
| Other income | 41,058 | 7,525,648 |

Accounting policy:

Interest

Interest revenue is recognised as interest accrues.

Other revenue

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

6. Depreciation and amortisation expense

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| Depreciation – Property, plant and equipment | 1,183,959 | 817,742 |
| Depreciation – Mine properties | 1,407,702 | - |
| Amortisation – Right of use | 100,850 | 104,276 |
| Depreciation and amortisation expense | 2,692,511 | 922,018 |

The increase in depreciation was a result of depreciation commencing on \$165,027,311 of mine properties in production which were transferred from capital work in progress, mine properties in development and rehabilitation assets during the year ended 30 June 2022.

Key Estimate and Assumption: Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation change proportionate to the depletion of the anticipated remaining life of mine production. Each asset's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of the economically recoverable mine plan. These calculations require the use of estimates and assumptions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
7. Operating expenses

| | 30 June 2022 \$ | 30 June 2021 \$ |
|-----------------------------------|--------------------|--------------------|
| Total operating expenses incurred | 21,012,078 | - |
| Capitalised operating costs | (9,414,877) | - |
| Inventory movement | (3,315,905) | - |
| Operating expenses | 8,281,296 | - |

8. Share based payment

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Issue of performance rights to management | - | 93,750 |
| Performance rights cancelled ¹ | (93,750) | - |
| Share based payment (credit)/expense | (93,750) | 93,750 |

¹ The performance rights lapsed on 14 April 2022 when the member of management resigned.

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 profit or loss and other 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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.

9. Other expenses

| | 30 June 2022 \$ | 30 June 2021 \$ |
|----------------------------------|--------------------|--------------------|
| Bank charges | 11,118 | 207,153 |
| Compliance fees | 226,551 | 139,300 |
| Travel expenses | - | 31,616 |
| Insurance | 1,410,185 | 1,371,588 |
| Subscriptions and licenses | 10,606 | 254,240 |
| Site and exploration expenditure | - | 100,019 |
| Other consultants | 1,276,373 | 318,942 |
| Head office and administration | 1,009,978 | 1,286,764 |
| Other expenses | 3,944,811 | 3,709,622 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
10. 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 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Loss before Income tax | (36,547,723) | (623,273) |
| Prima facie benefit on operating loss at 25% (2021: 26%) | 9,136,931 | 162,051 |
| Non allowable expenditure | (20,076) | (1,822) |
| Unrecognised deferred tax assets attributable to tax losses | (9,116,855) | (156,423) |
| Income tax expense | - | - |
| Tax losses available | 67,003,257 | 44,078,556 |

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$16,750,814 (2021: \$11,460,424) 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:

- 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

- 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.

Kalium Lakes Limited (the 'head-entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head-entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the "separate taxpayer within group" approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the currently tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
11. Cash and cash equivalents

| | 30 June 2022 \$ | 30 June 2021 \$ |
|----------------------------------|--------------------|--------------------|
| Cash at bank | 18,823,926 | 31,710,582 |
| Restricted funds ¹ | 2,688,854 | 2,495,538 |
| Cash and cash equivalents | 21,512,780 | 34,206,120 |

- 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 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.

12. Trade and other receivables

| | 30 June 2022 \$ | 30 June 2021 \$ |
|------------------------------------|--------------------|--------------------|
| GST refundable | 358,383 | 913,826 |
| Fuel rebate | - | 120,072 |
| Trade and other receivables | 358,383 | 1,033,898 |

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 (2021: \$Nil) in respect of expected credit losses for the year ended 30 June 2022

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
13. Other assets

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---------------------|--------------------|--------------------|
| Prepayments | 2,112,287 | 211,627 |
| Other assets | 2,112,287 | 211,627 |

14. Inventory and raw materials

| | 30 June 2022 \$ | 30 June 2021 \$ |
|------------------------------------|--------------------|--------------------|
| KTMS | 2,474,590 | - |
| Finished goods | 1,224,356 | - |
| Consumables | 825,902 | - |
| Inventory and raw materials | 4,524,848 | - |

Accounting policy:
Kainite Type Mixed Salt (KTMS)

KTMS is potassium based feed salt harvested from evaporation ponds and used to feed the purification plant. Stockpiles are physically measured or estimated and stated at the lower of weighted average cost and net realisable value. Costs include direct material, direct labour and overhead expenditure which is directly related to the production of KTMS.

Finished goods

Finished Goods includes the stockpile of Sulphate of Potash, measured or estimated and stated at the lower of weighted average and net realisable value. Costs include direct material, direct labour and overhead expenditure which is directly related to the production of Sulphate of Potash as well as the input of the costs from the KTMS feed.

