

KALIUM LAKES LIMITED

ABN: 98 613 656 643

and Controlled Entities

CONSOLIDATED HALF-YEARLY REPORT

For the half-year ended

31 December 2023

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CORPORATE DIRECTORY

DIRECTORS

Richard Brien, Director (appointed 9 July 2024)
Gregory Starr, Director (appointed 9 July 2024)
George Terpens, Director (appointed 17 July 2024)
Hon. Cheryl Edwards AM, Non- Executive Director – Chairperson (25 November 2022 to 3 August 2023)
Robert Adam, Non-Executive Director (12 October 2022 to 3 August 2023)
Simon Wandke, Non-Executive Director (12 October 2022 to 3 August 2023)
Brent Smoothy, Non-Executive Director (resigned 3 August 2023)
Salvatore Lancuba, Non-Executive Director (resigned 3 August 2023)

CHIEF EXECUTIVE OFFICER

Jason Morin (Acting) (4 April 2023 to 3 October 2023)

CHIEF FINANCIAL OFFICER

Jason Shaw (5 July 2021 to 3 October 2023)

COMPANY SECRETARIES

Louisa Ho (appointed 17 July 2024)
Jason Shaw (1 October 2021 to 3 October 2023)
Loren King (30 November 2022 to 31 August 2023)

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 2, 350 Kent Street
Sydney NSW 2000

POSTAL ADDRESS

Level 2, 350 Kent Street
Sydney NSW 2000

TELEPHONE

+61 2 9299 2289

AUDITORS

RSM Australia Partners
Level 32/2 The Esplanade,
Perth WA 6000

SHARE REGISTRY

Level 2, 350 Kent Street
Sydney NSW 2000

HOME EXCHANGE

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

ASX CODE

KLL

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements, on the Consolidated Entity (referred to hereafter as the "Consolidated Entity") consisting of Kalium Lakes Limited ("KLL" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023, and the independent auditor's report thereon.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year ended 30 June 2023 and in the half-year ended 31 December 2023, challenges arose with the operational ramp up of the Beyondie Sulphate of Potash ("SOP") Mine ("Beyondie") in Western Australia ("Beyondie"), which resulted in the Consolidated Entity not meeting its production targets and consequently resulted in funding issues. On 6 June 2023 KLL's shares were suspended from trading on the Australian Securities Exchange ("ASX") whilst it conducted a strategic process with the assistance of its advisers. On 3 August 2023, the Directors formed the view that due to the Consolidated Entity's senior lenders declining to provide financial funding to continue with the strategic process, Martin Jones, Matthew Woods and Clint Joseph were appointed Administrators of KLL and two of its wholly owned subsidiaries, Kalium Lakes Potash Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLP") and Kalium Lakes Infrastructure Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLI"). Immediately afterwards, on 3 August 2023, the senior lenders appointed Mr Robert Michael Kirman, Mr Jason Preston and Mr Robert Conry Brauer of McGrathNicol, as Receivers and Managers of KLL, KLP and KLI.

The Receivers and Managers operated the Consolidated Entity under normal business conditions from their appointment on 3 August 2023 until the end of September 2023, during which time they continued the strategic process initiated by the Board of Directors to sell or recapitalise the Consolidated Entity. The Beyondie mine operation was eventually placed into care and maintenance at the end of September 2023 in order to reduce costs, at which time approximately 90% of the employees of the consolidated entity were made redundant.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of KLL via a Deed of Company Arrangement ("DOCA") and Creditors Trust, was submitted to the Voluntary Administrators ("Recapitalisation Proposal") in late January 2024 and accepted by creditors on 16 February 2024. The DOCA was signed on 11 March 2024. The Deed Administrators are Martin Jones, Matthew Woods and Clint Joseph. The Recapitalisation Proposal was subject to, various approvals being obtained from the shareholders, and accordingly, the Deed Administrators called a general meeting of the Company which was held on 6 June 2024, at which the shareholders voted to approve the resolutions put forward to approve the Recapitalisation Proposal and effectuate the DOCA.

The resolutions approved by the shareholders at the general meeting were:

- (1) the consolidation of the Company's existing ordinary shares and options on a "1 for 291" basis;
- (2) the allotment and issue of 90 million ordinary shares in the Company at \$0.0018 per Share to ST Holding 1 Pty Ltd to raise \$162,000 and allow ST Holding Pty Ltd to acquire a 90% interest in the Company;
- (3) the allotment and issue of 3 million ordinary shares in the Company at \$Nil per Share to the Kalium Lakes Creditors Trust; and
- (4) the appointment of Richard Campbell Brien, George Terpens and Gregory Barry Starr as Directors of the Company;

the implementation of the above resolutions being the "Recapitalisation")

DIRECTORS' REPORT

Following the approval by the shareholders of the resolutions put forward at the general meeting, the Deed Administrators gave notice on 29 June 2024 that the DOCA had been effectuated.

