
Kalium Lakes Limited

ABN: 98 613 656 643

FINANCIAL REPORT

For the Half Year Ended
31 December 2021

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CORPORATE DIRECTORY

DIRECTORS

Stephen Dennis	Non-Executive Chairman
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Salvatore Lancuba	Non-Executive Director

CHIEF EXECUTIVE OFFICER

Leonard Jubber

CHIEF FINANCIAL OFFICER

Jason Shaw

COMPANY SECRETARIES

Gareth Widger and Jason Shaw

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Perth WA 6021

POSTAL ADDRESS

P.O. Box 610, Balcatta
Perth WA 6914

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

AUDITORS

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

SOLICITORS

DLA Piper Australia
Level 21, 240 St George's Terrace
Perth WA 6000

Thomson Geer
Level 27, 2 The Esplanade
Perth WA 6000

HOME EXCHANGE

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

ASX CODE

KLL

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half year ended 31 December 2021 of Kalium Lakes Limited ("Kalium Lakes" or the "Group"), and the independent auditors report thereon.

DIRECTORS

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

Stephen Dennis	Non-Executive Chairman
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Salvatore Lancuba	Non-Executive Director

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The Company is progressing the development of its 100% owned Beyondie Sulphate of Potash ("SOP") Project ("BSOPP") in Western Australia. During the half year, focus continued on the practical completion of the purification plant construction, which was achieved during December. Commissioning activities on the purification plant began in October 2021 and due to delays were still underway at 31 December 2021. Achievement of key milestones across the half year included:

In August 2021:

- Kalium Lakes announced that more than 90,000 tonnes of potassium salt, that meets the plant feed cut-off grade, had been harvested and delivered to the ROM stockpile. Harvesting operations and potassium salt stockpiling continued, with several other ponds ready and available for harvest. The potassium salt, both harvested and ready for harvest, accounted for approximately the first six months of SOP production during the ramp-up period.
- The Company advised:
 - That a Feasibility Study had been completed for a production increase to 120Ktpa as a new base case (33% increase over the original 90Ktpa production target), with the expansion being subject to approval and funding, in relation to which the Company was in the process of exploring equity and debt funding options.
 - Improved economies of scale from expansion to offset sector wide and macroeconomic cost pressures (Kalium Lakes remains a global first quartile low-cost producer).
 - The K+S offtake agreement has been extended to cover increased production at 120Ktpa level and improved payment terms for the first three years to reduce working capital needs.
 - Favourable timing with first production and start-up into a rising SOP price environment (2022 forecast average price for standard grade SOP (CFR Aust) up to US\$617/t based on forecasts provided to the Company by CRU / Argus in July 2021).
 - Significant opportunity for further expansion beyond 120Ktpa with further studies in progress.
- Kalium Lakes announced that commissioning activities for the Beyondie SOP Project were continuing, with completed plant modules progressively handed over by the construction contractor in accordance with the agreed commissioning plan.

DIRECTORS' REPORT

- First SOP production and ramp-up remained targeted for October 2021 at that time. The Company subsequently announced in February 2022 that its commercial production and ramp up schedule has been delayed.

In September 2021:

- The Company advised that operational readiness was ramping up as planned with the Beyondie SOP Project entering the final phases of commissioning. The construction of the standard grade SOP plant was substantially complete other than punch-list items that were not critical to progressing commissioning. Water commissioning was nearing completion and the product storage shed and product materials handling infrastructure were almost complete.
- On 30 September 2021, the Company announced the appointment of the Chief Financial Officer, Mr Jason Shaw, to the additional role of Company Secretary alongside Mr Gareth Widger, effective 1 October 2021.