Consumables

Warehouse stores and consumables are stated at the lowest of weighted average cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
Key Estimate and Assumption: Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing SOP prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the potassium grade of the stockpile based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantity of recoverable potassium is reconciled by comparing the grades of the stockpile to the quantities of SOP actually produced (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

15. Property, plant and equipment
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 30 June 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 |
| Additions | 1,893,627 | 100,584 | 182,644 | | 104,732 | 2,281,587 |
| Transfer to mine properties | - | - | - | (13,681,710) | - | (13,681,710) |
| Depreciation expense | (940,124) | (48,384) | (149,651) | - | (45,800) | (1,183,959) |
| Balance at 30 June 2022 | 2,662,798 | 114,103 | 437,233 | - | 158,656 | 3,372,790 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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% |

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

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

Impairment

The carrying values of plant and equipment and capital work in progress 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
16. Capital work in progress

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---------------------------------|--------------------|--------------------|
| 120 ktpa expansion target | 6,093,980 | - |
| Purification plant | 161,971,219 | 72,468,500 |
| Brine supply and ponds | - | 47,261,101 |
| Village accommodation | - | 10,129,146 |
| Access road | - | 5,579,460 |
| Gas pipeline & power station | - | 37,603,718 |
| Owner's costs | - | 69,111,616 |
| Non process infrastructure | - | 15,175,111 |
| Other infrastructure | - | 1,428,313 |
| Capital work in progress | 168,065,199 | 258,756,965 |

17. Mine properties in development

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---------------------------------------|--------------------|--------------------|
| Mine properties in development | - | 17,023,986 |

During the financial year, the construction of brine supply and ponds, village accommodation, access road and gas pipeline & power station were considered to have been completed and ready for use. An amount of \$141,488,667 in relation to these assets were transferred to mine properties in production.

The purification plant remained in commissioning as at 30 June 2022. As a result, \$161,971,219 of purification plant, including \$8,775,202 allocated from mine properties in development and \$2,008,039 of rehabilitation assets in relation to the purification plant are reported as capital work in progress. During the year commencement of the expansion to the 120ktpa production target commenced and a total of \$6,093,980 has been reported as capital work in progress.

Key estimate and assumption: Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete, ready for its intended use. At this time, any costs capitalised to 'mine properties - in development' or 'capital work in progress' are reclassified to 'mine properties – in production' and 'property, plant and equipment'. Some of the criteria will include, but are not limited, to the following:

- Availability of the plant;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce SOP in saleable form (within specifications); and
- Ability to sustain ongoing production of SOP at commercial rates of production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine properties asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Accounting policy:

Capital work in progress and Mine properties in development

When proven mineral reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as capital work in progress. All subsequent development expenditure is capitalised and classified as capital work in progress, 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. On completion of development, all assets included in capital work in progress are reclassified as either property, plant and equipment or mine properties – in production and depreciation commences.

Key Estimate and Assumption: Mine properties - in development and Capital 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 – in production, as appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
18. Mine properties - in production

| | Brine supply & ponds \$ | Rehabilit- ation assets \$ | Access Road \$ | Airstrip \$ | Camp Facilities \$ | Gas pipeline & power station \$ | Total \$ |
|------------------------------------|----------------------------------|-------------------------------------|----------------------|----------------|--------------------------|---|--------------------|
| Balance at 1 July 2021 | - | - | - | - | - | - | - |
| Transfer | 90,000,516 | 13,681,710 | 6,331,986 | 989,646 | 11,181,772 | 41,898,241 | 164,083,871 |
| Additions | - | 2,351,142 | - | - | - | - | 2,351,142 |
| Depreciation | (698,265) | (198,934) | (53,517) | (8,364) | (94,506) | (354,116) | (1,407,702) |
| Balance at 30 June 2022 | 89,302,251 | 15,833,918 | 6,278,469 | 981,282 | 11,087,266 | 41,544,125 | 165,027,311 |

Accounting policy:

Mine properties – in production represents expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred by the Consolidated Entity previously accumulated and carried forward in capital work in progress and mine properties under development in relation to areas of interest in which mining has now commenced. Mine properties – in production are stated at cost, less accumulated amortisation and accumulated impairment losses. These assets were depreciated by the unit-of-production method from 1 October 2021.

Rehabilitation asset and the corresponding provision is discounted to its net present value and amortisation is charged using the units-of-production method. Amortisation and corresponding finance charges incurred in the unwinding of the provision will be recognised in the profit or loss.

Key Estimate and Assumption: Impairment of non-financial 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.

The carrying values of non-current assets are reviewed for impairment when indicators of impairment exist or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ('CGU') to which the asset belongs and where the carrying values exceed the estimated recoverable amount, the assets or CGU are written down to their recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs, ore grades and/or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

The relevant CGU for Consolidated Entity is the Beyondie SOP mine.