On 9 July 2024, the Company announced that it had appointed Richard Campbell Brien and Gregory Barry Starr as Directors of the Company. On 17 July 2024, the Company announced that the Receivers and Managers of the Company, Rob Brauer, Jason Preston and Rob Kirman from McGrathNicol had retired. On the same day the Company announced that it had appointed George Terpens as Director of the Company and Louisa Ho as the Company Secretary, and that it had changed its registered office and principal place of business to Level 2, 350 Kent Street, Sydney NSW 2000.

On 19 July 2024 the Company announced the issue of 93,000,000 ordinary shares which were issued as part of the Recapitalisation. On 22 July 2024 the Company made an application to the ASX for quotation of these shares, and advised that the revised number of securities in the Company was 99,977,536 ordinary shares, 108,294 performance rights and 17,182 options.

KLP and KLI, the main operating subsidiaries of KLL for the Beyondie operation, were the subject of their own deeds of company arrangement entered into on 22 December 2023 in relation to share sale agreements entered into between the Receivers and Managers and third party purchasers to purchase the shares of KLP and KLI from KLL. However, these share sale agreements failed to proceed due to the inability of the purchasers to raise the necessary purchase consideration funding. As a result, the deeds of company arrangements for KLP and KLI were terminated and KLP and KLI placed into liquidation on 18 March 2024, at which time Martin Jones, Matthew Woods and Clint Joseph of KPMG were appointed as Liquidators of KLP and KLI.

INCOMPLETE RECORDS

This financial report has been prepared using the financial records of the Consolidated Entity which were available and extracted from its accounting records for the reporting period. However, there may be information that has not been able to be obtained, the impact of which may or may not be material on the financial statements. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Consolidated Entity as this information is unascertainable due to its external administration, receivership and management.

Consequently, it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

DIRECTORS' REPORT

DIRECTORS

Immediately following the appointment of Administrators and Receivers to the Company on 3 August 2023, the Directors of the Company resigned. Following the effectuation of the Deed of Company Arrangement approved by the Company's shareholders at a general meeting of the Company held on 6 June 2024, the Company announced it had appointed new Directors, Richard Brien and Gregory Starr (on 9 July 2024) and George Terpens (on 17 July 2024).

The following persons were Directors of the Company who held office during or since the end of the half year:

Richard Brien	Director (appointed 9 July 2024)
Gregory Starr	Director (appointed 9 July 2024)
George Terpens	Director (appointed 17 July 2024)
Hon. Cheryl Edwardes AM	Non-Executive Director & Chairperson (appointed on 25 November 2022, resigned 3 August 2023)
Robert Adam	Non-Executive Director (appointed on 12 October 2022, resigned 3 August 2023)
Simon Wandke	Non-Executive Director (appointed on 12 October 2022, resigned 3 August 2023)
Brent Smoothy	Non-Executive Director (resigned 3 August 2023)
Salvatore Lancuba	Non-Executive Director (resigned 3 August 2023)
Stephen Dennis	Non-Executive Director & former Chairman (retired on 25 November 2022)
Mark Sawyer	Non-Executive Director (resigned on 3 June 2023)

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is the exploration and mining of mineral resources. Refer the "Significant Changes in the State of Affairs" section above in relation to the Company's external administration, receivership and management, and subsequent Recapitalisation.

REVIEW OF OPERATIONS

Refer the "Significant Changes in the State of Affairs" section above in relation to the Company's external administration, receivership and management, and subsequent Recapitalisation.

FINANCIAL PERFORMANCE

The loss after tax for the half-year ended 31 December 2023 was \$11,458,056 (2022: \$102,273,002), namely due to losses associated with the Company entering into external administration, receivership and management on 3 August 2023. Subsequently the Beyondie mine operation was placed into care and maintenance in later September 2023 in order to reduce costs, at which time approximately 90% of the employees of the consolidated entity were made redundant.

Operating expenses of \$7,688,214 were also recorded, primarily in relation to the operation of the Beyondie mine up prior to it being placed into care and maintenance. Non-cash realised and unrealised foreign exchange gain recorded \$895,321 (2022 loss: \$1,965,599). Depreciation and amortisation reduced to \$36,248 as a result of the write-down of non-current mine assets to their estimated recoverable amount as at 30 June 2023, following which these assets were not depreciated

DIRECTORS' REPORT

any further. Finance costs of \$1,225,623 (2022: \$8,279,645) were incurred which are primarily interest expense up until 3 August 2023 when the Company entered external administration, receivership and management.

FINANCIAL POSITION

Total assets have remained constant compared to 30 June 2023 as a result of Beyondie mine operation being placed into care and maintenance at the end of September 2023, and the non-current mine assets being impaired to their estimated recoverable amount of \$20 million. Details of the impaired assets are as follows:

Capital work in progress (before impairment) of approximately \$185.5 million was written down to \$15.1 million as at 30 June 2023 and remained at that balance at 31 December 2023.

