



**KALIUM LAKES LIMITED**

**ABN: 98 613 656 643**

**and Controlled Entities**

**CONSOLIDATED ANNUAL REPORT**

**For the Year Ended  
30 June 2018**

CORPORATE DIRECTORY	1
DIRECTORS' REPORT	2
CORPORATE GOVERNANCE STATEMENT	15
AUDITOR'S INDEPENDENCE DECLARATION	16
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	17
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
CONSOLIDATED STATEMENT OF CASH FLOWS	20
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	21
DIRECTORS' DECLARATION	48
INDEPENDENT AUDITOR'S REPORT	49

**CORPORATE DIRECTORY**

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**DIRECTORS**

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

**SECRETARY**

Gareth Widger

**CFO**

Frederick Kotzee (Resigned 17 May 2018)  
Chris Achurch (Appointed 17 May 2018)

**REGISTERED OFFICE**

Unit 1, 152 Balcatta Road  
Balcatta WA 6021  
PO Box 610  
Balcatta WA 6914  
Telephone: +61 8 9240 3200

**PRINCIPAL PLACE OF BUSINESS**

Unit 1, 152 Balcatta Road  
Balcatta WA 6021  
PO Box 610  
Balcatta WA 6914  
Telephone: +61 8 9240 3200

**WEBSITE & EMAIL**

[www.kaliumlakes.com.au](http://www.kaliumlakes.com.au) and [info@kaliumlakes.com.au](mailto:info@kaliumlakes.com.au)

**AUDITORS**

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

**SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace, Perth WA 6000  
Telephone: 1300 850 505  
Telephone: +61 3 9415 4000

**SOLICITORS**

DLA Piper Australia  
Level 31, Central Park, 152-158 St Georges Terrace, Perth WA 6000

**HOME EXCHANGE**

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

**ASX CODE**

KLL

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2018.

**DIRECTORS**

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

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

**DIRECTORS' QUALIFICATIONS AND EXPERIENCE**

The Directors' qualifications and experience are set out below:

Malcolm Randall

Non-Executive Chairman

Malcolm Randall (Dip Applied Chem, FAICD) holds a Bachelor of Applied Chemistry Degree and has more than 45 years' of experience in corporate, management and marketing in the resources sector, including more than 25 years with the Rio Tinto group of companies.

His experience has covered a diverse range of commodities including iron ore, base metals, uranium, mineral sands and coal.

Malcolm Randall has held the position of chairman and director of a number of ASX listed companies. Past directorships include Consolidated Minerals Limited, Titan Resources Limited, Northern Mining Limited, Iron Ore Holdings Limited and United Minerals Corporation NL. Current directorships include Thundelarra Limited, Summit Resources Limited, Magnetite Mines Limited and Argosy Minerals Limited.

Brett Hazelden

Managing Director

Brett Hazelden (B.Sc. MBA GAICD) is a Metallurgist who brings more than 20 years' experience in project management, engineering design and operations servicing the Australasian resources industry. His previous responsibilities include project management, feasibility study evaluation, engineering and design, estimating, financial evaluation, cost control, scheduling, contracts and procurement, business risk and strategic development.

Brett Hazelden has studied, managed and executed projects from small scale works up to multi-billion dollar complex developments. He has been responsible for environmental permitting and approvals, heritage, native title negotiations, external relations, as well as tenure management. Brett has also been involved in numerous mergers, acquisitions and due diligence reviews in recent years.

Rudolph van Niekerk

Executive Director

Rudolph van Niekerk (B.Eng. Mechanical GAICD) is a professional in the mining and resources industry with more than 14 years' experience in project and business management.

During his career Rudolph van Niekerk has held a range of different roles in the management of projects and operations. His various responsibilities have included financial evaluation, risk review and management, project management, development of capital and operating cost estimates, budget development and cost control, design management, planning, reporting, contract administration, quality control, expediting, construction, commissioning, production ramp-up and project hand-over to operations.

Brendan O'Hara

Non-Executive Director

Brendan O'Hara (BJuris, LLB) holds a Bachelor of Jurisprudence (Hons) and Bachelor of Laws. He is a former Senior Fellow of FINSIA, a former legal practitioner of the Supreme Court of WA and former member of the Business Law Section of the Law Council of Australia.

Brendan O'Hara has many years' experience as a director of Australian listed companies, including eight years as Executive Chairman of an ASX listed company (Summit Resources Limited).

His earlier roles with the ASX (as State Director and Manager – Listings), underpin a wealth of experience involving international transactions, corporate governance, risk management systems, contract negotiation / execution and government relations.

## MEETINGS OF DIRECTORS

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of Meetings Held</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Number of Meetings Attended:</b>				
Malcolm Randall	9	3	3	2
Brett Hazelden	9	3	3	2
Rudolph van Niekerk	9	3	3	2
Brendan O'Hara	9	3	3	2

All Directors were eligible to attend all Board Meetings held.

## SHARE OPTIONS

As at the date of this report the following unlisted options were on issue:

- 9,000,000 unlisted options for ordinary shares at an exercise price of \$0.25 each (expiring 16 December 2019) and escrowed until 21 December 2018)
- 330,882 unlisted options for ordinary shares at an exercise price of \$0.425 each (expiring 29 September 2020)
- 843,936 unlisted options for ordinary shares at an exercise price of \$0.525 each (expiring 19 January 2020)
- 1,000,000 unlisted options for ordinary shares at an exercise price of \$0.525 (expiring 17 May 2021)

## SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares as a result of the exercise of the options were issued as at the date of this report.

## DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the shares and options over shares issued by the Company at the date of this report is as follows:

	Number of Ordinary Shares		Number of Options			
	Directly	Indirectly	Listed		Unlisted	
			Directly	Indirectly	Directly	Indirectly
Malcolm Randall	-	479,184	-	-	4,000,000	-
Brett Hazelden	-	13,669,066	-	-	-	-
Rudolph van Niekerk	-	3,315,600	-	-	-	-
Brendan O'Hara	-	-	-	-	2,000,000	-

## REMUNERATION REPORT

### Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2018. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Parent Entity.

### Remuneration Policy

The remuneration policy has been designed to align KMP objectives with Shareholders' interests and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board believes that the remuneration policy is appropriate and effective in its ability to attract and retain the best KMP to run and manage the Consolidated Entity, as well as create goal congruence between Directors, Executives and Shareholders.

### Executive Directors and Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for Executive Directors and KMP of the Consolidated Entity was in place for the financial year ended 30 June 2018.

### Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors based on market practices, duties and accountability. Independent external advice is sought when required. The fees paid to Non-Executive Directors are reviewed annually. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting ("AGM"). The maximum aggregate amount of fees payable is currently \$250,000.

### Use of Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. The Board did seek external remuneration advice in 2018.

### Remuneration Report Approval at FY2018 AGM

The remuneration report for the year ended 30 June 2018 will be put to shareholders for approval at the Company's AGM.

Share Trading and Margin Loans by Directors and Executives

Directors, executives and employees are prohibited from:

- a. Short term trading: trading in securities (or an interest in securities) on a short-term trading basis other than when a director, employee or executive exercises employee options or performance rights to acquire shares at the specified exercise price. Short-term trading includes buying and selling securities within a 3-month period, and entering into other short-term dealings (e.g. forward contracts).
- b. Hedging unvested awards: trading in securities which operate to limit the economic risk of an employee's holdings of unvested securities granted under an employee incentive plan; or
- c. Short positions: trading in securities which enable an employee to profit from or limit the economic risk of a decrease in the market price of shares.

KMP may not include their securities in a margin loan portfolio or otherwise trade in securities pursuant to a margin lending arrangement without first obtaining the consent of the Chairman. Such dealing would include:

- a. Entering into a margin lending arrangement in respect of securities;
- b. Transferring securities into an existing margin loan account; and
- c. Selling securities to satisfy a call pursuant to a margin loan except where they have no control over such sale.

The Company may, at its discretion, make any consent granted in accordance with the above paragraph conditional upon such terms and conditions as the Company sees fit (for example, in regards to the circumstances in which the securities may be sold to satisfy a margin call).



### A. Details of Remuneration

Table 1: Details of remuneration of the Directors and KMP of the Consolidated Entity (as defined by AASB 124 Related Party Disclosures) and specified executives are set out below:

	Year	Short-term benefits	Post-employment benefits	Share-based payments		Total \$
		Cash salary, fees and other benefits \$	Super-annuation <sup>1</sup> \$	Performance rights \$	Equity-settled options \$	
<b>Non-Executive Directors</b>						
Malcolm Randall	2018	75,000	5,700	-	-	80,700
	2017	57,903	5,501	-	356,000	419,404
Brendan O'Hara	2018	56,249	4,394	-	-	60,643
	2017	42,178	4,007	-	178,000	224,185
<b>Executive Directors</b>						
Brett Hazelden	2018	306,125	25,000	-	-	331,125
	2017	265,390	25,212	252,000	-	542,602
Rudolph van Niekerk	2018	275,000	23,750	-	-	298,750
	2017	114,461	7,917	72,000	-	194,378
<b>KMP</b>						
Frederick Kotzee	2018*	132,196	12,001	-	-	144,197
Chris Achurch	2018**	20,731	1,969	-	13,942	36,642
<b>Total</b>	<b>2018</b>	<b>865,301</b>	<b>72,814</b>	<b>-</b>	<b>13,942</b>	<b>952,057</b>
<b>Total</b>	<b>2017</b>	<b>479,932</b>	<b>42,637</b>	<b>324,000</b>	<b>534,000</b>	<b>1,380,569</b>

(\*) Chief Financial Officer - Appointed on 13 November 2017 resigned 17 May 2018.

(\*\*) Chief Financial Officer - Appointed on 17 May 2018. On 17 May 2018 1,000,000 options with an 18 month vesting period and a total value of \$173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

### B. Service Agreements

The Company has entered into an executive service agreement with Brett Hazelden in respect to his employment as the Managing Director of the Company. The principal terms are as follows:

- Brett Hazelden will receive an annual salary of \$275,000 (excluding superannuation);
- Brett Hazelden may terminate the agreement by giving 6 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 12 months' notice in writing to Brett Hazelden (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Brett Hazelden, in which case no notice is required); and
- Brett Hazelden is subject to non-compete restrictions during his employment and for a maximum period of 6 months following termination of his employment

<sup>1</sup> Includes superannuation payment in Australia and any voluntary fee sacrifice to superannuation.

### C. Share Based Payments

The following table sets out the details of unlisted share option movements during the year ended: **30 June 2018**.

	Balance at 30 June 2017	Grant Date	Exercise Price	Expiry Date	Granted as Remuneration	Fair Value per Option at Grant Date	Exercised	Expired	Balance at 30 June 2018
<b>Non-Executive Directors</b>									
Malcolm Randall	4,000,000	16-Dec-16	\$0.25	16-Dec-19	-	\$0.089	-	-	4,000,000
Brendan O'Hara	2,000,000	16-Dec-16	\$0.25	16-Dec-19	-	\$0.089	-	-	2,000,000
<b>Executive Directors</b>									
Brett Hazelden	-	-	-	-	-	-	-	-	-
Rudolph van Niekerk	-	-	-	-	-	-	-	-	-
<b>KMP</b>									
Chris Achurch (CFO)	-	17-May-18	\$0.525	17-May-21	1,000,000	\$0.173	-	-	1,000,000
<b>Total</b>	<b>6,000,000</b>				<b>1,000,000</b>				<b>7,000,000</b>

(\*) On 17 May 2018 1,000,000 options with an 18 month vesting period and a total value of \$173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

The following table sets out the details of unlisted share option movements during the year ended: **30 June 2017**.