Impairment of mine properties – in production, capital work in progress and property, plant and equipment

The future recoverability of capitalised mine properties, capital work in progress and property, plant and equipment is dependent on a number of key factors including; SOP prices, discount rates used in determining the estimated discounted cash flows of CGUs, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources included in the determination of fair value less cost to dispose ('fair value'), future technological changes which could impact the cost of mining, and future legal changes (including changes to environmental restoration obligations).

Fair value is estimated based on discounted cash flows using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on CGU life of mine ('LOM') plans. The Consolidated Entity considers this valuation approach to be consistent with the approach taken by market participants.

In determining the fair value of CGUs, future cash flows were discounted using rates based on the Consolidated Entity's estimated weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU. Life of mine operating and capital cost assumptions are based on the Consolidated Entity's latest budget and LOM plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price assumptions.

Key assumptions for this review:

SOP price (US\$ per tonne): US\$500/tonne to US\$1,000/tonne

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Commodity prices are estimated with reference to forecasts provided by market analysts. The rates applied to the valuation have regard to observable market data.

Discount rate: 8.5%

In determining the fair value of the CGU, the future cash flows were discounted using rates based on the consolidated entity's estimated weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU (where applicable).

Operating and capital costs:

Life-of-mine operating and capital cost assumptions are based on the Consolidated Entity's latest budget and LOM operating plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price and exchange rate assumptions.

Sensitivity analysis:

Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of the CGU that has been subject to impairment testing:

| | Increase \$000 | Decrease \$000 |
|----------------------|-------------------|-------------------|
| Change of: | | |
| SOP price by 10% | 106,900 | (120,000) |
| Discount rate by 10% | (40,100) | 38,900 |

Changes in the SOP price and Discount rate assumption above are assumed to move in isolation, while other assumptions are held constant.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
19. Collateral for bank guarantees

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Collateral for bank guarantees ¹ | 610,000 | 610,000 |
| Collateral for bank guarantees | 610,000 | 610,000 |

- 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.

20. Right-of-use assets

| | 30 June 2022 \$ | 30 June 2021 \$ |
|----------------------------------|--------------------|--------------------|
| Head office space - right-of-use | 200,541 | 200,541 |
| Less: Accumulated depreciation | (150,106) | (104,276) |
| Right-of use-assets | 50,435 | 96,265 |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
21. Trade and other payables

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---------------------------------|--------------------|--------------------|
| Accounts payable | 4,096,147 | 5,582,672 |
| Other payables | 1,045,334 | 125,964 |
| Accrued expenses | 448,927 | 2,819,974 |
| Trade and other payables | 5,590,408 | 8,528,610 |

Accounting policy:

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.

22. Lease liabilities

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---------------------------------------|--------------------|--------------------|
| Head office space - lease liabilities | - | 50,000 |
| Lease liabilities | - | 50,000 |

Accounting policy:

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.

23. Borrowings

| | 30 June 2022 \$ | 30 June 2021 \$ |
|----------------------------|--------------------|--------------------|
| Current Borrowings | | |
| Loan from KfW | - | 2,234,800 |
| Loan from KfW/Euler Hermes | - | 2,026,670 |
| Loan from NAIF | - | 1,977,200 |
| Current Borrowings | - | 6,238,670 |

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

| Non-current Borrowings | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Loan from KfW | 51,604,012 | 43,698,522 |
| Loan from KfW/Euler Hermes | 50,276,859 | 43,140,295 |
| Loan from NAIF | 72,513,621 | 68,104,883 |
| | 174,394,492 | 154,943,700 |
| Interest on loan from KfW | 1,390,228 | 1,273,007 |
| Interest on loan from KfW/Euler Hermes | 1,094,735 | 812,459 |
| Interest on loan from NAIF | 1,486,379 | 1,486,378 |
| Commitment fees on loan from KfW/Euler Hermes | 714,572 | 637,120 |
| | 4,685,914 | 4,208,964 |
| Non-current Borrowings | 179,080,406 | 159,152,664 |

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.

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.