Mine properties - in production (before impairment) of approximately \$168.2 million was written down to \$4.8 million as at 30 June 2023 and remained at that balance at 31 December 2023.

CASH FLOW

Operating cash outflows for the half-year were lower compared to the prior half-year (2023: \$3,044,361, 2022: \$18,485,260) as a result of the Beyondie mine operation being placed into care and maintenance during the half year.

EVENTS SUBSEQUENT TO REPORTING DATE


Refer the "Significant Changes in the State of Affairs" section above in relation to the Company's external administration, receivership and management, and subsequent Recapitalisation.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half-year ended 31 December 2023 has been received and is included within the financial statements immediately after the directors' report as required under section 307C of the Corporations Act 2001.

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

On behalf of the directors



Gregory Starr

Director

16 September 2024

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kalium Lakes Limited for the half-year ended 31 December 2023, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.


RSM AUSTRALIA


AIK KONG TING
Partner

Perth, WA
Dated: 16 September 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
Revenue			
Sales revenue	3	435,774	3,680,985
Other income	3	3,466,008	149,439
Expenditure			
Accounting fees		-	(55,000)
Changes in inventory		1,661,845	4,099,467
Depreciation and amortisation	4	(28,084)	(1,382,171)
Directors and executive remuneration		(36,248)	(988,461)
Employee expenses		(2,446,364)	(860,414)
Finance costs	5	(1,225,623)	(8,279,645)
Foreign exchange loss		895,321	(1,965,599)
Legal fees		(233,424)	(338,588)
Operating expenses		(7,688,214)	(13,168,219)
Share based payments (expense)/credit		-	(60,465)
Asset impairment charges	9,10	(4,572,860)	(80,000,000)
Other expenses		(1,686,188)	(3,104,331)
Loss before tax		(11,458,056)	(102,273,002)
Income tax expense		-	-
Net Loss for the half-year from operations		(11,458,056)	(102,273,002)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the half-year		(11,458,056)	(102,273,002)
Loss for the half-year attributable to:			
Owners of the parent		(11,458,056)	(102,273,002)
Total comprehensive loss for the half-year attributable to:			
Owners of the parent		(11,458,056)	(102,273,002)
Basic and diluted loss per share (cents)		(0.56)	(6.32)

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 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,557,244	3,235,375
Trade and other receivables		140,725	636,152
Other assets	6	13,702,562	13,707,622
Inventory and raw materials	7	-	898,174
Total Current Assets		15,400,531	18,477,323
Non-Current Assets			
Property, plant and equipment	8	56,461	56,461
Capital work in progress	9	15,138,567	15,138,567
Mine properties - in production	10	4,804,973	4,804,973
Collateral for bank guarantees		-	610,000
Right-of-use asset		-	17,000
Total Non-Current Assets		20,000,001	20,627,001
Total Assets		35,400,532	39,104,324
LIABILITIES			
Current Liabilities			
Trade and other payables		6,470,424	8,184,656
Borrowings	11	4,500,000	-
Provisions		598,250	532,733
Total Current Liabilities		11,568,674	8,717,389
Non-Current Liabilities			
Borrowings	11	209,144,605	204,241,624
Provisions		21,482,370	21,482,372
Total Non-Current Liabilities		230,626,975	225,723,996
Total Liabilities		242,195,649	234,441,385
NET LIABILITIES		(206,795,117)	(195,337,061)
EQUITY			
Contributed equity	12	276,842,569	276,842,569
Reserves	13	-	-
Accumulated losses		(483,637,686)	(472,179,630)
TOTAL (EQUITY DEFICIENCY) / EQUITY		(206,795,117)	(195,337,061)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2023

Consolidated	Contributed equity	Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2022	243,613,489	7,071,356	(88,383,447)	162,301,398
Loss for the period	-	-	(102,273,002)	(102,273,002)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(102,273,002)	(102,273,002)
Transactions with owners in their capacity as owners:				
Performance rights – share based payments	-	60,465	-	60,465
Shares issued during the period	34,000,000	-	-	34,000,000
Share issue costs	(770,920)	-	-	(770,920)
Balance at 31 December 2022	276,842,569	7,131,821	(190,656,449)	93,317,941
Balance at 1 July 2023	276,842,569	-	(472,179,630)	(195,337,061)
Loss for the period	-	-	(11,458,056)	(11,458,056)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(11,458,056)	(11,458,056)
Transactions with owners in their capacity as owners:				
Performance rights – share based payments	-	-	-	-
Shares issued during the period	-	-	-	-
Share issue costs	-	-	-	-
Balance at 31 December 2023	276,842,569	-	(483,637,686)	(206,795,117)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2023