	Balance at 30 June 2016	Grant Date	Exercise Price	Expiry Date	Granted as Remuneration	Fair Value per Option at Grant Date	Exercised	Expired	Balance at 30 June 2017
<b>Non-Executive Directors</b>									
Malcolm Randall	-	16-Dec-16	\$0.25	16-Dec-19	4,000,000	\$0.089	-	-	4,000,000
Brendan O'Hara	-	16-Dec-16	\$0.25	16-Dec-19	2,000,000	\$0.089	-	-	2,000,000
<b>Executive Directors</b>									
Brett Hazelden	-	-	-	-	-	-	-	-	-
Rudolph van Niekerk	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>

The following table sets out the details of performance rights movements during the year ended: **30 June 2018.**

	Balance at 30 June 2017	Grant Date	Expiry Date	Granted as Remuneration	Fair Value of Performance Right at Grant Date	Exercised	Balance at 30 June 2018
<b>Non-Executive Directors</b>							
Malcolm Randall	-	-	-	-	-	-	-
Brendan O'Hara	-	-	-	-	-	-	-
<b>Executive Directors</b>							
Brett Hazelden	4,200,000	02-Sep-16	02-Sep-21	-	\$0.15	-	4,200,000
Rudolph van Niekerk	1,200,000	02-Sep-16	02-Sep-21	-	\$0.15	-	1,200,000
<b>KMP</b>							
Frederick Kotzee	-	-	-	-	-	-	-
Chris Achurch	-	-	-	-	-	-	-
<b>Total</b>	<b>5,400,000</b>	-	-	-	-	-	<b>5,400,000</b>

The following table sets out the details of performance rights movements during the year ended: **30 June 2017.**

	Balance at 30 June 2016	Grant Date	Expiry Date	Granted as Remuneration	Fair Value of Performance Right at Grant Date	Exercised	Balance at 30 June 2017
<b>Non-Executive Directors</b>							
Malcolm Randall	-	-	-	-	-	-	-
Brendan O'Hara	-	-	-	-	-	-	-
<b>Executive Directors</b>							
Brett Hazelden	-	02-Sep-16	02-Sep-21	4,200,000	\$0.15	-	4,200,000
Rudolph van Niekerk	-	02-Sep-16	02-Sep-21	1,200,000	\$0.15	-	1,200,000
<b>Total</b>	-	-	-	<b>5,400,000</b>	-	-	<b>5,400,000</b>

#### D. Interest in Shares

The following table sets out the details of ordinary share movements during the year ended: **30 June 2018.**

	Balance at 30 June 2017 (No. of Shares)	Additions	Disposals	Performance Rights/Opt ions Exercised (No. of Shares)	Received Remunera tion (No. of Shares)	Balance at 30 June 2018 (No. of Shares)
Malcolm Randall	445,375	33,809	-	-	-	479,184
Brendan O'Hara	-	-	-	-	-	-
Brett Hazelden	13,609,543	59,523	-	-	-	13,669,066
Rudolph van Niekerk	3,315,600	-	-	-	-	3,315,600
<b>Total</b>	<b>17,370,518</b>	<b>93,332</b>	-	-	-	<b>17,463,850</b>

The following table sets out the details of ordinary share movements during the year ended: **30 June 2017**.

	Balance at 30 June 2016 (No. of Shares)	Additions (before Restructure) (No. of Shares)	Restructure (No. of shares) **	Additions (after Restructure) (No. of Shares)	Performance Rights/Option s Exercised (No. of Shares)	Received Remunerati on (No. of Shares)	Balance at 30 June 2017 (No. of Shares)
<b>Non-Executive Directors</b>							
Malcolm Randall	250,000	375,000	(279,625)	100,000	-	-	<b>445,375</b>
Brendan O'Hara	-	-	-	-	-	-	-
<b>Executive Directors</b>							
Brett Hazelden	22,451,280	2,176,920	(11,018,657)	-	-	-	<b>13,609,543</b>
Rudolph van Niekerk	6,000,000	-	(2,684,400)	-	-	-	<b>3,315,600</b>
<b>Total</b>	<b>28,701,280</b>	<b>2,551,920</b>	<b>(13,982,682)</b>	<b>100,000</b>	-	-	<b>17,370,518</b>

\*\* Kalium Lakes Potash Pty Ltd completed an approved restructure and consolidation of share capital, the net effect of which resulted in the total number of ordinary shares in Kalium Lakes Potash Pty Ltd decreasing by 35,823,432.

#### Other Director and KMP Transactions

There were no other transactions relating to Directors and KMP's during the FY2018 period.

#### Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Revenue	4,261,759	2,519,040	849,748	849,765	-
EBITDA	<b>(10,696,683)</b>	(5,917,009)	(3,645,685)	(1,464,114)	-
EBIT	<b>(10,900,473)</b>	(5,952,926)	(3,647,069)	(1,464,114)	-
Loss after income tax	<b>(10,757,324)</b>	(5,889,309)	(3,647,069)	(1,464,114)	-
The factors that are considered to affect total shareholders return ("TSR") are summarised below:					
<b>Share price at financial year end (\$)</b>	<b>\$0.54</b>	<b>\$0.36</b>	<b>#</b>	-	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	<b>(6.95)</b>	<b>(5.40)</b>	(4.30)	-	-

# Kalium Lakes Limited was admitted to the official List of the Australian Securities Exchange (ASX), on the 21<sup>st</sup> of December 2016.

