

Kalium Lakes Limited

ABN: 98 613 656 643

And Controlled Entities

HALF YEAR REPORT

**For the Half Year Ended
31 December 2017**

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DIRECTORS

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

JOINT COMPANY SECRETARIES

Gareth Widger
Frederick Kotzee

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Perth WA 6021

POSTAL ADDRESS

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SHARE REGISTRY

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AUDITORS

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Level 32, Exchange Tower
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SOLICITORS

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Level 31, Central Park
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Perth WA 6000

HOME EXCHANGE

Australian Securities Exchange
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Perth WA 6000

ASX CODE

KLL

Your Directors submit the financial report of Kalium Lakes Limited (Company) for the half year ended 31 December 2017.

The 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. 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

PRINCIPAL ACTIVITIES

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

RESULTS

The loss after tax for the half year ended 31 December 2017 was \$3,811,890 (2016: loss \$1,875,377).

REVIEW OF OPERATIONS

Overview

Key operational highlights during the reporting period included:

- \$14.6M Share Placement Plan complete, resulting in the Company being fully funded through to completion of the Beyondie Bankable Feasibility Study;
- Pre-Feasibility Study (PFS) confirmed that the Beyondie Sulphate of Potash (SOP) Project, is technically and financially robust;
- Indicated Resource published of 4.37 Mt @ 14,000 mg/l SOP at a cut-off grade of 3,500mg/l K and an Inferred Resource of 13.74 Mt @ 12,788 mg/l SOP at a cut-off grade of 3,500mg/l K;
- Maiden Probable Reserve declared of 2.66 Mt @ 14,210 mg/l SOP at a cut-off grade of 3,500mg/l K based solely within the Stage 1 Approval Footprint, which represents ~21% of total lake surface area within the tenement package;

- Development base case of 150 ktpa SOP established, with the option to incrementally phase the project, through a ramp up from 75 ktpa to 150 ktpa SOP, to minimise operational and financial risks;
- An independent review by Snowden Mining Industry Consultants Pty Ltd (Snowden) considered that the PFS content meets or exceeds the appropriate standard to support the estimation of Ore Reserves;
- Purification plant trials at K-UTEC in Germany using recently harvested salts from the large-scale pilot ponds have commenced;
- Commenced work on the Bankable Feasibility Study for the Beyondie SOP Project;
- Finalised construction and commenced operation of the large-scale pilot evaporation ponds, which are currently following the expected brine concentration / salt crystallisation sequence developed by DSB International, K-UTEC AG Salt Technologies (K-UTEC) and DRA Global (see images below);
- Lodged the required Environment Protection and Biodiversity Conservation Act 1999 (Cth) and Environmental Protection Act 1986 (WA) submissions for the next phase of the Project;
- Continued to actively pursue off-take MOUs, particularly following discussions with interested parties at the 2017 International Fertilizer Association Conference in Shanghai;
- Completed several benchmarking site visits to international brine operations;
- Exclusive letter of intent signed with EcoMag Limited to trial the recovery of high value Hydrated Magnesium Carbonate (HMC) which has the potential to generate additional revenue;
- Initiated site works at the Carnegie Joint Venture Project, following the receipt of necessary approvals allowing site exploration activities.;
- KLL received a total of \$1,881,570 in R&D tax offsets for the 2016/17 income year for both Australian and approved overseas R&D activities in relation to the BSOPP.; and
- Announced the appointment of Frederick Kotzee as Chief Financial Officer and appointed BurnVoir Corporate Finance to commence the process of arranging project financing for the development of the Project.

EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to the reporting date:

- On 15 January 2018, 4,000,000 unlisted management options were granted with an exercise price of \$0.525 each and expiring on 11 January 2021;
- On 22 January 2018; 3,809,524 fully paid ordinary shares were issued at \$0.42 each, to raise \$1,600,000 before costs; and
- On 22 January 2018; 843,936 unlisted options were granted with an exercise price of \$0.525 each and expiring on 22 January 2020.

Apart from the events as disclosed above, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2017 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.



Malcolm Randall
Chairman

21 February 2018



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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 2017, 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

D J WALL
Partner

Perth, WA
Dated: 21 February 2018

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Kalium Lakes Limited

	Consolidated 31 December 2017	Consolidated 31 December 2016
	\$	\$
Revenue	162,869	6,893
Accounting fees	(104,945)	(93,290)
Compliance fees	(15)	(158,150)
Directors' remuneration	(426,293)	(248,666)
Employee expenses	(688,026)	(33,631)
Exploration expenditure	(1,991,819)	(439,476)
Legal fees	(72,862)	(26,293)
Share based payments	(57,276)	(772,705)
Travel	(269,318)	(61,350)
Other expenses	(364,205)	(48,709)
Loss before income tax expense	(3,811,890)	(1,875,377)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of Kalium Lakes Limited	(3,811,890)	(1,875,377)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive loss for the half-year attributable to the owners of Kalium Lakes Limited	(3,811,890)	(1,875,377)
Basic and diluted losses per share (cents per share)	(2.71)	(2.00)

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

Kalium Lakes Limited

	Note	Consolidated 31 December 2017	Consolidated 30 June 2017
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		14,723,408	6,141,791
Trade and other receivables		286,357	2,300,344
Total Current Assets		15,009,765	8,442,135
Non-Current Assets			
Property, plant and equipment		575,810	466,544
Total Non-Current Assets		575,810	466,544
Total Assets		15,585,575	8,908,679
LIABILITIES			
Current Liabilities			
Trade and other payables	2	529,566	2,179,799
Provisions		81,348	53,421
Total Current Liabilities		610,914	2,233,220
Total Liabilities		610,914	2,233,220
Net Assets		14,974,661	6,675,459
EQUITY			
Issued capital	3	27,721,267	15,667,451
Reserves		2,065,776	2,008,500
Accumulated losses		(14,812,382)	(11,000,492)
Total Equity		14,974,661	6,675,459