In October 2021:

- On 5 October 2021, Kalium Lakes announced that the Beyondie SOP Project had produced its first batch of Sulphate of Potash, at the required product specification, during the product commissioning process. Product commissioning would continue until EBTEC completed its performance test.
- On 5 October 2021, the Company announced that it had awarded additional contracts for SOP product haulage services. The Company has previously reported that it was assessing additional backloading arrangements and depot services following Toll Mining Services' notice that it was presently unable to provide services under its 2019 agreement with Kalium Lakes. While the Company continues to address the notice with Toll, the awarding of additional contracts provided a suitable product delivery logistics solution when production was planned to commence in October 2021.
- On 7 October 2021 the Company announced the cancellation of 1,875,000 performance rights (including 1,000,000 performance rights held by key management personnel) effective 30 September 2021, due to the cessation of employment and because the conditional right to securities had not been, or had been incapable of being, satisfied.
- On 11 October 2021, the Company successfully entered into formal binding documentation with its two senior lenders to restructure its debt facilities. The debt restructure 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 of the senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until March 2033.

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

DIRECTORS' REPORT

The Debt Restructure also included a condition that the Company successfully complete an equity raise by 3 January 2022 of at least \$47.1m to fund the expansion of production to 120Ktpa and for working capital purposes.

- On 12 October 2021, the Company announced that it was undertaking an equity capital raise to fund the expansion to 120Ktpa and provide working capital during ramp up. The capital raise would take place by way of a two-tranche placement to raise \$50 million at an offer price of \$0.18 per share. In addition, a Share Purchase Plan offer was announced to eligible shareholders to raise up to \$10 million.
- On 14 October 2021, the Company announced the successful completion of the two-tranche equity placement. The placement was significantly oversubscribed and well supported by existing shareholders and a number of new institutional investors. The first tranche was completed utilising existing placement capacity to raise \$37.8 million, with the second tranche to raise \$12.2 million subject to shareholder approval at Annual General Meeting in November 2021.

In November 2021:

- On 3 November 2021 the Company provided a commissioning update and noted that 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. The addition of a third amphibious excavator to the trench maintenance fleet and expanded routine trench maintenance have delivered significant positive impacts.
- The actions taken to optimise brine production levels continued to be a major focus area to manage flow rate demands and a more detailed review of current brine supply and evaporation pond dynamics had been initiated.
- The Company also advised that product commissioning had entered the final stages where feed salt was being used to increase concentrations of the recirculating mother liquor required for continuous commercial production of SOP. It was noted, at that time, that the process was trending slightly behind schedule and using more of the harvested salts than anticipated.
- On 17 November 2021 the Company announced the closure of the Share Purchase Plan, with the total capital raised being approximately \$7.59 million.
- On Tuesday 30 November 2021, the Company held its Annual General Meeting in Perth, with a software platform for remote shareholders eligible to attend allowing them to participate and vote. All resolutions, as set out in the Notice of Meeting and voted on at the meeting, were passed by shareholders.

In December 2021:

- On 6 December 2022, the Company announced the appointment of Mr Len Jubber as Chief Executive Officer (CEO), 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, 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. His career began with Rio Tinto at the Rössing Uranium Mine in Namibia. Mr Jubber is also a non-executive director of Muriate of Potash (MOP) development business, South Harz Potash Limited.

DIRECTORS' REPORT

The appointment of Mr Jubber followed the decision of one of the Company's founders and then CEO, Mr Rudolph van Niekerk, to move to the role of Project Director.

- On 22 December 2021 the Company announced that it had initiated a review of the SOP purification plant operations with early analysis identifying certain later-stage commissioning issues, most notably being initial variability in harvested potassium salt feed grades and process control. Non-critical mechanical issues with some of the plant equipment also needed to be addressed and planning for the required rectification works had begun. Many of the variability issues, although initially impacting the commissioning and ramp-up programme, were expected to be readily managed under commercial operations.

The restricted availability of resources and logistical challenges in getting additional international experts of the original equipment manufacturers on site through the current COVID-19 requirements had also contributed to some of the challenges during commissioning of specific plant equipment.

The purification plant issues were expected to be fully resolved in accordance with the performance guarantees provided by EBTEC although the status of commissioning and ramp-up at the BSOPP was expected to have an impact on the targeted dates for achieving nameplate production rates.