#### **End of Audited Remuneration Report.**

## **PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity is intended to be an exploration and mining company.

## **REVIEW OF RESULTS**

The loss after tax for the year ended 30 June 2018 was \$10,757,324 (2017: \$5,889,309 loss), primarily as a result of exploration, development of the Beyondie Project.

## **CORPORATE**

The results of the Pre-Feasibility Study (PFS) with maiden Ore Reserve were released on 3 October 2017, confirming low cost, long life and high margin Beyondie Sulphate of Potash Project (BSOPP).

During November 2017, \$14.6M Placement and Share Placement Plan complete, resulting in Kalium Lakes being fully funded through to completion of the Beyondie Bankable Feasibility Study.

KLL released its Annual Report to shareholders in October 2017 and then held its first Annual General Meeting on 10 November 2017.

On 9 January 2018, shareholder approval for the ratification of Prior Placement Shares, the issue of Further Placement Shares and issue of Advisor Options was received at a General Meeting held at the Company's office in Balcatta.

Later that month, the Company signed the second and final Native Title Agreement, covering the eastern tenements required for the development of the BSOPP, with the Mungarlu Ngurrarankatja Rirraunkaja (Aboriginal Corporation) RNTBC.

Early in June 2018, the Hon. Bill Johnston MLA, Minister of Mines and Petroleum, pursuant to the Mining Act 1978 (WA), granted two Mining Leases for the (BSOPP).

As announced on 18 June 2018, an Offtake Terms Sheet was executed with German fertiliser producer and distributor K+S for 100% of Stage 1 BSOPP production. The Offtake arrangement is subject to the execution of a formal binding offtake agreement and satisfaction of certain conditions precedent, including completion of due diligence by K+S.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Consolidated Entity intends to continue its exploration activities and mining activities on its existing projects as well as develop the Carnegie Project according to the terms of the joint venture agreement.

### **ENVIRONMENTAL REGULATIONS**

The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

### **DIVIDENDS**

No dividends were paid during the financial year and no recommendation has been made as to payment of dividends.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

As per ASX announcement on the 27 July 2018 and subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Venture (CJV). As at that date, BC Potash hold a 30% interest in the CJV, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

### **INDEMNITY AND INSURANCE OF OFFICERS**

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

### **INDEMNITY AND INSURANCE OF AUDITOR**

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

**PROCEEDINGS ON BEHALF OF THE COMPANY**

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

**NON-AUDIT SERVICES**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 7 to the financial statements. The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

**NON-AUDIT SERVICES (CONTINUED)**

The directors are of the opinion that the services as disclosed in note 7 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

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

**AUDITOR'S DECLARATION OF INDEPENDENCE**

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

**AUDITOR**

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

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



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Brett Hazelden  
Managing Director

10 September 2018



The Board of Directors is responsible for the corporate governance of Kalium Lakes Limited (the Company). The Board of Directors has established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council's Principles and Recommendations 3<sup>rd</sup> edition ("Principles and Recommendations").

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for the Company's corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where the Company's corporate governance practices do not follow a recommendation, the Board explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The Company's corporate governance framework can be viewed on the Company's website: [www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)

**RSM Australia Partners**

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2 The Esplanade Perth WA 6000  
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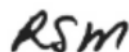
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[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



D J WALL  
Partner

Perth, Western Australia  
10 September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**



	Note	30 June 2018 \$	30 June 2017 \$
<b>Revenue</b>			
Other income	3	4,261,759	2,519,040
<b>Expenditure</b>			
Accounting fees		(134,321)	(145,722)
Compliance fees		(73,173)	(158,150)
Depreciation		(203,790)	(35,917)
Directors and executive remuneration	21	(938,115)	(522,569)
Employee expenses		(1,402,405)	(445,607)
Exploration expenditure		(10,589,212)	(4,591,452)
Legal fees		(83,008)	(60,749)
Share based payment expense	5	(13,942)	(1,867,500)
Travel expenses		(702,561)	(201,997)
Other expenses	4	(878,556)	(378,686)
<b>Loss before tax</b>		<b>(10,757,324)</b>	<b>(5,889,309)</b>
Income tax expense	6	-	-
<b>Net loss for the year from operations</b>		<b>(10,757,324)</b>	<b>(5,889,309)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss		-	-
<b>Total comprehensive loss for the year</b>		<b>(10,757,324)</b>	<b>(5,889,309)</b>
Loss attributable to:			
Owners of the parent		(10,757,324)	(5,889,309)
		<b>(10,757,324)</b>	<b>(5,889,309)</b>
Total comprehensive loss attributable to:			
Owners of the parent		(10,757,324)	(5,889,309)
		<b>(10,757,324)</b>	<b>(5,889,309)</b>
Basic and diluted loss per share (cents)	8	(6.95)	(5.40)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018



	Note	30 June 2018 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	7,671,286	6,141,791
Trade and other receivables	10	4,230,158	2,300,344
<b>Total Current Assets</b>		<b>11,901,444</b>	<b>8,442,135</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	1,865,404	466,544
<b>Total Non-Current Assets</b>		<b>1,865,404</b>	<b>466,544</b>
<b>Total Assets</b>		<b>13,766,848</b>	<b>8,908,679</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	3,751,621	2,179,799
Provisions	13	337,438	53,421
<b>Total Current Liabilities</b>		<b>4,089,059</b>	<b>2,233,220</b>
<b>Total Liabilities</b>		<b>4,089,059</b>	<b>2,233,220</b>
<b>Net Assets</b>		<b>9,677,789</b>	<b>6,675,459</b>
<b>EQUITY</b>			
Contributed equity	14	29,265,527	15,667,451
Reserves	15	2,170,078	2,008,500
Accumulated losses	16	(21,757,816)	(11,000,492)
<b>Total Equity</b>		<b>9,677,789</b>	<b>6,675,459</b>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018