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

| Lender | Borrower | Facility Limit (Ccy) | Undrawn (Ccy) | Undrawn (AUD) | Maturity Date ⁴ |
|--------------------|---|-------------------------|------------------|-------------------------|----------------------------|
| KfW / Euler Hermes | Kalium Lakes Potash (Facility A) ¹ | EUR €32,487,268 | EUR €1,562,980 | AUD \$2,372,103 | 31 March 2033 ³ |
| KfW | Kalium Lakes Potash (Facility B) ² | USD \$37,000,000 | - | - | 31 March 2033 ³ |
| NAIF | Kalium Lakes Potash (Facility C) | AUD \$26,000,000 | - | - | 31 March 2033 ³ |
| NAIF | Kalium Lakes Infrastructure | AUD \$48,000,000 | - | - | 31 March 2036 |
| KfW | Kalium Lakes Potash (Liquidity Facility A) ⁴ | USD \$8,000,000 | USD \$8,000,000 | AUD \$10,000,000 | 31 July 2022 |
| NAIF | Kalium Lakes Potash (Liquidity Facility B) ⁴ | AUD \$10,000,000 | AUD \$10,000,000 | AUD \$10,000,000 | 31 July 2022 |
| | | | | AUD \$22,372,103 | |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

- ¹ Facility A has an EUR denominated facility limit. The unused facility has been converted to AUD at the 30 June 2022 AUD:EUR spot rate of 0.6589. When a loan is drawn down it is immediately converted into USD at the EUR:USD spot rate in existence at the time of the drawdown, with interest accruing in USD. The USD loan balance is the aggregate amount of all drawdowns converted from EUR to USD at the respective EUR:USD spot rates at the date of drawing.
- ² Facility B is a USD denominated loan facility. The USD facility limit, loan balance and unused facility has been converted to AUD at the 30 June 2022 AUD:USD spot rate of 0.6889
- ³ Following the debt restructure with the senior lenders which was completed on 12 October 2021, the principal repayments for the KLP Facilities A, B, C and the KLI Facility were deferred for two years and, as of the financial year end, were scheduled to commence on 31 March 2024. As of the financial year end, the maturity dates for the KLP Facilities A, B and C are 31 March 2033 and for the KLI Facility the maturity date is 31 March 2036.
- ⁴ As part of the debt restructure with the senior lenders which was completed on 12 October 2021, the senior lenders provided a liquidity facility which is a general purpose facility that is available to be used for short-term working capital purposes. The liquidity facility is divided into Liquidity Facility A provided by KfW for USD \$8 million, and Liquidity Facility B provided by NAIF for AUS \$10 million. The KfW Liquidity Facility A, whilst a USD denominated facility, is subject to being drawn for the same AUD equivalent as the NAIF Liquidity Facility B and as such its AUD equivalent facility limit is stated above at AUD \$10 million. The maturity date of these facilities, as of the financial year end, was 31 July 2022, with pre-requisites to drawdown related to the Consolidated Entity demonstrating to its senior lenders that it has a financing solution in place for the revised ramp up to the production target of 120 ktpa.

The weighted average interest rate on drawn amounts across all facilities as at the financial year end is 4.15% per annum.

24. Provisions

| Current Provisions – Employee benefits | 30 June 2022 \$ | 30 June 2021 \$ |
|---|---------------------------|---------------------------|
| Employee entitlements | 606,288 | 337,691 |
| Current Provisions | 606,288 | 337,691 |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

| Non-current Provisions – Provision for rehabilitation | 30 June 2022 | 30 June 2021 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Opening balance | 13,681,710 | 4,166,074 |
| Additional provision required | 4,373,823 | 9,515,636 |
| Non-current Provisions | 18,055,533 | 13,681,710 |

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 has been based on technical advice provided by an external expert and 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.

Key Estimate and Assumption: 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 asset 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 2022**

25. Contributed equity

| | 30 June 2022 Shares | 30 June 2021 Shares | 30 June 2022 \$ | 30 June 2021 \$ |
|-------------------------------------|------------------------|------------------------|--------------------|--------------------|
| Ordinary shares – fully paid | 1,181,712,214 | 839,161,349 | 243,613,489 | 184,670,756 |

| Movements in ordinary share capital | Date | Shares | Issue price | \$ |
|---|---------------------|----------------------|-------------|--------------------|
| Balance | 1 July 2020 | 802,257,785 | | 179,614,646 |
| Issue of shares to contractors ¹ | 09 Jul 2020 | 13,931,488 | 0.150 | 2,089,724 |
| Issue of shares under contingent placement | 09 Jul 2020 | 20,305,409 | 0.150 | 3,045,811 |
| Exercise of options by contractors | 04 Sep 2020 | 2,666,667 | - | - |
| Share issue costs | | | | (79,425) |
| Balance | 30 June 2021 | 839,161,349 | | 184,670,756 |
| Issue of shares under capital raising | 19 Oct 2021 | 174,341,902 | 0.180 | 31,381,542 |
| Issue of shares under capital raising | 2 Nov 2021 | 35,448,435 | 0.180 | 6,380,718 |
| Issue of shares under share purchase plan | 18 Nov 2021 | 42,148,389 | 0.180 | 7,586,710 |
| Issue of shares under capital raising | 3 Dec 2021 | 78,393,152 | 0.180 | 14,110,767 |
| Issue of shares to contractors ¹ | 7 Feb 2022 | 12,218,987 | 0.150 | 1,832,848 |
| Share issue costs | | | | (2,349,852) |
| Balance | 30 June 2022 | 1,181,712,214 | | 243,613,489 |