	31 December 2023 \$	31 December 2022 \$
OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	931,029	3,524,298
Other Receipts	3,442,577	-
Interest received	34,862	149,439
Payments to suppliers and employees (inclusive of GST)	(7,452,829)	(22,158,997)
Net cash used in operating activities	(3,044,361)	(18,485,260)
INVESTING ACTIVITIES		
Payments for mine development	(6,949,852)	(11,527,317)
Interest paid	-	(4,204,489)
Payment for site and exploration expenditure	-	(489,397)
Payments for property, plant and equipment	(1,866,080)	(2,521,449)
Net cash used in investing activities	(8,815,932)	(18,742,652)
FINANCING ACTIVITIES		
Proceeds from issue of shares	-	34,000,000
Share issue transaction costs	-	(770,921)
Proceeds from borrowings	9,500,000	-
Transaction costs related to borrowings	(7,784)	(3,698,420)
Refund/(collateral) for bank guarantee	685,000	(75,000)
Repayment of lease liabilities	17,000	-
Net cash provided by financing activities	10,194,216	29,455,659
Net (decrease)/increase in cash and cash equivalents	(1,666,077)	(7,772,253)
Cash and cash equivalents at the beginning of the financial half-year	3,235,375	21,512,780
Effects of currency translation on cash and cash equivalent	(12,054)	(8,763)
Cash and cash equivalents at the end of the half-year	1,557,244	13,731,764

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

1. Material Accounting Policies

To the extent possible, these general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Consolidated Entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going Concern

As disclosed in this report, for the half year, the Consolidated Entity incurred a net loss of \$11.46 million and had net cash outflows from operating and investing activities of \$3 million and \$8.8 million respectively for the half year ended 31 December 2023. The Consolidated Entity has unrestricted cash reserves of \$1.56 million, net current assets of \$3.83 million and net liabilities of \$206.8 million as at 31 December 2023.

During the financial year ended 30 June 2023 and in the half-year ended 31 December 2023, challenges arose with the operational ramp up of the Beyondie Sulphate of Potash ("SOP") Mine ("Beyondie"), which resulted in the Consolidated Entity not meeting its production targets and consequently resulted in funding issues. On 6 June 2023 KLL's shares were suspended from trading on the ASX whilst it conducted a strategic process with the assistance of its advisers. On 3 August 2023, the Directors formed the view that due to the Consolidated Entity's senior lenders declining to provide financial funding to continue with the strategic process, Martin Jones, Matthew Woods and Clint Joseph were appointed Administrators of KLL and two of its wholly owned subsidiaries, Kalium Lakes Potash Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLP") and Kalium Lakes Infrastructure Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLI"). Immediately afterwards, on 3 August 2023, the senior lenders appointed Mr Robert Michael Kirman, Mr Jason Preston and Mr Robert Conry Brauer of McGrathNicol, as Receivers and Managers of KLL, KLP and KLI.

The Receivers and Managers operated the Consolidated Entity under normal business conditions from their appointment on 3 August 2023 until the end of September 2023, during which time they continued the strategic process initiated by the Board of Directors to sell or recapitalise the Consolidated Entity. The Beyondie mine operation was eventually placed into care and maintenance at the end of September 2023 in order to reduce costs, at which time approximately 90% of the employees of the consolidated entity were made redundant.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of KLL via a Deed of Company Arrangement ("DOCA") and Creditors Trust, was submitted to the Voluntary Administrators ("Recapitalisation Proposal") in late

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

January 2024 and accepted by creditors on 16 February 2024. The DOCA was signed on 11 March 2024. The Deed Administrators are Martin Jones, Matthew Woods and Clint Joseph.

The Recapitalisation Proposal was subject to, various approvals being obtained from the shareholders, and accordingly, the Deed Administrators called a general meeting of the Company which was held on 6 June 2024, at which the shareholders voted to approve the resolutions put forward to approve the Recapitalisation Proposal and effectuate the DOCA. The resolutions included a consolidation of existing shares and options on issue, the issuance of 90 million new ordinary shares to raise \$162,000, the issue of a further 3 million new ordinary shares to the Kalium Lakes Creditors Trust and the appointment of three new Directors to the Company (together the "Recapitalisation").

Following the approval by the shareholders, the Deed Administrators gave notice on 29 June 2024 that the DOCA had been effectuated.

On 9 July 2024, the Company announced that it had appointed Richard Campbell Brien and Gregory Barry Starr as Directors of the Company. On 17 July 2024, the Company announced that the Receivers and Managers of the Company, Rob Brauer, Jason Preston and Rob Kirman from McGrathNicol had retired. On the same day the Company announced that it had appointed George Terpens as Director of the Company and Louisa Ho as the Company Secretary.