	Contributed Equity	Reserves \$	Accumulated losses \$	Total
	\$			\$
<b>Balance at 1 July 2016</b>	<b>6,353,421</b>	-	<b>(5,111,183)</b>	<b>1,242,238</b>
Loss for the year	-	-	(5,889,309)	(5,889,309)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-		(5,889,309)	(5,889,309)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	10,663,200	-	-	10,663,200
Security issue expenses	(1,349,170)	-	-	(1,349,170)
Share based payments	-	2,008,500	-	2,008,500
<b>Balance at 30 June 2017</b>	<b>15,667,451</b>	<b>2,008,500</b>	<b>(11,000,492)</b>	<b>6,675,459</b>
<b>Balance at 1 July 2017</b>	<b>15,667,451</b>	<b>2,008,500</b>	<b>(11,000,492)</b>	<b>6,675,459</b>
Loss for the year	-	-	(10,757,324)	(10,757,324)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(10,757,324)	(10,757,324)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	14,600,654	-	-	14,600,654
Security issue expenses	(1,002,578)	-	-	(1,002,578)
Share based payments	-	161,578	-	161,578
<b>Balance at 30 June 2018</b>	<b>29,265,527</b>	<b>2,170,078</b>	<b>(21,757,816)</b>	<b>9,677,789</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Receipts from operations		2,201,604	1,371,737
Payments to suppliers and employees		(4,170,410)	(2,068,911)
Payment for exploration and evaluation assets		(9,019,369)	(2,768,160)
Net cash (used in) operating activities	18	<u>(10,988,175)</u>	<u>(3,465,334)</u>
<b>Cash flows from investing activities</b>			
Interest received		130,341	51,235
Payments for plant and equipment		(1,358,383)	(491,360)
Net cash (used in) investing activities		<u>(1,228,042)</u>	<u>(440,125)</u>
<b>Cash flows from financing activities</b>			
Proceeds from equity issues		14,600,654	10,603,000
Payment for costs of equity issues		(854,942)	(1,177,457)
Net cash provided by financing activities		<u>13,745,712</u>	<u>9,425,543</u>
Net increase in cash held		1,529,495	5,520,084
Cash and cash equivalents at beginning of the financial year		<u>6,141,791</u>	621,707
Cash and cash equivalents at year end	9	<u><u>7,671,286</u></u>	<u>6,141,791</u>

The accompanying notes form part of these financial statements.

## 1. *Corporate information*

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 became 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.

This annual reports covers Kalium Lakes Limited (the “Company”), a company incorporated in Australia, and the entities it controlled at the end of, or during, the year ended 30 June 2018 (the “Consolidated Entity”). The presentation currency of the Consolidated Entity is Australian Dollars (“\$”). A description of the Consolidated Entity’s operations is included in the review and results of operations in the Directors’ report. The Directors’ report is not part of the financial statements. The Company is a for-profit entity limited by shares and incorporated in Australia whose shares are traded under the ASX code “KLL”.

## 2. *Accounting policies*

### Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

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

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

### Basis of preparation

The consolidated general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International; Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost base. It is recommended that the annual financial report be considered together with any public announcements made by the Company during the year ended 30 June 2018 and up to the issue date of this report, which the Consolidated Entity has made in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2(a).

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 19.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. The Company and its controlled entities together are referred to as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.



Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Exploration, evaluation and development expenditure

Exploration and evaluation are written off as incurred. The group's policy is that such costs will only be carried forward when development of the area indicates that recoupment will occur or where activities in the area have reached an advanced stage which permits reasonable assessment of the existence of economically recoverable reserves.

Exploration, evaluation and development costs comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure but do not include general overhead expenditure which has no direct connection with a particular area of interest.

Revenue received from the sale or disposal of product, materials or services during the exploration and evaluation phase of operation is offset against expenditure in respect of the area of interest concerned.

When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Restoration costs arising from exploration activities are provided for at the time of the activities which give rise to the need for restoration.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

- AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the

entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity has made an assessment and determined that this standard will have little to no impact on the entity as it does not have any financial instruments.

- **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Consolidated Entity has made an assessment and determined that this standard will have little to no impact on the entity as it currently does not earn revenue.

- **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is

recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019 and the impact of its adoption is being assessed by the consolidated entity.

**2(a). Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Research & Development tax rebate

The receivable and corresponding revenue recognised at the reporting date for R&D is based on estimates made by R&D tax specialists from the utilisation of historical cost data.

Rehabilitation provision

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The Consolidated Entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Consolidated Entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations could affect the carrying amount of this provision.

	30 June 2018 \$	30 June 2017 \$
<b>3. Other income</b>		
Foreign exchange gain	68,425	-
Other income	182,176	37,745
Interest income	143,149	63,617
Research and development tax offset - International	1,660,634	655,577
Research and development tax offset - Domestic	2,207,375	1,762,101
	<u>4,261,759</u>	<u>2,519,040</u>

**Accounting policy:**

*Research and development tax offset*

Research and development tax offset revenue is recognised when it is received or when the right to receive payment is established. Revenue is measured at the fair value of the consideration received or receivable.

