



Kalium Lakes Limited

ABN: 98 613 656 643

And Controlled Entities

HALF YEAR REPORT

**For the Half Year Ended
31 December 2016**

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CORPORATE DIRECTORY



DIRECTORS

Malcolm Randall	Non-Executive Chairman
Brett Hazelden	Managing Director
Rudolph van Niekerk	Non-Executive Director
Brendan O'Hara	Non-Executive Director

COMPANY SECRETARY

Gareth Widger

REGISTERED OFFICE

8 St Georges Terrace
Perth WA 6000

PRINCIPAL PLACE OF BUSINESS

Unit 3, 70 Wittenoom Street
East Perth WA 6004

SHARE REGISTRY

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Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone (within Australia): 1300 850 505
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AUDITORS

RSM Australia Partners
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Perth WA 6000

SOLICITORS

DLA Piper Australia
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152-158 St George's Terrace
Perth WA 6000

HOME EXCHANGE

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

ASX CODE

KLL

Your Directors submit the financial report of the Company for the half year ended 31 December 2016.

Kalium Lakes Limited (Company) is a public company which was incorporated in Western Australia on 14 July 2016 as part of the restructure of Kalium Lakes Potash Pty Ltd (KLP) which has been operating since October 2014. As a result of the restructure, KLP is now a wholly owned subsidiary of the Company following a share for share exchange, with each fully paid ordinary shares in KLP being exchanged for one fully paid ordinary share in the Company. The financial statements represent a continuation of KLP's financial statements and as such the comparatives reflect those of KLP.

DIRECTORS

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

Malcolm Randall
Brett Hazelden
Rudolph van Niekerk
Brendan O'Hara

RESULTS

The loss after tax for the half year ended 31 December 2016 was \$1,875,377.

REVIEW OF OPERATIONS

Overview

Key operational highlights during the reporting period included:

- Preparation works associated with access road upgrades, heritage monitoring, drilling rig mobilisation and geophysics works during the period from July to September 2016.
- Corporate Restructure completed in August 2016.
- A 1.5GL 5C Water Licence was approved by the Department of Water to complement existing DMP and DER pilot pond approvals.
- Evaporation pond design review conducted.
- Preparation for official quotation on the ASX completed in November 2016.
- Kalium Lakes Limited listed on the ASX on Thursday 22 December 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

On 27 February 2017 KLL announced that Innovation Science Australia had approved the overseas Research and Development (R&D) activities for the Beyondie Sulphate of Potash Project in relation to its previously lodged Overseas Findings application for the 2015/16 income year. KLL received an R&D tax offset of \$536,278.

EVENTS SUBSEQUENT TO REPORTING DATE (Continued)

On 1 March 2017 KLL and BC Iron Limited announced that the companies had entered into a joint venture agreement over Kalium's 100% owned Carnegie Project. The Carnegie Project is a potash exploration project located approximately 220km north-east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres. The Carnegie Project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash.

There are no other matters or circumstances that have arisen since the end of the half year reporting date which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2016 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.



Malcolm Randall
Chairman

10 March 2017

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 2016, 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

RSM AUSTRALIA PARTNERS



D J WALL
Partner

Perth, WA
Dated: 10 March 2017

**CONDENSED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**



	31 December 2016	31 December 2015
	\$	\$
Revenue	6,893	13,896
Accounting Fees	(93,290)	(38,390)
Compliance Fees	(158,150)	(49,800)
Directors' Remuneration	(248,666)	-
Employee expenses	(33,631)	-
Exploration expenditure	(439,476)	(2,956,292)
Legal fees	(26,293)	(18,643)
Share based payments	(772,705)	-
Travel	(61,350)	(61,667)
Other expenses	(48,709)	(58,540)
	<hr/>	<hr/>
Loss before income tax expense	(1,875,377)	(3,169,436)
Income tax expense	-	-
	<hr/>	<hr/>
Loss after income tax expense for the year attributable to the owners of Kalium Lakes Limited	(1,875,377)	(3,169,436)
Other comprehensive income for the year, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive loss for the year attributable to the owners of Kalium Lakes Limited	(1,875,377)	(3,169,436)
	<hr/>	<hr/>
Basic and diluted losses per share (cents per share)	(2.00)	(4.01)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016