- 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

Accounting policy:

Share capital

Ordinary shares are classified as equity. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
26. Reserves

| | 30 June 2022 \$ | 30 June 2021 \$ |
|----------------------------|--------------------|--------------------|
| Performance rights reserve | - | 1,200,000 |
| Options reserve | 7,071,356 | 7,071,356 |
| Reserves | 7,071,356 | 8,271,356 |

| Movements in options reserve | Number | \$ |
|--|-------------------|------------------|
| Balance at 30 June 2020 | 41,826,668 | 7,071,356 |
| Exercise of options by contractors on 7 September 2020 | (2,666,667) | - |
| Cancellation of options | (1,000,000) | - |
| Balance at 30 June 2021 | 38,160,001 | 7,071,356 |
| Cancellation of options | (3,263,521) | - |
| Exercise of options by contractors on 7 February 2022 | (12,218,987) | - |
| Balance at 30 June 2022 | 22,677,493 | 7,071,356 |

As at 30 June 2022, the following unlisted options were on issue:

| Number under Option | Exercise Price | Expiry date |
|----------------------------|-----------------------|--------------------|
| 5,000,000 | \$0.50 | 30 June 2025 |
| 17,677,493 | \$0.00 | 16 June 2023 |

| Movement in performance rights reserve | Number | \$ |
|---|-------------------|------------------|
| Balance at 30 June 2020 | 10,000,000 | 1,200,000 |
| Issue of performance rights | 2,250,000 | - |
| Balance at 30 June 2021 | 12,250,000 | 1,200,000 |
| Cancellation of performance rights | (12,250,000) | (1,200,000) |
| Balance at 30 June 2022 | - | - |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
27. Accumulated losses

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Accumulated losses at the beginning of the financial year | (53,035,724) | (52,412,451) |
| Transfer from performance rights reserve (refer note 26) | 1,200,000 | - |
| Loss after income tax expense for the year | (36,547,723) | (623,273) |
| Accumulated losses at the end of the financial year | (88,383,447) | (53,035,724) |

28. Loss per share

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Loss after income tax | (36,547,723) | (623,273) |
| Loss after income tax attributable to the owners of Kalium Lakes Limited used in calculating diluted earnings per share | (36,547,723) | (623,273) |
| Basic loss per share | (3.45) | (0.07) |
| Diluted loss per share | (3.45) | (0.07) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | 1,060,272,969 | 837,950,677 |

Accounting policy:
Earnings per share

Basic earnings per share ("EPS") 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 EPS 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.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

29. Auditor's remuneration

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| Audit and review of the financial report | 113,000 | 70,000 |
| Technical advice services | - | 26,230 |
| Auditor's remuneration | 113,000 | 96,230 |

30. Reconciliation of cashflows from operating activities

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|---------------------|--------------------|
| Loss after income tax expense for the year | (36,547,723) | (623,273) |
| Adjustments for: | | |
| Depreciation | 2,692,511 | 922,018 |
| Share based payment (credit)/expense | (93,750) | 93,750 |
| Finance costs | 9,520,424 | - |
| Realised current translation losses/(gains) | (16,455) | - |
| Unrealised currency translation losses/(gains) | 8,755,607 | (6,484,476) |
| Other items | - | (1,294,026) |
| Change in operating assets and liabilities: | | |
| Trade & other receivables | 675,515 | 349,220 |
| Trade & other payables | (2,864,895) | (501,594) |
| Inventories and raw materials | (5,556,860) | - |
| Employee benefits expense | 286,064 | 128,883 |
| Net cash used in operating activities | (23,149,562) | (7,409,498) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
31. Parent entity information

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

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Statement of profit or loss and other comprehensive income | | |
| Loss after income tax ¹ | (74,313,229) | (4,432,837) |
| Total comprehensive loss | (74,313,229) | (4,432,837) |
| Statement of financial position | | |
| Total current assets | 6,552,386 | 3,998,092 |
| Total assets | 162,638,417 | 140,226,094 |
| Total current liabilities | (337,019) | (319,706) |
| Total liabilities | (337,019) | (319,706) |
| Net assets | 162,301,398 | 139,906,388 |

¹ Loss for parent entity largely due to write-down of \$70.7 million to align the parent entity net assets to the Consolidated Entity net assets.