On 19 July 2024 the Company announced the issue of 93,000,000 ordinary shares which were issued as part of the Recapitalisation. On 22 July 2024 the Company made an application to the ASX for quotation of these shares, and advised that the revised number of securities in the Company was 99,977,536 ordinary shares, 108,294 performance rights and 17,182 options.

KLP and KLI, the main operating subsidiaries of KLL for the Beyondie operation, were the subject of their own deeds of company arrangement entered into on 22 December 2023 in relation to share sale agreements entered into between the Receivers and Managers and third party purchasers to purchase the shares of KLP and KLI from KLL. However, these share sale agreements failed to proceed due to the inability of the purchasers to raise the necessary purchase consideration funding. As a result, the deeds of company arrangements for KLP and KLI were terminated and KLP and KLI placed into liquidation on 18 March 2024, at which time Martin Jones, Matthew Woods and Clint Joseph of KPMG were appointed as Liquidators of KLP and KLI.

As a result of the above events impacting upon KLL, KLP and KLI, the Directors of KLL expect that that for the financial statements for the year ended 30 June 2024, both KLP and KLI will be deconsolidated from the accounts of KLL with effect from 18 March 2024.

Due to the above events, the consolidated entity impaired its assets as at 30 June 2023 to write-down their carrying values to their highest expected realisable value that will be recovered from the receivership and administration of the entities in the consolidated group (and subsequent liquidation in the case of KLP and KLI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

However, as a result of the Company's DOCA and Recapitalisation which took place after the half year end, the Directors believe that it is reasonably foreseeable that the going concern basis of preparation of the financial report remains appropriate as the recapitalisation has provided the Company with sufficient funding to enable it to carry out its business plan over the next 12 months.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of SOP

Sale of SOP is recognised at the point of sale with the Consolidated Entity's offtake partner, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

2. 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 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.

3. Revenue

	31 December 2023 \$	31 December 2022 \$
<i>Revenue from contracts with customers</i>		
Sale of goods	435,774	3,680,985
<i>Other income</i>		
Other income ¹	3,431,147	-
Interest income	34,861	149,439
Revenue	3,901,782	3,830,424
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Geographical regions</i>		
Australia and Asia	435,774	3,680,985
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	435,774	3,680,985

¹Other income includes the receipt by the Consolidated Entity in July 2023 of EUR €1.74 million (approximately A\$2.8 million) under the terms of a settlement arrangement reached with engineering and design firm Ebtec GbR (Ebtec) in relation to the purification plant at the Beyondie mine.

4. Depreciation and amortisation

	31 December 2023 \$	31 December 2022 \$
Depreciation - Property, plant and equipment	-	663,489
Depreciation – Mine properties	-	682,002
Amortisation – Right of use	28,084	36,680
Depreciation and amortisation expense	28,084	1,382,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

Key Estimate and Assumption: Depreciation of mine specific assets

The carrying value of the Company's mine specific assets were written down to their estimated recoverable amount as at 30 June 2023 as a result of the Company entering into external administration, receivership and management on 3 August 2023. Depreciation has not been charged on these assets for the half year as they continue to be held at their estimated recoverable amount as at 31 December 2023.

5. Finance Costs

	31 December 2023 \$	31 December 2022 \$
Refinance costs	(8,626)	3,589,298
Interest expense ¹	1,234,249	4,204,489
Accretion of interest	-	376,736
Others	-	109,122
Finance Costs	1,225,623	8,279,645

¹ Interest expense represents interest and commitment fees on the Company's borrowings up until 3 August 2023 when the Company entered external administration, receivership and management. After that date, no interest or commitment fees have been recorded in the financial statements of the Company.

6. Other Assets

	31 December 2023 \$	30 June 2023 \$
Prepayments	899,034	904,094
Research and Development tax incentive credit	12,803,528	12,803,528
Capital work in progress	13,702,562	13,707,622

The Company has applied for tax incentive credit from the Australian Taxation Office ("ATO") in relation to its qualifying research & development activities undertaken in the financial years ended 30 June 2022 and 30 June 2023. As at the date of issue of this financial report, the application in relation to the financial year ended 30 June 2022 had been approved by the ATO and the funds of \$12.8 million were received by the Company on 9 May 2024. Work continues with the ATO regarding the research and development tax incentive for the financial year ended 30 June 2023 which is still under review by the ATO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

7. Inventory and Raw Materials

	31 December 2023 \$	30 June 2023 \$
KTMS	10,535,803	9,364,570
KTMS: Impairment	(10,535,803)	(9,364,570)
Finished goods	-	898,174
Consumables	2,716,167	2,521,249
Consumables: Impairment	(2,716,167)	(2,521,249)
Inventory and raw materials	-	898,174