	Note	31 December 2016	30 June 2016
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		6,133,725	621,707
Trade and other receivables		87,313	879,162
Total Current Assets		<u>6,221,038</u>	<u>1,500,869</u>
Non-Current Assets			
Property, plant and equipment		45,006	11,101
Total Non-Current Assets		<u>45,006</u>	<u>11,101</u>
Total Assets		<u>6,266,044</u>	<u>1,511,970</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	2	824,749	269,732
Total Current Liabilities		<u>824,749</u>	<u>269,732</u>
Total Liabilities		<u>824,749</u>	<u>269,732</u>
Net Assets		<u>5,441,295</u>	<u>1,242,238</u>
EQUITY			
Issued capital	3	11,514,150	6,353,421
Reserves		913,705	-
Accumulated losses		(6,986,560)	(5,111,183)
Total Equity		<u>5,441,295</u>	<u>1,242,238</u>

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2015	2,856,201	-	(1,464,114)	1,392,087
Shares issued during the year	3,576,875	-	-	3,576,875
Loss after income tax expense for the year	-	-	(3,647,069)	(3,647,069)
Other comprehensive income for the year, net of tax	-	-	-	-
Transaction costs	(79,655)	-	-	(79,655)
Total comprehensive loss for the year	-	-	(3,647,069)	(3,647,069)
Balance at 30 June 2016	6,353,421	-	(5,111,183)	1,242,238
Balance at 1 July 2016	6,353,421	-	(5,111,183)	1,242,238
Shares issued during the period	6,163,000	-	-	6,163,000
Performance rights issued during the period	-	105,205	-	105,205
Options issued during the period	-	808,500	-	808,500
Loss after income tax expense for the period	-	-	(1,875,377)	(1,875,377)
Other comprehensive income for the period, net of tax	-	-	-	-
Transaction costs	(1,002,271)	-	-	(1,002,271)
Total comprehensive loss for the period	-	-	(1,875,377)	(1,875,377)
Balance at 31 December 2016	11,514,150	913,705	(6,986,560)	5,441,295

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016



	31 December 2016	31 December 2015
	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities		
Interest received	6,893	6,294
R&D refund received	835,459	849,767
Payments to suppliers and employees	(652,390)	(124,710)
Payments for exploration activities	(488,674)	(2,514,721)
	<hr/>	<hr/>
Net cash used in operating activities	(298,712)	(1,783,370)
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for property, plant and equipment	(33,905)	(11,350)
	<hr/>	<hr/>
Net cash used in investing activities	(33,905)	(11,350)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of securities	6,103,000	1,664,404
Transaction costs – capital raising	(258,365)	-
	<hr/>	<hr/>
Net cash provided by financing activities	5,844,635	1,664,404
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	5,512,018	(130,316)
Cash and cash equivalents at the beginning of the financial year	621,707	599,556
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	6,133,725	469,240
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

1. Basis of Preparation of Half Year Financial Report

a) Reporting entity

Kalium Lakes Limited (“Company”) is a public company which was incorporated in Western Australia on 14 July 2016 as part of the restructure of Kalium Lakes Potash Pty Ltd (“KLP”) which has been operating since October 2014. As a result of the restructure, KLP is now a wholly owned subsidiary of the Company following a share for share exchange, with each fully paid ordinary share in KLP being exchanged for one fully paid ordinary share in the Company.

Kalium Lakes Limited (the “Company”) is a Company domiciled in Australia. The interim financial statements of the Company as at and for the half year ended 31 December 2016 comprise the Company and its controlled entities (together referred to as the “Consolidated Entity” or “Company”). The financial statements represent a continuation of KLP’s financial statements and as such the comparatives reflect those of KLP.

The financial statements of Kalium Potash Pty Ltd as at and for the year ended 30 June 2016 are available upon request from the Company’s registered office at 8 St Georges Terrace, Perth WA 6000 or at www.kaliumlakes.com.au.

b) Statement of compliance

These interim financial statements constitute a general purpose financial report and have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB134 ensures compliance with IAS134: Interim Financial Reports. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements as at and for the year ended 30 June 2016.

These interim financial statements were approved by the Board of Directors on 10 March 2017.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Entity’s last annual financial statements for the year ended 30 June 2016. The accounting policies have been applied consistently throughout the Company for the purposes of preparation of these interim financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the Company’s accounting policies.