Guarantees

Kalium Lakes Limited is a guarantor under the KLP Facility Agreement, KLI Facility Agreement, Security Trust Deed, Intercreditor Deed, Liquidity 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

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
32. Key Management Personnel disclosure

The aggregate compensation made to Key Management Personnel of the Consolidated Entity is set out below:

| | 30 June 2022 \$ | 30 June 2021 \$ |
|------------------------------|--------------------|--------------------|
| Short-term employee benefits | 1,233,584 | 1,217,269 |
| Post-employment benefits | 86,004 | 69,956 |
| Total compensation | 1,319,588 | 1,287,225 |

33. Related party transactions
Parent entity

Kalium Lakes Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 32 and the remuneration report included in the Directors' report.

The following transactions occurred with related parties:

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| Payment for services: | | |
| Payment for construction services from K19 Mining Pty Ltd (Director related entity of Brent Smoothy) ¹ | 5,140,185 | 3,031,106 |
| Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) ^{2 & 3} | - | 5,455,602 |
| Payment for employee services from Tanya Hazelden (Director related entity of Brett Hazelden) | - | 40,608 |
| | 5,140,185 | 8,527,316 |

- 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 Mine.
- ² Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) was engaged in the construction and maintenance works of pond roads and the airstrip.
- ³ Smoothy Cattle Co Pty Ltd 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

| Receivables from and payables to related parties | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Current payables: | | |
| Payment for construction services and haulage of harvested & waste salt from K19 Mining Pty Ltd (Director related entity of Brent Smoothly) | 1,271,787 | 644,396 |
| Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) | - | 261,996 |
| | 1,271,787 | 906,392 |

Loans to/from related parties

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

Other transactions with related parties

As part of the senior debt restructure completed by the Consolidated Entity with senior lenders on 12 October 2021, the existing founders' royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust and Greenstone Resources II (Australia) Holdings L.P. (both of whom are related parties of the Company), agreed to subordinate and defer the payment of their royalties over the tenements at Ten Mile Lake, Lake Sunshine and Lake Carnegie until the debt principal repayments to the Consolidated Entity's senior lenders begin on 31 March 2024 and that all such royalties accrued before that date are deferred until the senior lenders' deferred debt is repaid. In consideration for the deferral of the royalty payments the Consolidated Entity agreed to grant a further royalty over the tenements at Ten Mile West to the existing founders' royalty holders on the same terms as their existing royalties (being 1.9% of gross revenue).

Terms and conditions

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

34. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 \$ | 30 June 2021 \$ |
|--------------------------------------|--------------------|--------------------|
| Unused at the reporting date | | |
| Senior lender debt facilities | 22,372,104 | 7,351,720 |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

| 30 June 2022 | 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 | - | 4,096,147 | - | - | 4,096,147 |
| Other payables | - | 1,045,334 | - | - | 1,045,334 |
| Lease liability | - | - | - | - | - |
| <i>Interest bearing</i> | | | | | |
| Senior debt | 4.15% | - | 45,486,773 | 133,593,633 | 179,080,406 |
| Total non-derivatives | | 5,141,481 | 45,486,773 | 133,593,633 | 184,221,887 |

| 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> | | | | | |
| Senior debt | 3.10% | 6,238,670 | 62,637,378 | 96,515,306 | 165,391,354 |
| Total non-derivatives | | 11,997,306 | 62,637,378 | 96,515,306 | 171,149,990 |

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

Fair value of financial instruments

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Consolidated Entity is exposed to interest rate movements through term deposits and online savers at fixed and variable rates of between 0.2% and 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

| Financial assets | Year end | Variable interest \$ |
|---------------------------|-----------------|---------------------------------|
| Cash and cash equivalents | 30 June 2022 | 21,512,780 |
| Cash and cash equivalents | 30 June 2021 | 34,206,120 |

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 2022 | 215,128 | (215,128) |
| Cash and cash equivalents | 30 June 2021 | 342,016 | (342,061) |

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 \$179,080,406 (2021: \$165,391,334), are principal and interest payment loans. Of these, \$105,080,406 (2021: \$93,822,892) are variable rate interest loans and \$74,000,000 (2021: \$71,568,462) are fixed rate interest loans. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of \$1,050,804 (2021: \$938,228) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

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 Consolidated Entity has no forward foreign exchange contracts and options at the reporting date.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

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

35. 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 2022 % | 30 June 2021 % |
| 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**
36. Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities and assets as at 30 June 2022 (2021: Nil).