8. Property, Plant and Equipment

	Exploration & mine equipment \$	Office equipment \$	Motor vehicles \$	Rehabilitation assets \$	Computer software \$	Total \$
Balance at 30 June 2022	2,662,798	114,103	437,233	-	158,656	3,372,790
Additions	2,280,061	8,155	197,362	-	-	2,485,578
Disposals	-	-	(48,701)	-	-	(48,701)
Depreciation expense	(1,177,168)	(55,788)	(150,890)	-	(52,854)	(1,436,700)
Impairment	(3,765,691)	(60,290)	(394,560)	-	(95,965)	(4,316,506)
Balance at 30 June 2023	-	6,180	40,444	-	9,837	56,461
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Balance at 31 Dec 2023	-	6,180	40,444	-	9,837	56,461

9. Capital Work in Progress

	31 December 2023 \$	30 June 2023 \$
120 ktpa expansion target	9,442,669	9,442,669
Purification plant	178,718,579	175,630,813
Reduction due to accrued R&D tax incentive claim	(12,803,528)	(12,803,528)
Less: Impairment adjustment	(160,219,153)	(157,131,387)
Capital work in progress	15,138,567	15,138,567

The carrying amount in relation to the purification plant as at 31 December 2023 and 30 June 2023 has been reduced by the amount of the R&D tax incentive claim credited to the Company by the ATO (refer note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

10. Mine Properties - in Production

	Brine supply & ponds	Rehabilitation assets	Access Road	Airstrip	Camp Facilities	Gas pipeline & power station	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	89,302,251	15,833,918	6,278,469	981,282	11,087,266	41,544,125	165,027,311
Additions	109,309	3,050,103	-	-	-	-	3,159,412
Refund ¹	-	-	-	-	-	(772,097)	(772,097)
Depreciation	(380,038)	(102,384)	(22,336)	(3,491)	(39,444)	(138,548)	(686,241)
Write off	-	(18,781,637)	-	-	-	-	(18,781,637)
Impairment adjustment	(89,031,522)	-	(6,256,133)	(977,791)	(10,020,671)	(36,855,658)	(143,141,775)
Balance at 30 June 2023	-	-	-	-	1,027,151	3,777,822	4,804,973
Additions	-	-	-	-	-	-	-
Refund	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Impairment adjustment	-	-	-	-	-	-	-
Balance at 31 Dec 2023	-	-	-	-	1,027,151	3,777,822	4,804,973

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

Due to the Company's external administration, receivership and management, the Consolidated Entity has written down the value of its non-financial assets by way of impairment as at 31 December 2023 and 30 June 2023. The basis for the impairment is the estimated recoverable amount of \$20 million expected from the sale of its non-current assets as part of the liquidation of subsidiaries KLP and KLI. This amount has been applied by the Company proportionately across the written down value of its mine properties – in production, capital work in progress and property, plant and equipment assets (except for those assets to which the Company does not believe any value should be attributed) as at 30 June 2023. For the half year ended 31 December 2023, there was an additional impairment charges to these assets of \$Nil to mine properties – in production, \$3.088 million to capital work in progress and \$Nil to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

11. Borrowings

	31 December 2023 \$	30 June 2023 \$
Current Borrowings		
Loan from external financier ¹	4,500,000	-
Non-current Borrowings	4,500,000	-

¹ The loan from the external financier was procured by the Receivers & Managers to fund the operations of the Consolidated Entity after the Company entered external administration, receivership and management. This loan was repaid in May 2024.

	31 December 2023 \$	30 June 2023 \$
Non-current Borrowings		
Loan from KfW	53,880,832	52,240,918
Loan from KfW/Euler Hermes	53,202,639	53,619,915
Loan from NAIF	74,000,000	74,000,000
Liquidity Facilities	17,401,094	15,032,771
	198,484,565	194,893,604
Interest on loan from KfW	3,427,301	3,024,601
Interest on loan from KfW/Euler Hermes	4,267,657	3,889,034
Interest on loan from NAIF	1,773,750	1,382,661
Commitment fees on loan from KfW/Euler Hermes	736,709	742,487
Interest on Liquidity Facilities	454,622	309,237
	10,660,040	9,348,020
Non-current Borrowings	209,144,605	204,241,624

¹ The interest and commitment fees on the non-current borrowings above represent all interest and commitment fees capitalised into the loan balances up until 3 August 2023 when the Company entered external administration, receivership and management. After that date, no interest or commitment fees have been recorded in the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

The non-current borrowings represent the following debt facilities (all secured and pledged against the assets of the Consolidated Entity):

Lender	Borrower	Facility Limit (Ccy '000)	Undrawn (Ccy & AUD '000)	Maturity Date ⁴
KfW / Euler Hermes	Kalium Lakes Potash Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLP") (Facility A) ^{1, 4}	EUR €33,741	-	31 March 2040
KfW	KLP (Facility B) ^{2, 4}	USD \$38,600	-	31 March 2040
NAIF	KLP (Facility C) ⁴	AUD \$26,885	-	31 March 2040
NAIF	Kalium Lakes Infrastructure Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLI") ⁴	AUD \$48,889	-	31 March 2040
KfW	KLP (Liquidity Facility A) ⁴	USD \$8,169	-	1 January 2026
NAIF	KLP (Liquidity Facility B) ⁴	AUD \$12,632	-	1 January 2026

¹ Facility A has an EUR denominated facility limit. 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 drawn loan balance is the aggregate amount of all EUR drawdowns converted into USD at the respective EUR:USD spot rates at the date of drawing. The USD drawn loan balance has been converted into AUD using the AUD:USD 31 December 2023 spot rate of 0.68. This facility was fully drawn as at 31 December 2023.