The Company also advised that it had successfully produced a small quantity of standard grade SOP, a practical achievement that validated the BSOPP process flowsheet. In addition, the practical completion of the compaction plant also marked the completion of its construction contract and DRA Pacific Pty Ltd had demobilised from site. Dry commissioning of the compaction plant had commenced and product commissioning was expected to commence when sufficient quantities of standard grade SOP are available.

Kalium Lakes also announced that it had been issued its Operating Licence by the Western Australian Department of Water and Environmental Regulation (DWER), allowing commercial operation at the Project.

FINANCIAL PERFORMANCE

The loss after tax for the half year ended 31 December 2021 was \$16,551,136 (2020: \$4,729,591 profit). Non-cash realised and unrealised foreign exchange loss recorded \$3,455,678, (2020: \$7,928,358 gain).

Operating expenses of \$2,173,926 were also recorded, primarily in relation to brine supply and evaporation pond assets that were considered installed and ready for use from 1 October 2021. Depreciation and amortisation increased to \$1,201,650 a result of depreciation of \$560,845 on mine properties. Finance costs at \$6,230,046 (2020: \$242,596) were incurred primarily in relation to the restructure of debt facilities and the capital raising that took place during the half year.

BALANCE SHEET

Total assets have increased by \$50,095,741 to \$377,991,474.

DIRECTORS' REPORT

Work in progress amounts of \$141,488,667 were considered completed and ready for use and were transferred to mine properties on 1 October 2021. The purification plants were still in commissioning as at 31 December 2021, and as a result, \$148,068,695 of purification facilities and \$3,479,700 of rehabilitation assets in relation to purification facilities are recorded as work in progress. The 120Ktpa expansion project has incurred expenditure of \$1,108,467 during the half year.

CASH FLOW

Operating cash outflows for the half year were lower compared to the prior half year (2021: \$34,588,598, 2020: \$90,343,405) as a result of less capital expenditure required in mine development as construction was at its final stages during the half year.

EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to the reporting date:

On 25 January 2022 the Company released an ASX announcement, "Beyondie SOP Project Activities Update", which included detailed information relating to the status of:

- Borefield and trenching operations;
- Brine production;
- Pond operations;
- Harvested potassium salts (KTMS); and
- Purification plant and SOP production.

On 7 February 2022, the Group issued 12,218,987 ordinary shares following the exercise of options.

On 1 March 2022, the Company released an ASX announcement titled "Operational and Corporate Activities Update" which contained the following key points:

- Aggregate brine production and quality maintained, 120Ktpa expansion bore drilling and brine supply program advancing steadily. Brine filling of the third primary evaporation train commenced during February, with all five primary evaporation trains forecast to be back in production by the end of May.
- Sufficient 'start-up grade' harvested potassium salt (KTMS) expected to be accumulated by June. SOP purification plant re-start expected in June with targeted commercial SOP sales from July.
- Deferred plant start-up significantly reduces logistical and operational risks associated with the near-term anticipated peak Omicron virus induced disruptions in Western Australia, providing greater certainty for mobilising international equipment specialists, EBTEC personnel and experts with SOP processing experience to site for start-up.
- BSOPP is expected to be operating at an approximate 80Ktpa SOP production run rate by Q1 CY2023, with the targeted 120Ktpa run rate established by Q3 CY2024.
- SOP pricing macro-economic outlook currently very positive, with the Beyondie SOP Project likely to commence production in a very strong pricing environment.

DIRECTORS' REPORT

- As at 28 February 2022, Kalium Lakes had approximately \$48 million in cash and \$176 million of drawn senior debt facilities with NAIF and KfW.
- As a result of the revised production ramp-up schedule, Kalium Lakes expects that it will have a requirement for further external funding by Q3 CY2022 and has now commenced discussions with its financiers to address this requirement.
- Cutfield Freeman & Co has been engaged to investigate potential financing options in relation to the BSOPP.

The impact of Coronavirus (COVID-19) pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the State and Federal Governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2021 has been received and is included within the financial statements.