*Interest*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**4. Other expenses**

Bank charges	3,978	1,635
Insurance	33,826	23,411
Subscriptions	62,813	21,607
Other consultants	350,803	-
Head office and administration	427,136	332,033
	<u>878,556</u>	<u>378,686</u>

	30 June 2018 \$	30 June 2017 \$
<b>5. Share based payment expense</b>		
Unlisted director, officers & advisor options (i)	13,942	667,500
Performance rights (ii)	-	1,200,000
	<b>13,942</b>	<b>1,867,500</b>

**Year ended 30 June 2018:** Entity issued the following Options:

- 29 September 2017: 330,882 Options issued to advisors with a fair value of \$57,276.
- 9 January 2018: 843,936 Options issued to advisors with a fair value of \$90,360.
- 17 May 2018: 1,000,000 Options issued to KMP (CFO) with a fair value of \$173,488 and a vesting period of 18 months. Amount recognised as an expense during the financial year ended 30 June 2018 was \$13,942. The total fair value will be recognised over the remaining vesting period.

**Prior year ended 30 June 2017:** Entity issued the following Options:

- 16 December 2016: 9,000,000 Options with a fair value of \$808,500.

**(i) Set out below are summaries of options granted and outstanding at 30 June 2018:**

Options	Grant Date	Expiry Date	Granted	Exercised	Expired	Balance at the end of the period
<b>1 July 2016</b>						-
Director	16-12-16	16-12-19	6,000,000	-	-	6,000,000
Officers	16-12-16	16-12-19	1,500,000	-	-	1,500,000
Advisors	16-12-16	16-12-19	1,500,000	-	-	1,500,000
<b>30 June 2017</b>			<b>9,000,000</b>			<b>9,000,000</b>
Advisors	29-09-17	29-09-20	330,882	-	-	330,882
Advisors	09-01-18	09-01-20	843,936	-	-	843,936
KMP	17-05-18	17-05-21	1,000,000	-	-	1,000,000
<b>30 June 2018</b>			<b>11,174,818</b>	-	-	<b>11,174,818</b>

5. *Share based payment expense (continued)*

**Options issued 1 July 2017 to 30 June 2018:**

	Advisors	Advisors	KMP
Stock Price	\$0.420	\$0.410	\$0.460
Exercise Price	\$0.425	\$0.525	\$0.525
Expiry Period	3 Years	2 Years	3 Years
Expected future volatility	60%	60%	60%
Risk free rate	2.12%	1.94%	2.24%
Dividend yield	0%	0%	0%
Amount of Options	330,882	843,936	1,000,000
Fair value of Options	\$57,276*	\$90,360*	\$173,488

\* Fair value of Options issued to advisors were treated as share issue costs in the consolidated statement of changes in equity.

**Options issued 1 July 2016 to 30 June 2017:**

Assumptions	Directors	Officers	Advisor
Stock Price	\$0.20	\$0.20	\$0.20
Exercise Price	\$0.25	\$0.25	\$0.25
Expiry Period	3 Years	3 Years	3 Years
Expected future volatility	80%	80%	80%
Risk free rate	1.5%	1.5%	1.5%
Dividend yield	0%	0%	0%
Amount of Options	6,000,000	1,500,000	1,500,000
Fair value of Options	\$534,000	\$133,500	\$141,000*

\* Fair value of Options issued to advisors were treated as share issue costs in the consolidated statement of changes in equity.

5. *Share based payment expense (continued)*

(ii) **Prior year ended 30 June 2017:** Performance Rights granted

A total of 20,000,000 Performance Rights were granted to the founding shareholders of KLP during the year ended 30 June 2017. The following performance criteria is required to be achieved from the date of issue:

<b>Performance criteria</b>	<b>Probability %</b>
- 5 million Performance Rights upon completion of a Definitive Feasibility Study;	60%
- 5 million Performance Rights upon securing funding for the development and construction of the commercial sulphate of potash (SOP) product operation; and	40%
- 10 million Performance Rights upon achievement of the first commercial production of SOP.	30%

	<i>Performance rights granted to directors</i>	<i>Performance rights granted to a consultant</i>
Number	5,400,000	14,600,000
Grant Date	2nd September 2016	2nd September 2016
Expiry Date	2nd September 2021	2nd September 2021
Share price at grant date	\$0.15	\$0.15
Share based payment expense	\$324,000	\$876,000

The Consolidated Entity used judgement in estimating the probability of the performance criteria being met at grant date.

Based on the probability of the non vesting conditions being met (performance criteria), as at the grant date, \$1,200,000 was recognised as a share based payment. As at the date of this report, none of the performance criteria had been met.

**Accounting policy:**

Equity settled compensation

The Consolidated Entity provides benefits to employees (including Directors and a Consultant) of the Consolidated Entity and other service providers or strategic equity partners in the form of share-based payment transactions, whereby employees or other parties render services or provide goods in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing method. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company ("market conditions"). The cost of equity-settled transactions is recognised in the statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects:



5. **Share based payment expense (continued)**

- 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 Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. Where shares are issued at a discount to fair value either by reference to the current market price or by virtue of the Consolidated Entity providing financing for the share purchase on favourable terms, the value of the discount is considered a share based payment. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

	<b>30 June 2018</b>	<b>30 June 2017</b>
	\$	\$

6. **Income tax expense**

A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

Loss before Income tax	<b>(10,757,324)</b>	(5,889,309)
Prima facie benefit on operating loss at 27.5% (2017: 27.5%)	<b>2,958,264</b>	1,619,560
Non allowable expenditure	<b>(1,257,604)</b>	(1,089,851)
Unrecognised deferred tax assets attributable to tax losses	<b>(1,700,660)</b>	(529,709)
Income tax expenses	-	-
Tax losses available	<b>8,110,433</b>	1,926,213

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$2,230,369 (2017: \$529,709) and has not been brought to account at reporting date because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss incurred;

6. *Income tax expense (continued)*

- the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the loss incurred.