² Facility B is a USD denominated loan facility. The USD drawn loan balance has been converted to AUD at the 31 December 2023 AUD:USD spot rate of 0.68. This facility was fully drawn as at 31 December 2023.

³ The liquidity facility is divided into Liquidity Facility A provided by KfW for USD \$8 million, and Liquidity Facility B provided by NAIF for A\$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. The USD drawn loan balance has been converted into AUD using the AUD:USD 31 December 2023 spot rate of 0.68. These facilities were both fully drawn as at 31 December 2023.

⁴ On 28 February 2023, the Company announced that it had agreed further facility amendments with its senior lenders, in which the interest payments in CY2023 for all of the facilities are to be deferred and capitalised into the drawn loan balance each quarter. Interest has been capitalised and reflected in the drawn loan balance and the total facility amounts in the table above up until 3 August 2023 when the Company entered external administration, receivership and management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

12. Contributed Equity

	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 \$	30 June 2023 \$
Ordinary shares - fully paid	2,031,712,214	2,031,712,214	276,842,568	276,842,568

There were no movements in the number of shares on issue or their paid-up amount during the half year

13. Reserves

	31 December 2023 \$	30 June 2023 \$
Performance rights reserve	-	-
Options reserve	-	-
Reserves	-	-

Movements in Performance Rights Reserve	Number	\$
Balance at 1 July 2023	13,837,436	-
Performance rights issued as incentive to contractor ¹	17,677,493	-
Balance at 31 December 2023	31,514,929	-

Movements in Options Reserve	Number	\$
Balance at 1 July 2023	5,000,000	-
Movement during the period	-	-
Balance at 31 December 2023	5,000,000	-

As at 31 December 2023, the following unlisted options were on issue:

Number under Option	Exercise Price	Expiry date
5,000,000	\$0.50	30 June 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

14. Contingent Liabilities and Assets

The Consolidated Entity has no contingent liabilities and assets at 31 December 2023.

15. Commitments

Due to the external administration, receivership and management of the Company the information detailing the Consolidated Entity's commitments at the reporting date was unable to be accessed and reliably measured and as such have not been provided in this financial report.

16. Events Subsequent to Reporting Date

During the financial year ended 30 June 2023 and in the half-year ended 31 December 2023, challenges arose with the operational ramp up of the Beyondie Sulphate of Potash ("SOP") Mine ("Beyondie") in Western Australia ("Beyondie"), which resulted in the Consolidated Entity not meeting its production targets and consequently resulted in funding issues. On 6 June 2023 KLL's shares were suspended from trading on the Australian Securities Exchange ("ASX") whilst it conducted a strategic process with the assistance of its advisers. On 3 August 2023, the Directors formed the view that due to the Consolidated Entity's senior lenders declining to provide financial funding to continue with the strategic process, Martin Jones, Matthew Woods and Clint Joseph were appointed Administrators of KLL and two of its wholly owned subsidiaries, Kalium Lakes Potash Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLP") and Kalium Lakes Infrastructure Pty Ltd (Liquidators Appointed) (Receivers and Managers Appointed) ("KLI"). Immediately afterwards, on 3 August 2023, the senior lenders appointed Mr Robert Michael Kirman, Mr Jason Preston and Mr Robert Conry Brauer of McGrathNicol, as Receivers and Managers of KLL, KLP and KLI.

The Receivers and Managers operated the Consolidated Entity under normal business conditions from their appointment on 3 August 2023 until the end of September 2023, during which time they continued the strategic process initiated by the Board of Directors to sell or recapitalise the Consolidated Entity. The Beyondie mine operation was eventually placed into care and maintenance at the end of September 2023 in order to reduce costs, at which time approximately 90% of the employees of the consolidated entity were made redundant.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of KLL via a Deed of Company Arrangement ("DOCA") and Creditors Trust, was submitted to the Voluntary Administrators ("Recapitalisation Proposal") in late January 2024 and accepted by creditors on 16 February 2024. The DOCA was signed on 11 March 2024. The Deed Administrators are Martin Jones, Matthew Woods and Clint Joseph. The Recapitalisation Proposal was subject to, various approvals being obtained from the shareholders, and accordingly, the Deed Administrators called a general meeting of the Company which was held on 6 June 2024, at which the shareholders voted to approve the resolutions put forward to approve the Recapitalisation Proposal and effectuate the DOCA.