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



Stephen Dennis
Non-Executive Chairman
15 March 2022

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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 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 15 March 2022

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RSM Australia Partners ABN 36 965 185 036

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue	3	14,495	9,476,641
Accounting fees		(32,500)	(20,720)
Depreciation and amortisation	4	(1,201,650)	(454,055)
Directors and executive remuneration		(590,226)	(727,809)
Employee expenses		(659,476)	(467,660)
Finance costs	5	(6,230,046)	(242,596)
Foreign currency loss		(3,455,678)	-
Legal fees		(473,982)	(732,452)
Operating expenses		(2,173,926)	-
Share based payments	6	92,188	(450,000)
Other expenses		(1,840,335)	(1,651,758)
(Loss)/Profit before income tax expense		(16,551,136)	4,729,591
Income tax expense		-	-
(Loss)/Profit after income tax expense		(16,551,136)	4,729,591
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
(Loss)/Profit for the half-year attributable to:			
Owners of Kalium Lakes Limited		(16,551,136)	4,729,591
		(16,551,136)	4,729,591
Comprehensive (loss)/income for the half-year attributable to:			
Owners of Kalium Lakes Limited		(16,551,136)	4,729,591
Total comprehensive (loss)/income for the half-year, net of tax		(16,551,136)	4,729,591
Basic and diluted profit/(loss) per share (cents per share)		(1.76)	0.57

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents		50,092,900	31,710,582
Cash and cash equivalents - Restricted cash		2,581,548	2,495,538
Trade receivables and other assets		2,937,497	1,245,525
Inventory on hand	7	444,211	-
Total Current Assets		56,056,156	35,451,645
Non-Current Assets			
Property, plant and equipment	8	3,074,013	15,956,872
Mine properties - in production	9	165,555,688	-
Work in progress	10	152,656,862	258,756,965
Mine properties - in development		-	17,023,986
Collateral for bank guarantees		610,000	610,000
Right-of-use asset		38,755	96,265
Total Non-Current Assets		321,935,318	292,444,088
Total Assets		377,991,474	327,895,733
LIABILITIES			
Current Liabilities			
Trade and other payables		4,997,453	8,528,610
Provisions		416,677	337,691
Borrowings	11	2,515,246	6,238,670
Lease liabilities		25,000	50,000
Total Current Liabilities		7,954,376	15,154,971
Non-Current Liabilities			
Provisions		19,205,330	13,681,710
Borrowings	11	170,366,631	159,152,664
Total Non-Current Liabilities		189,571,961	172,834,374
Total Liabilities		197,526,337	187,989,345
Net Assets		180,465,137	139,906,388
EQUITY			
Contributed equity	12	241,780,641	184,670,456
Reserves	13	7,071,356	8,271,356
Accumulated losses		(68,386,860)	(53,035,724)
Total Equity		180,465,137	139,906,388

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2021

Consolidated	Contributed equity	Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2020	179,614,646	8,271,356	(52,412,451)	135,473,551
Loss for the period	-	-	4,729,591	4,729,591
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,729,591	4,729,591
Transactions with owners in their capacity as owners:				
Shares issued during the period	5,135,535	-	-	5,135,535
Share issue costs	(79,425)	-	-	(79,425)
Balance at 31 December 2020	184,670,756	8,271,356	(47,682,860)	145,259,253
Balance at 1 July 2021	184,670,756	8,271,356	(53,035,724)	139,906,388
Loss for the period	-	-	(16,551,136)	(16,551,136)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(16,551,136)	(16,551,136)
Transactions with owners in their capacity as owners:				
Transfer from reserves to accumulated losses		(1,200,000)	1,200,000	-
Shares issued during the period	59,459,738	-	-	59,459,738
Security issue expenses	(2,349,853)	-	-	(2,349,853)
Balance at 31 December 2021	241,780,641	7,071,356	(68,386,860)	180,465,137

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the half year ended 31 December 2021