37. Commitments

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Rental, rates and expenditure commitments relating to tenements | 2,473,016 | 2,696,232 |
| 90ktpa project | 4,358,080 | 42,848,243 |
| 120ktpa expansion | 11,246,878 | - |
| Total committed at the reporting date | 18,077,974 | 45,544,475 |
| Non-contractual at the reporting date: | | |
| 90ktpa project | 4,909,921 | - |
| 120ktpa expansion | 29,373,809 | - |
| Total non- contractual at the reporting date | 34,283,730 | - |

38. Interests in joint operations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 Equity Interest | |
|--------------------------|---------------|----------------------|-------------------|
| | | 30 June 2022 % | 30 June 2021 % |
| Carnegie Joint Operation | Australia | 70% | 70% |

39. 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:

At the beginning of July 2022, Kalium Lakes provided an update advising that the first commercial sales had been scheduled for later that month and that it had achieved cumulative production of 1,000 tonnes of commercially saleable SOP to 29 June 2022. Further testing of plant equipment was continuing and the purification plant would undertake a shutdown in August, with a restart anticipated for September. The Company also noted that late rain events in May and June 2022 had filled trenches, pre-concentrator ponds and evaporation ponds, causing delays in pond salt precipitation due to longer evaporation periods.

An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers (CSBP), had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The next month, on 18 August 2022, Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.

In addition to the Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan ("SPP") at the Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs). An SPP shortfall offer was also announced, which would allow the Company to accept subscriptions from investors who wanted to subscribe to make up any shortfall if total subscriptions for the SPP offer were below \$8 million. The second tranche of the Placement and the SPP offers are subject to the Company obtaining shareholder approval at a General Meeting scheduled to be held on 3 October 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure of its existing debt arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing \$20 million liquidity facility to January 2026.

The debt restructure is subject to the requirement that the Company successfully completes an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the Placement announced on the same day enables this requirement to be met.

On 13 September 2022, Kalium Lakes announced that the SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.

On 19 September 2022, Kalium Lakes announced that, it had received applications in excess of \$8 million under the SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the SPP offer to \$12 million.

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 2022 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

23 September 2022



RSM Australia Partners

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

T +61(0) 8 9261 9100
F +61(0) 8 9261 9111

www.rsm.com.au

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 2022, 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 2022 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 AUDIT | TAX | CONSULTING

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

Liability limited by a scheme approved under Professional Standards Legislation

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 |
|--|---|
| Impairment of Group's Beyondie Sulphate of Potash cash-generating unit - Refer to Note 15, 16 and 18 in the financial statements | |
| <p>As prescribed by AASB 136 <i>Impairment of Assets</i>, the Group performs impairment assessment when events or changes in circumstances occur in respect of production of Sulphate of Potash from the Beyondie Sulphate of Potash mine cash-generating unit (CGU).</p> <p>The carrying value of the Group's non-current assets, which includes property, plant and equipment, mine properties and capital work-in-progress as disclosed in the consolidated statement of financial position at 30 June 2022.</p> <p>Impairment indicators were identified during the year ended 30 June 2022 in respect of the Group's CGU requiring management to perform an impairment assessment in accordance with AASB 136 <i>Impairment of Assets</i>.</p> <p>Management's assessment of the recoverability of these non-current assets is performed using a value in use model that involved significant judgements, assumptions and estimates used in determining the recoverable amount of the CGU.</p> <p>The value in use model is based on expected future cash flows, which are inherently uncertain, and are affected by a number of factors as set out in the life-of-mine model, including reserves and production estimates, economic factors such as discount rate, sulphate of potash price, estimate of operating expenditure, foreign currency exchange rate and future capital expenditure.</p> <p>Management concluded that impairment of the CGU was not required for the year ended 30 June 2022.</p> <p>We determined this area to be a key audit matter due to the significant account balances and the level of management estimates and judgement involved in the preparation of the impairment model to support the carrying values as discussed above.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing management's determination of allocating the non-current assets to a single CGU based on the nature of the Group's business and the manner in which results are monitored and reported; Assessing the appropriateness of the value-in-use model prepared by management; Challenging the reasonableness of key assumptions used in the value in use model, including the: <ul style="list-style-type: none"> Future production levels and operations expenditure; Future commodity prices and exchange rates; Estimated capital expenditure; Discount rate applied; and Life of Mine model; Checking the mathematical accuracy of the value in use model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; Reviewing sensitivity analyses to consider the impact of changes in key judgements, assumptions and estimates on the recoverable amount and the impact on the impairment assessment of the CGU; and Assessing the appropriateness of the disclosures in the financial statements. |