**Accounting policy:**

Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognised for all taxable temporary differences:

- Except for deferred income tax liabilities arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services and sales tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

	30 June 2018 \$	30 June 2017 \$
<b>7. Auditor's remuneration</b>		
Audit and review of the financial report	38,000	42,450
Research and development tax	29,464	18,796
Taxation and technical advice services	61,067	45,296
	<b>128,531</b>	106,542

**8. Earnings/(loss) per share**

The following reflects the earnings/(loss) and number of shares used in the calculation of the basic and diluted earnings/(loss) per share.

Basic loss per share (cents per share)	(6.95)	(5.40)
Diluted loss per share (cents per share)	(6.95)	(5.40)
Net loss attributable to ordinary shareholders (\$)	(10,757,324)	(5,889,309)
		Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	154,695,310	109,115,547
Weighted average number of ordinary shares used in the calculation of diluted loss per share	154,695,310	109,115,547

**Accounting policy:**

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. The diluted earnings per share is calculated as net profit or loss attributable to members of the parent dividend by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The weighted average number of shares was based on the consolidated weighted average number of shares in the reporting period. The net profit or loss attributable to members of the parent is adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares.

	30 June 2018 \$	30 June 2017 \$
<b>9. Cash and cash equivalents</b>		
Cash at bank	4,157,744*	1,592,744
Cash on deposit	3,513,542	4,549,047
	<b>7,671,286</b>	<b>6,141,791</b>

(\*) Includes EURO 671,450 (AUD \$1,061,632).

**Accounting policy:**

Cash and cash equivalents include cash on hand and in the bank, and other short-term deposits. Bank overdrafts are shown separately in current liabilities on the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above are net of outstanding bank overdrafts.

	30 June 2018 \$	30 June 2017 \$
<b>10. Trade and other receivables</b>		
<b>Current</b>		
GST refundable	306,434	386,683
Prepayments	16,382	19,878
Research and development tax offset	3,868,009	1,881,400
Accrued interest	25,671	12,383
Fuel rebate	13,662	-
	<b>4,230,158</b>	<b>2,300,344</b>

**Accounting policy:**

Trade receivables, which are due for settlement no more than 30 days from the date of the final invoice, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for uncollectable amounts. The difference between the carrying value of receivables and the present value of the expected future cash flows are accounted for against the carrying value of receivables as an interest charge.

11. *Property, plant and equipment*

	Exploration Equipment \$	Office Equipment \$	Motor Vehicles \$	Leasehold Improve- ments	Rehab- ilitation asset	Total \$
<b>Carrying value 30 June 2016</b>	9,999	1,102	-	-	-	11,101
Additions	370,498	15,425	105,437	-	-	491,360
Depreciation	(29,699)	(2,387)	(3,831)	-	-	(35,917)
<b>Carrying value 30 June 2017</b>	350,798	14,140	101,606	-	-	466,544
Additions	1,300,726	7,037	43,677	6,832	244,378	1,602,650
Depreciation	(169,298)	(6,856)	(27,636)	-	-	(203,790)
<b>Carrying value 30 June 2018</b>	<b>1,482,226</b>	<b>14,321</b>	<b>117,647</b>	<b>6,832</b>	<b>244,378</b>	<b>1,865,404</b>

**Accounting policy:**

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any impairment. The carrying value of assets is reviewed for impairment at the reporting date. An asset is immediately written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount. The depreciation rates per annum for each class of fixed asset are as follows:

Exploration equipment:	20%
Office equipment:	33%
Motor vehicles:	20%
Leasehold Improvements:	50%
Rehabilitation asset:	*

(\*) Rehabilitation asset and the corresponding provision (Note 13), is undiscounted and has not been depreciated. Depreciation and corresponding finance charges incurred in the unwinding of the provision will be recognised from the commencement of production.

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

**11. Property, plant and equipment (continued)**

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or at least on an annual basis. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amount.

30 June 2018	30 June 2017
\$	\$

**12. Trade and other payables**

Current

Accounts payable	3,285,903	2,061,056
Other payables	117,683	88,643
Accrued expenses	348,035	30,100
	<u>3,751,621</u>	<u>2,179,799</u>

**Accounting policy:**

Trade and other payables amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice.

**13. Provisions**

Current

Employee entitlements	93,060	53,421
Rehabilitation	244,378	-
	<u>337,438</u>	<u>53,421</u>

**Accounting policy:**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**13. Provisions (continued)**

Other long-term employee benefits

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

Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

	<b>30 June 2017/2018</b>	
	No.	\$
<b>14. Contributed equity</b>		
Balance at 1 July 2016	<b>126,631,507</b>	<b>6,353,421</b>
Reconstruction of KLP capital**	(35,823,432)	-
Share issue: 04-Aug-16	686,665	103,200
Share issue: 02-Nov-16 (Advisor shares)	300,000	60,000
Share issue: 16-Dec-16 (Pursuant to the IPO)	30,000,000	6,000,000
Share issue: 23-May-17	13,235,295	4,500,000
Share issue costs	-	(1,349,170)
<b>Balance at 30 June 2017</b>	<b>135,030,035</b>	<b>15,667,451</b>
Share Issue: 29-Nov-17	29,471,793	12,378,154
Share Issue: 01-Dec-17	476,191	200,000
Share Issue: 19-Dec-17	1,005,922	422,500
Share Issue: 22-Jan-18	3,809,524	1,600,000
Share Issue Costs		(1,002,578)
<b>Balance at 30 June 2018</b>	<b>169,793,465</b>	<b>29,265,527</b>

\*\* Kalium Lakes Potash Pty Ltd completed an approved restructure and consolidation of share capital, the net effect of which resulted in the total number of ordinary shares in Kalium Lakes Potash Pty Ltd decreasing by 35,823,432.