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Kalium Lakes Limited

Consolidated	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2016	6,353,421	-	(5,111,183)	1,242,238
Loss for the half-year	-	-	(1,875,377)	(1,875,377)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,875,377)	(1,875,377)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	6,163,000	-	-	6,163,000
Security issue expenses	(1,002,271)	-	-	(1,002,271)
Share based payments	-	913,705	-	913,705
Balance at 31 December 2016	11,514,150	913,705	(6,986,560)	5,441,295
Balance at 1 July 2017	15,667,451	2,008,500	(11,000,492)	6,675,459
Loss for the half-year	-	-	(3,811,890)	(3,811,890)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,811,890)	(3,811,890)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	13,029,389	-	-	13,029,389
Security issue expenses	(975,573)	-	-	(975,573)
Share based payment	-	57,276	-	57,276
Balance at 31 December 2017	27,721,267	2,065,776	(14,812,382)	14,974,661

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Kalium Lakes Limited

	Consolidated 31 December 2017	Consolidated 31 December 2016
	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities		
Interest received	44,820	6,893
Other receipts	74,207	-
R&D refund received	1,881,399	835,459
Payments to suppliers and employees	(1,417,409)	(652,390)
Payments for exploration activities	(3,913,254)	(488,674)
	(3,330,237)	(298,712)
Cash flows from investing activities		
Payments for property, plant and equipment	(172,344)	(33,905)
	(172,344)	(33,905)
Cash flows from financing activities		
Proceeds from issue of securities	13,029,389	6,103,000
Transaction costs – capital raising	(945,191)	(258,365)
	12,084,198	5,844,635
Net increase in cash and cash equivalents	8,581,617	5,512,018
Cash and cash equivalents at the beginning of the financial year	6,141,791	621,707
Cash and cash equivalents at the end of the financial year	14,723,408	6,133,725

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.

The Company is domiciled in Australia. The interim financial statements of the Company as at and for the half year ended 31 December 2017 comprise the Company and its controlled entities (together referred to as the “Consolidated Entity” or “Company”).

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 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 2017. The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these interim financial statements.

The Consolidated Entity 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 2017 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.

1. **Basis of Preparation of Half Year Financial Report**

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 Consolidated Entity 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.

Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
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2. **Trade and other payables**

Current

Accounts payable	323,085	2,061,056
Other payables	179,594	88,643
Accrued expenses	26,887	30,100
	<hr/>	<hr/>
	529,566	2,179,799
	<hr/>	<hr/>

3. **Issued capital**

Issued and paid up capital:	Number	Number
Ordinary shares fully paid of no par value	165,983,941	135,030,035
	<hr/>	<hr/>

31 December 2017 Number	\$
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Movement in ordinary shares on issue:

Opening balance 1 July 2017	135,030,035	15,667,451
Issue of shares: 29 November 2017	29,471,793	12,406,889
Issue of shares: 30 November 2017	476,191	200,000
Issue of shares: 19 December 2017	1,005,922	422,500
Transaction costs relating to share issues	-	(975,573)
Closing balance 31 December 2017	<hr/> <hr/>	<hr/> <hr/>
	165,983,941	27,721,267

	Consolidated 31 December 2017	Consolidated 30 June 2017
	\$	\$
4. Reserves		
Options reserve	865,776	808,500
Performance rights reserve	<u>1,200,000</u>	<u>1,200,000</u>
	<u>2,065,776</u>	<u>2,008,500</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 2017	9,000,000	808,500
<i>New options issued during the half-year</i>		
Unlisted advisor options	<u>330,882</u>	<u>57,276</u>
Balance at 31 December 2017	<u>9,330,882</u>	<u>865,776</u>

Performance rights reserve

	Value \$
Balance at 1 July 2017	1,200,000
Performance rights issued	<u>-</u>
Balance at 31 December 2017	<u>1,200,000</u>

Dividends

There were no dividends paid or declared for the half-year ended 31 December 2017.

5. *Commitments*

The Consolidated Entity had \$4,793,000 of expenditure commitments as at 31 December 2017, largely associated with feasibility study engineering works. In addition, the Consolidated Entity has an annual commitment to spend a minimum of \$989,000 in exploration expenditure on its tenements.

6. *Contingent assets and liabilities*

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

7. *Financial reporting by segments*

The Consolidated Entity 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 Consolidated Entity operated in one operating segment being exploration in Australia.

8. *Events subsequent to period end*

The following securities were issued subsequent to the period end:

- On 15 January 2018, 4,000,000 unlisted management options were granted with an exercise price of \$0.525 each and expiring on 11 January 2021;
- On 22 January 2018; 3,809,524 fully paid ordinary shares were issued at \$0.42 each, to raise \$1,600,000 before costs; and
- On 22 January 2018; 843,936 unlisted options were granted with an exercise price of \$0.525 each and expiring on 22 January 2020.

Apart from the events as disclosed above, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

The directors declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and:

- a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity 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*.



Malcolm Randall
Chairman

21 February 2018



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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 2017, 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 2017 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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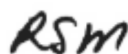
Independence

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 2017 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



D J WALL
Partner

Perth, WA
Dated: 21 February 2018