	31 December 2021 \$	31 December 2020 \$
OPERATING ACTIVITIES		
Other receipts	14,011	857,903
Payments to suppliers and employees	(7,168,572)	(4,124,856)
Payments for site and exploration expenditure	(6,367,976)	-
Payments for mine development	(21,066,064)	(87,076,452)
Net cash used in operating activities	(34,588,598)	(90,343,405)
INVESTING ACTIVITIES		
Interest received	484	63,378
Payments for property, plant and equipment	(516,129)	(14,835)
Net cash used in/ (provided by) investing activities	(515,645)	48,543
FINANCING ACTIVITIES		
Proceeds from issue of shares	59,459,738	3,045,811
Share issue costs	(2,349,854)	(79,424)
Proceeds from borrowings	1,271,792	81,473,903
Transaction costs related to borrowings	(4,518,118)	-
Others	(332,414)	-
Net cash provided by financing activities	53,531,144	84,440,290
Net increase/(decrease) in cash and cash equivalents	18,426,901	(5,854,572)
Cash and cash equivalents at the beginning of the period	34,206,120	54,623,007
Effects of currency translation on cash and cash equivalent	41,427	-
Cash and cash equivalents at the end of the period	52,674,448	48,768,435

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

1. Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going concern basis

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 half year, the Group incurred a net loss of \$16.6 million and had net cash outflows from operating activities of \$34.6 million for the half year ended 31 December 2021. The Group has unrestricted cash reserves of \$50.1 million, net current assets of \$48.1 million and net assets of \$180.5 million as at 31 December 2021. It has indicated in its most recent announcement to the ASX (dated 1 March 2022) a delay in its production schedule. The SOP purification plant is expected to remain idled as the BSOPP establishes a sufficient inventory of start-up grade and processable KTMS feed salts before recommencing feed to the plant by June 2022, with commercial SOP sales expected to commence in July 2022. As a result of its revised production ramp-up schedule, it expects that it will have a requirement for further external funding by the September 2022 quarter. The extent of this additional funding requirement is naturally dependent on a range of physical and commercial factors that are still being assessed, and the Group has commenced discussions with its financiers in connection with the revised production ramp-up schedule and funding requirements.

These factors suggest a level of inherent uncertainty regarding the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liability in the normal course of business and at the amounts stated in the financial report. The continuation of the Group as a going concern depends on the Group's ability to:

1. Meet its funding requirements as it enters into expected commercial production and sales in the September 2022 quarter, including obtaining additional funds; and
2. Achieve its reforecast production commencement and ramp up schedule and quantities.

Despite this, the Directors believe that the going concern basis of preparation of the financial report remains appropriate, after consideration of the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

- The Group has commenced discussions with its financiers in relation to potential funding solutions for the Group's funding requirements. The Group's financiers and senior lenders have been supportive of the Group and the BSOPP to date and are working with the Group to determine an appropriate funding solution;
- The SOP pricing macro-economic outlook is currently very positive, with the BSOPP currently commissioning its purification plant, undertaking its development pathway to 120Ktpa SOP production and likely to commence production in a very strong pricing environment.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis of preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification or recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

New or Amended Accounting Standards and Interpretations Adopted

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

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

2. Operating Segments

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

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

3. Revenue

	31 December 2021 \$	31 December 2020 \$
Foreign exchange gain	-	7,928,358
Gain on derivative financial instruments	-	1,359,596
Other income	14,011	125,309
Interest income	484	63,378
Revenue	14,495	9,476,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

4. Depreciation

	31 December 2021 \$	31 December 2020 \$
Depreciation - Property, plant and equipment	583,295	349,779
Depreciation – Mine properties	560,845	-
Amortisation – Right of use	57,510	104,276
Depreciation	1,201,650	454,055

The increase in depreciation was a result of depreciation commencing on \$166,116,533 of mine properties which were transferred from work in progress, mine in development and rehabilitation assets during the half year ended 31 December 2021.

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.

5. Finance Costs

	31 December 2021 \$	31 December 2020 \$
Refinance costs ¹	4,812,648	-
Interest expense ²	1,379,584	69
Options fees	-	201,616
Others	37,814	40,911
Finance Costs	6,230,046	242,596

¹ Refinance costs incurred during the half year were in relation to debt restructure which the Group completed with its senior lenders on 12 October 2021.