| Key audit matter | How our audit addressed this matter |
|--|---|
| Provision for rehabilitation - Refer to Note 24 in the financial statements | |
| <p>As a result of the Group's past activities, there is an obligation to rehabilitate and restore mine sites. As at 30 June 2022, the Group has brought to account a provision for rehabilitation of \$18,055,533.</p> <p>We considered this to be a key audit matter due to the significant management judgement and estimates involved in assessing the provision for rehabilitation including:</p> <ul style="list-style-type: none"> • Determination of costs to be incurred in future years and its timing; • Complexity involved in the quantification of the provision based on areas disturbed; and • The methodology used to calculate the provision amount to ensure compliance with Australian Accounting Standards. | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process involved in the determination of the provision; • Checking the mathematical accuracy of the model used to calculate the provision; • Reviewing the reasonableness of the inflation rate, discount rate and timing of the rehabilitation cashflows assumptions used in the model; • Reviewing areas of disturbances on a sample basis by agreeing to supporting documents; • Reviewing the reasonableness of the estimated costs performed by management expert; • Ensuring the movement in the provision has been accounted for in accordance with Australian Accounting Standards; 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 2022 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: https://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 within the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2022, 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.

RSM AUSTRALIA PARTNERS

AIK KONG TING
Partner

Perth, WA
Dated: 23 September 2022



ADDITIONAL INFORMATION

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

Issued Securities as at 30 June 2022

| | Quoted on ASX | Unlisted | Total |
|--|----------------------|-------------------|----------------------|
| Fully Paid Ordinary Shares | 1,181,712,214 | - | 1,181,712,214 |
| \$0.00 unlisted options expiring 16/6/23 | | 17,677,493 | 17,677,493 |
| \$0.50 unlisted options expiring 30/6/25 | | 5,000,000 | 5,000,000 |
| Total | 1,181,712,214 | 22,677,493 | 1,204,389,707 |

Distribution of Listed Ordinary Fully Paid Shares as at 30 June 2022

| Spread | of | Holdings | Number of Holders | Number of Units | % Issued Capital |
|--------------|----|----------|-------------------|----------------------|------------------|
| 1 | - | 1,000 | 243 | 88,736 | 0.01% |
| 1,001 | - | 5,000 | 1,653 | 5,254,774 | 0.44% |
| 5,001 | - | 10,000 | 1,333 | 10,627,044 | 0.90% |
| 10,001 | - | 100,000 | 4,023 | 157,091,882 | 13.29% |
| 100,001 | - | and over | 1,473 | 1,008,649,778 | 85.36% |
| Total | | | 8,725 | 1,181,712,214 | 100% |

Top 20 Listed Ordinary Fully Paid Shareholders as at 30 June 2022

| Rank | Shareholder | Shares Held | % Issued Capital |
|--------------|---|--------------------|------------------|
| 1. | GREENSTONE RESOURCES II (AUSTRALIA) HOLDINGS L P | 152,886,533 | 12.94% |
| 2. | GREENSTONE MANAGEMENT (DELAWARE) II LLC | 78,673,124 | 6.66% |
| 3. | KUMARINA HOLDINGS PTY LTD <VINCE SMOOTHLY FAMILY A/C> | 39,839,800 | 3.37% |
| 4. | BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C> | 22,922,679 | 1.94% |
| 5. | KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C> | 20,598,155 | 1.74% |
| 6. | THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C> | 19,199,159 | 1.62% |
| 7. | MR PHILIPPUS RUDOLPH VAN NIEKERK + MRS JEAN-MARIE VAN NIEKERK <R & J VAN NIEKERK A/C> | 15,831,741 | 1.34% |
| 8. | DRA PACIFIC PTY LTD | 12,218,987 | 1.03% |
| 9. | HISHENK PTY LTD | 10,600,000 | 0.90% |
| 10. | CITICORP NOMINEES PTY LIMITED | 10,405,085 | 0.88% |
| 11. | MR STACEY RADFORD | 10,230,323 | 0.87% |
| 12. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 8,800,033 | 0.74% |
| 13. | KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C> | 8,450,142 | 0.72% |
| 14. | MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C> | 8,200,000 | 0.69% |
| 15. | WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C> | 8,000,000 | 0.68% |
| 16. | VALDARNO PTY LTD <VALDARNO A/C> | 7,306,040 | 0.62% |
| 17. | PS SUPER NOMINEE PTY LIMITED <SHADBOLT FUTURE FUND A/C> | 7,245,278 | 0.61% |
| 18. | MR KENNETH JOSEPH HALL <HALL PARK A/C> | 6,226,769 | 0.53% |
| 19. | KUMARINA HOLDINGS PTY LTD <TOM SMOOTHY INVESTMENT A/C> | 6,000,000 | 0.51% |
| 20. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 5,414,658 | 0.46% |
| Total | | 459,048,506 | 38.85% |





ABN: 98 613 656 643

Unit 1 152 Balcatta Road
Balcatta WA 6021

+61 (0)8 9240 3200

www.kaliumlakes.com.au