The resolutions approved by the shareholders at the general meeting were:

- (1) the consolidation of the Company's existing ordinary shares and options on a "1 for 291" basis;
- (2) the allotment and issue of 90 million ordinary shares in the Company at \$0.0018 per Share to ST Holding 1 Pty Ltd to raise \$162,000 and allow ST Holding Pty Ltd to acquire a 90% interest in the Company;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2023

(3) the allotment and issue of 3 million ordinary shares in the Company at \$Nil per Share to the Kalium Lakes Creditors Trust; and

(4) the appointment of Richard Campbell Brien, George Terpens and Gregory Barry Starr as Directors of the Company;

the implementation of the above resolutions being the “Recapitalisation”)

Following the approval by the shareholders of the resolutions put forward at the general meeting, the Deed Administrators gave notice on 29 June 2024 that the DOCA had been effectuated.

On 9 July 2024, the Company announced that it had appointed Richard Campbell Brien and Gregory Barry Starr as Directors of the Company. On 17 July 2024, the Company announced that the Receivers and Managers of the Company, Rob Brauer, Jason Preston and Rob Kirman from McGrathNicol had retired. On the same day the Company announced that it had appointed George Terpens as Director of the Company and Louisa Ho as the Company Secretary, and that it had changed its registered office and principal place of business to Level 2, 350 Kent Street, Sydney NSW 2000.

On 19 July 2024 the Company announced the issue of 93,000,000 ordinary shares which were issued as part of the Recapitalisation. On 22 July 2024 the Company made an application to the ASX for quotation of these shares, and advised that the revised number of securities in the Company was 99,977,536 ordinary shares, 108,294 performance rights and 17,182 options.

KLP and KLI, the main operating subsidiaries of KLL for the Beyondie operation, were the subject of their own deeds of company arrangement entered into on 22 December 2023 in relation to share sale agreements entered into between the Receivers and Managers and third party purchasers to purchase the shares of KLP and KLI from KLL. However, these share sale agreements failed to proceed due to the inability of the purchasers to raise the necessary purchase consideration funding. As a result, the deeds of company arrangements for KLP and KLI were terminated and KLP and KLI placed into liquidation on 18 March 2024, at which time Martin Jones, Matthew Woods and Clint Joseph of KPMG were appointed as Liquidators of KLP and KLI.

17. Dividends

No dividends were paid or declared since the end of the half-year. The directors do not recommend the payment of a dividend.

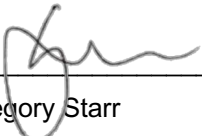
DIRECTORS' DECLARATION

For the half-year ended 31 December 2023

In the opinion of the Directors:

1. due to the external administration, receivership and management of the Company, although the financial statements and the notes thereto have been prepared to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements, or notes thereto, are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the financial position as at 31 December 2023 and of the performance for the half-year ended on that date of the Company and the Consolidated Entity; and
 - b. complying with Australian Accounting Standards, and International Financial Reporting Standards issued by the International Accounting Standards Board;
2. as a result of the effectuation of the Deed of Company Arrangement which took place on 29 June 2024 and its related recapitalisation, 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.



Gregory Starr

Director

16 September 2024



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KALIUM LAKES LIMITED

Report on the Half-Year Financial Report

Disclaimer of Conclusion

We were engaged to review the accompanying half-year financial report of Kalium Lakes Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 half-year ended on that date, notes comprising material accounting policy information and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

We do not express a conclusion on the accompanying half-year financial report of the Group. Because of the significance of the matter described in the Basis of Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the half-year financial report.

Basis for Disclaimer of Conclusion

On 3 August 2023, the directors of the Company resolved to put the Group into voluntary administration. Since the appointment of the voluntary administrators, all the board of directors resigned and members of management were ultimately made redundant, its day-to-day operations were managed by the voluntary administrators. Subsequent to the appointment of voluntary administrators, the Group's major operations were put under care and maintenance by end of September 2023. On 11 March 2024, the Company executed a deed of company arrangement and effectuated on 29 June 2024.

The Group's accounting and statutory records were not adequate to permit the application of necessary review procedures, and we were unable to obtain all the information and explanations we required in order to form a review conclusion on the financial report. Hence, we were unable to determine whether the half-year financial report complies with Australian Accounting Standards.

Accordingly, we were unable to determine whether any adjustments were necessary in respect of the Group's consolidated statement of financial position as at 31 December 2023, its consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, and notes to the half-year financial report.

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Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards of Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. However, because of the matter described in the Basis of Disclaimer of Conclusion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the half-year financial report.

Independence

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



RSM AUSTRALIA



AIK KONG TING
Partner

Perth, WA
Dated: 16 September 2024