² Interest expense of \$1,379,584 was accrued on the senior debt facilities in relation to loan funding provided for assets transferred from work in progress to mine properties during the half year.

6. Share Based Payments

During the half-year ended 31 December 2021, 12,125,000 performance rights lapsed due to either the cessation of employment and/or the Group not achieving the Performance Conditions to which they relate. As a result, provisions of \$92,188 in relation to these performance rights were credited to the profit and loss statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

7. Inventory and Raw Materials

	31 December 2021 \$	31 December 2020 \$
KTMS ¹	160,066	-
Consumables ²	284,145	-
Inventory and Raw Materials	444,211	-

Accounting Policy:

¹ Kainite Type Mixed Salt (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 a proportion of variable and fixed overhead expenditure which is directly related to the production of KTMS.

² 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.

8. Property, plant and equipment

	Exploration & mine equipment \$	Office equipment \$	Motor vehicles \$	Rehabilitati on assets \$	Computer software \$	Asset clearing account \$	Total \$
Balance at 1 Jul 2021	1,709,295	61,903	404,240	13,681,710	99,724	-	15,956,872
Additions	1,044,377	13,659	127,967	5,512,362	78,733	117,410	6,894,508
Transferred to WIP	-	-	-	(3,479,700)	-	-	(3,479,700)
Transferred to mine properties	-	-	-	(15,714,372)	-	-	(15,714,372)
Depreciation	(466,619)	(24,678)	(74,467)	-	(17,531)	-	(583,295)
Balance at 31 Dec 2021	2,287,053	50,884	457,740	-	160,926	117,410	3,074,013

For the half year ended 31 December 2021, the group reclassified \$15,714,372 of rehabilitation assets to mine properties as these are in relation to brine supply & pond assets, access road, airstrip, camp facilities, gas pipeline and power station that are considered installed and ready for use. A further amount of \$3,479,700 of rehabilitation assets in relation to the purification facility was reclassified to work in progress as the purification plant was still in commissioning as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

9. Mine Properties - in production

	Brine supply & ponds	Rehabilitation assets	Access Road	Airstrip	Camp Facilities	Gas pipeline & power station	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 Jul 2021	-	-	-	-	-	-	-
Transfer / Additions	90,000,516	15,714,372	6,331,986	989,646	11,181,772	41,898,241	166,116,533
Depreciation	(303,861)	(53,055)	(21,378)	(3,341)	(37,752)	(141,458)	(560,845)
Balance at 31 Dec 2021	89,696,655	15,661,317	6,310,608	986,305	11,144,020	41,756,783	165,555,688

During the half year, the Group transferred \$141,488,667 of assets from work in progress, \$8,913,494 of mine in development and \$15,714,372 of rehabilitation assets from property, plant and equipment to mine property assets.

Accounting Policy:

Mine properties represents expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred by the Group previously accumulated and carried forward in work in progress and mine properties under development in relation to areas of interest in which mining has now commenced. Mine properties 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.

Key Estimate and Assumption: Determination of SOP resources and reserves

The determination of SOP resources and reserves impacts the accounting for asset carrying values. The Group estimates its SOP resources and reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve 2012 (the "JORC" Code). The information on SOP resources and reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the SOP resources and reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating SOP resources and reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of SOP, exchange rates, production costs or recovery rates may change the economic status of reserves and the mine plan and may ultimately result in reserves and mine plan being restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

10. Work in Progress

	31 December 2021 \$	30 June 2021 \$
90Ktpa Beyondie SOP Project		
• Brine supply and ponds	-	47,261,101
• Purification facility	148,068,695	72,468,500
• Village accommodation	-	10,129,146
• Access road	-	5,579,460
• Gas pipeline & power station	-	37,603,718
• Owners costs	-	69,111,616
• Non process infrastructure	-	15,175,111
• Other infrastructure	-	1,428,313
• Rehabilitation assets	3,479,700	-
120Ktpa BSOPP expansion project		
• Bore & pond expansion	845,555	-
• Owners' costs	262,912	-
Work in Progress	152,656,862	258,756,965

During the half 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.