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

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 2016 and any public announcements made by the company 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.

c) Share-Based Payment Transactions

The Company provides benefits to employees and consultants (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects; (i) the extent to which the vesting period has expired, and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made, the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

d) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

	31 December 2016	30 June 2016
	\$	\$
2. Trade and other payables		
Trade creditors	741,824	257,484
Payroll accruals	50,534	-
Other payables	32,391	12,248
	<u>824,749</u>	<u>269,732</u>

3. Issued capital

Issued and paid up capital:

Ordinary shares fully paid of no par value	<u>121,794,740</u>	<u>126,631,507</u>
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	31 December 2016 Number	\$
Movement in ordinary shares on issue:		
Opening balance 1 July 2016	126,631,507	6,353,421
Issue of shares at \$0.15	686,665	103,000
Reconstruction of KLP capital **	(35,823,432)	-
Fully paid ordinary shares issued at \$0.20 pursuant to the IPO	30,000,000	6,000,000
Advisor shares in relation to the IPO	300,000	60,000
Transaction costs relating to share issues	-	(1,002,271)
Closing balance 31 December 2016	<u>121,794,740</u>	<u>11,514,150</u>

** On 28 July 2016, the shareholders of KLP approved the consolidation of share capital of KLP on the basis that every one share held be consolidated into 0.5526 shares. The effect of this consolidation resulted in the total number of issued ordinary shares in KLP decreasing by 35,823,432 shares.

	31 December 2016	30 June 2016
	\$	\$
4. Reserves		
Options reserve	808,500	-
Performance rights reserve	105,205	-
	<u>913,705</u>	<u>-</u>

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Options reserve

	No of Options	Value \$
Balance at 1 July 2016	-	-
<i>New options issued during the half-year vesting over multiple periods</i>		
Unlisted director & management options	7,500,000	667,500
Unlisted advisor options	1,500,000	141,000
	<u>9,000,000</u>	<u>808,500</u>

Performance rights reserve

	Value \$
Balance at 1 July 2016	-
Performance rights issued to the founding shareholders of KLP	105,205
	<u>105,205</u>

A total of 20,000,000 Performance Rights with a fair value of \$4,000,000 were granted to the founding shareholders of KLP during the year. The cost of the Performance Rights will be recognized over the vesting period for the performance criteria to the extent they vest. Vesting requires the satisfaction of the following performance criteria being achieved within five years from the date of issue:

- 5 million Performance Rights vesting upon completion of a Definitive Feasibility Study;
- 5 million Performance Rights vesting upon securing funding for the development and construction of the commercial sulphate of potash (SOP) product operation; and
- 10 million Performance Rights vesting upon achievement of the first commercial production of SOP.

As at the date of this report, none of the performance criteria had been met.

5. Commitments

Expenditure Commitments:	\$
Within one year	968,000
One to five years	1,437,800
	<hr/>
	2,405,800
	<hr/> <hr/>

6. Contingent liabilities

There are no contingent liabilities as at the date of this report.

7. Financial reporting by segments

The Company has considered the requirements of AASB8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

During the financial period, the Company operated in one operating segment being exploration in Australia.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- administration and other operating expenses not directly related to a specific segment.

8. Events subsequent to period end

On 27 February 2017 KLL announced that Innovation Science Australia had approved the overseas Research and Development (R&D) activities for the Beyondie Sulphate of Potash Project in relation to its previously lodged Overseas Findings application for the 2015/16 income year. KLL received an R&D tax offset of \$536,278.

On 1 March 2017 KLL and BC Iron Limited announced that the companies had entered into a joint venture agreement over Kalium's 100% owned Carnegie Project. The Carnegie Project is a potash exploration project located approximately 220km north-east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres. The Carnegie Project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash.

8. Events subsequent to period end (Continued)

There are no other matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

9. Interests in controlled entities

The financial statements incorporate the assets, liabilities and the results of the following subsidiary in accordance with the accounting policy:

Name	Country of incorporation	Class of share	Equity holding	
			31 December 2016	30 June 2016
Kalium Lakes Potash Pty Ltd	Australia	Ordinary	100%	Nil%

Kalium acquired 100% of the issued capital of Kalium Lakes Potash Pty Ltd (KLP) on 9 September 2016.

DIRECTORS' DECLARATION



The directors of the company declare that:

The financial statements and notes, as set out on pages 5 to 14 are in accordance with the *Corporations Act 2001* and:

- a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "Malcolm Randall".

Malcolm Randall
Chairman

10 March 2017

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

We have reviewed the accompanying half-year financial report of Kalium Lakes Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit and 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 2016 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.

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 2016 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

RSM AUSTRALIA PARTNERS



D J WALL
Partner

Perth, WA
Dated: 10 March 2017