The purification facility remained in commissioning as at 31 December 2021. As a result, \$148,068,695 of purification facility, including \$8,775,202 allocated from mine in development and \$3,479,700 of rehabilitation assets in relation to the purification facility are reported as 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 'work in progress' are reclassified to 'mine properties' 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

mine asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

11. Borrowings

	31 December 2021 \$	30 June 2021 \$
Current Borrowings		
Loan from KfW / Euler Hermes	-	2,026,670
Loan from KfW	-	2,234,800
Loans from NAIF	-	1,977,200
	-	6,238,670
Accrued interest on loan from KfW / Euler Hermes	257,860	-
Accrued interest on loan from KfW	919,239	-
Accrued Interest on loans from NAIF	1,338,147	-
	2,515,246	-
Current Borrowings	2,515,246	6,238,670

	31 December 2021 \$	30 June 2021 \$
Loan from KfW / Euler Hermes	47,094,418	43,140,295
Loan from KfW	47,632,294	43,698,522
Loans from NAIF	71,114,828	68,104,883
	165,841,540	154,943,700
Interest on loan from KfW / Euler Hermes ¹	1,039,710	812,459
Interest on loan from KfW ¹	1,320,349	1,273,007
Interest on loans from NAIF ¹	1,486,378	1,486,378
Commitment fees on loan from KfW / Euler Hermes ¹	678,654	637,120
	4,525,091	4,208,964
Non-Current Borrowings	170,366,631	159,152,664

¹ The interest and commitment fees on the non-current borrowings above represent all interest and commitment fees capitalised into the loan balances as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

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

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

Lender	Borrower	Facility Limit (Ccy)	Undrawn (Ccy)	Undrawn (AUD)	Maturity Date ⁴
KfW / Euler Hermes	Kalium Lakes Potash (Facility A) ¹	EUR €32,487,268	EUR €1,986,774	AUD \$3,099,128	31 March 2033
KfW	Kalium Lakes Potash (Facility B) ²	USD \$37,000,000	USD \$999,448	AUD \$1,377,865	31 March 2033
NAIF	Kalium Lakes Potash (Facility C)	AUD \$26,000,000	AUD \$723,319	AUD \$723,319	31 March 2033
NAIF	Kalium Lakes Infrastructure	AUD \$48,000,000	AUD \$675,475	AUD \$675,475	31 March 2036
KfW	Kalium Lakes Potash (Liquidity Facility A) ³	USD \$8,000,000	USD \$8,000,000	AUD \$10,000,000	12 April 2022
NAIF	Kalium Lakes Potash (Liquidity Facility B) ³	AUD \$10,000,000	AUD \$10,000,000	AUD \$10,000,000	12 April 2022
				AUD \$25,875,787	

¹ Facility A has an EUR denominated facility limit. The facility limit and unused facility has been converted to AUD at the 31 December 2021 AUD:EUR spot rate of 0.64. 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 31 December 2021 AUD:USD spot rate of 0.73.

³ As part of the debt restructure with the senior lenders which was completed on 12 October 2021, the senior lenders have provided a 6 month 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.

⁴ 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 have been deferred for two years and commence on 31 March 2024. The maturity dates for the KLP Facilities A, B and C were extended to 31 March 2033 and the maturity date for the KLI Facility is 31 March 2036. In relation to the new KLP Liquidity Facility A and KLP Liquidity Facility B, the maturity date is 12 April 2022, which may be extended for another 6 months to 12 October 2022 at the discretion of the senior lenders following a request by KLP.

The current weighted average interest rate on drawn amounts across all facilities is 3.04% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

12. Contributed Equity

	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$	30 June 2021 \$
Ordinary shares - fully paid	1,169,493,227	839,161,349	241,780,641	184,670,756

Movements in share capital	Date	Shares	Issue price	\$
Balance	1 Jul 2021	839,161,349		184,670,756
Issue of shares	19 Oct 2021	174,341,902	0.18	31,381,542
Issue of shares	02 Nov 2021	35,448,435	0.18	6,380,718
Issue of shares	18 Nov 2021	42,148,389	0.18	7,586,710
Issue of shares	03 Dec 2021	78,393,152	0.18	14,110,767
Share issue costs	-	-	-	(2,349,852)
Balance	31 Dec 2021	1,169,493,227		241,780,641

13. Reserves

	31 December 2021 \$	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 Performance Rights Reserve	Number	\$
Balance 1 July 2021	12,250,000	1,200,000
Lapse of performance rights ¹	(12,125,000)	(1,200,000)
Balance at 31 December 2021	125,000	-

¹ Performance rights of \$1.2m issued in 2017 lapsed during the half year as were transferred to retained earnings in accordance with Australian Accounting Standard AASB 2 - Share-Based Payment. The fair value (\$1,562) of the 125,000 remaining performance rights has been recognised within Trade and Other Payables in the Statement of Financial Position due to their nature and in accordance with accounting standards.

Movements in Options Reserve	Number	\$
Balance 1 July 2021	38,160,001	7,071,356
Options cancelled	(330,882)	-
Balance at 31 December 2021	37,829,119	7,071,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

Subsequent to year end, 12,218,987 options were converted to 12,218,987 ordinary shares on 7 February 2022 following their exercise by the option holder.

14. Contingent Liabilities and Assets

The Group has no contingent liabilities and assets at 31 December 2021.

15. Commitments

	31 December 2021 \$
Committed at the reporting date but not recognised as liabilities:	
Rental, rates and expenditure commitments relating to tenements	856,674
Construction of the Beyondie Sulphate of Potash Project (BSOPP)	10,571,882
	11,428,556

16. Events Subsequent to Reporting Date

The following events have occurred subsequent to the reporting date:

On 25 January 2022 the Company released an ASX announcement, "Beyondie SOP Project Activities Update", which included detailed information relating to the status of:

- Borefield and trenching operations;
- Brine production;
- Pond operations;
- Harvested potassium salts (KTMS); and
- Purification plant and SOP production.

On 7 February 2022, the Group issued 12,218,987 ordinary shares following the exercise of options.

On 1 March 2022, the Company released an ASX announcement titled "Operational and Corporate Activities Update" which contained the following key points:

- Aggregate brine production and quality maintained, 120Ktpa expansion bore drilling and brine supply program advancing steadily. Brine filling of the third primary evaporation train commenced during February, with all five primary evaporation trains forecast to be back in production by the end of May.
- Sufficient 'start-up grade' harvested potassium salt (KTMS) expected to be accumulated by June. SOP purification plant re-start expected in June with targeted commercial SOP sales from July.
- Deferred plant start-up significantly reduces logistical and operational risks associated with the near-term anticipated peak Omicron virus induced disruptions in Western Australia, providing greater certainty for mobilising

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

international equipment specialists, EBTEC personnel and experts with SOP processing experience to site for start-up.

- BSOPP is expected to be operating at an approximate 80Ktpa SOP production run rate by Q1 CY2023, with the targeted 120Ktpa run rate established by Q3 CY2024.
- SOP pricing macro-economic outlook currently very positive, with the Beyondie SOP Project likely to commence production in a very strong pricing environment.
- As at 28 February 2022, Kalium Lakes has approximately \$48 million in cash and \$176 million of drawn senior debt facilities with NAIF and KfW.
- As a result of the revised production ramp-up schedule, Kalium Lakes expects that it will have a requirement for further external funding by Q3 CY2022 and has now commenced discussions with its financiers to address this requirement.
- Cutfield Freeman & Co has been engaged to investigate potential financing options in relation to the BSOPP.

The impact of Coronavirus (COVID-19) pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the State and Federal Governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

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 2021

In the opinion of Directors:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Stephen Dennis
Non-Executive Chairman

15 March 2022

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kalium Lakes Limited, which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kalium Lakes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of \$16,551,136 and had net cash outflows from operating activities of \$34,588,598 during the half-year ended 31 December 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in the going concern note, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

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

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 15 March 2022