**14. Contributed equity (continued)**

Ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Capital management

Management controlled the capital of the Consolidated Entity in order to maintain a capital structure that ensured the lowest cost of capital available to the Consolidated Entity. Management's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders.

**Accounting Policy:**

Share capital

Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. Accumulated losses include all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date. All transactions with owners of the parent are recorded separately within equity.

	<b>30 June 2018</b>	30 June 2017
	\$	\$
<b>15. Reserves</b>		
Options reserve (i)	<b>970,078</b>	808,500
Performance rights reserve (ii)	<b>1,200,000</b>	1,200,000
	<b>2,170,078</b>	2,008,500
<b>Movements in reserves</b>		
<b>(i) Options reserve</b>	<b>No of Options</b>	<b>Value \$</b>
<b>Balance at 1 July 2016</b>	-	-
<i>New options issued and vested</i>		
Unlisted director & officers options	<b>7,500,000</b>	667,500
Unlisted advisor options – security issue expenses	<b>1,500,000</b>	141,000
<b>Balance at 30 June 2017</b>	<b>9,000,000</b>	808,500
<i>New options issued and vested</i>		
Unlisted advisor options – security issue expenses	<b>330,882</b>	<b>57,276</b>



15. *Reserves (continued)*

Unlisted advisor options – security issue expenses	843,936	90,360
<i>New options issued and vesting over 18 months</i>		
Unlisted KMP options	1,000,000	13,942*
<b>Balance at 30 June 2018</b>	<b>11,174,818</b>	<b>970,078</b>

(\*) On 17 May 2018, 1,000,000 options with an 18 month vesting period and a total value of \$173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

(ii) *Performance rights*

<b>Balance at 1 July 2016</b>	-
Performance rights issued	1,200,000
<b>Balance at 30 June 2017</b>	<b>1,200,000</b>
Performance rights issued	-
<b>Balance at 30 June 2018</b>	<b>1,200,000</b>

<b>30 June</b>	30 June
<b>2018</b>	2017
\$	\$

16. *Accumulated losses*

<b>Balance at beginning of year</b>	<b>(11,000,492)</b>	(5,111,183)
Loss after tax attributable to the equity holders of the parent entity during the year	(10,757,324)	(5,889,309)
<b>Balance at end of year</b>	<b>(21,757,816)</b>	(11,000,492)

17. *Operating 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.

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

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

**18. Reconciliation of cashflows from operating activities**

	30 June 2018 \$	30 June 2017 \$
Loss before tax	(10,757,324)	(5,889,309)
Depreciation	203,790	35,917
Share based payment expense	13,942	1,867,500
Interest income	(130,341)	(51,235)
Movement in trade & other receivables	(1,929,813)	(1,421,182)
Movement in trade & other payables	1,611,571	1,992,975
	<u>(10,988,175)</u>	<u>(3,465,334)</u>

**19. Parent company information**

Current assets	3,738,924	8,907,876*
Total assets	9,964,064	8,908,333*
Current liabilities	296,275	106,619*
Total liabilities	296,275	106,619*
Net Assets	<u>9,677,789</u>	<u>8,801,714*</u>
Loss of the parent entity	<u>(876,075)</u>	<u>(2,885,158)*</u>
Total comprehensive loss of the parent entity	<u>(876,075)</u>	<u>(2,885,158)*</u>

\* Kalium Lakes Limited ("Company") is a public company which was incorporated in Western Australia on 14 July 2016.

**Guarantees**

Kalium Lakes Limited has not entered into any guarantees.

**Other Commitments and Contingencies**

Kalium Lakes Limited has no commitments and contingencies.

**Plant and Equipment Commitments**

Kalium Lakes Limited has no commitments to acquire property, plant and equipment.

**Significant Accounting Policies**

Kalium Lakes Limited accounting policies do not differ from the Consolidated Entity as disclosed in Note 2.

**20. Events after the end of the reporting period**

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

As per ASX announcement on the 27 July 2018 and subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Venture (CJV). As at that date, BC Potash hold a 30% interest in the CJV, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

**21. Related party transactions**

**Parent Entity**

Kalium Lakes Limited is the Parent Entity.

**Subsidiaries**

Interests in subsidiaries are set out in Note 22.

**Key Management Personnel (KMP)**

Disclosures relating to key management personnel are set out below and in the remuneration report in the Directors' Report.

	<b>30 June 2018</b>	<b>30 June 2017</b>
	\$	\$
Short term employee benefits	<b>865,301</b>	479,932
Post-employment benefits	<b>72,814</b>	42,637
Directors' and KMP remuneration	<b>938,115</b>	522,569
Equity based payments	<b>13,942</b>	858,000
	<b>952,057</b>	1,380,569

**Transactions with Related Parties**

Purchase of exploration equipment from Inceptioneer Pty Ltd totalled \$45,100 during the period. Mr Brett Hazelden (executive director) is a director of Inceptioneer Pty Ltd.

**Receivables from and Payables to Related Parties**

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

**Loans to/from Related Parties**

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

**22. Controlled Entities**

Subsidiary	Country of Incorporation	% of Equity Interest	
		30 June 2018	30 June 2017
Kalium Lakes Potash Pty Ltd *	Australia	100%	100%

\* 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.

**23. Financial risk management**

The Consolidated Entity’s overall financial risk management strategy is to ensure that the Consolidated Entity is able to fund its business operations and expansion plans. Exposure to credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk arises in the normal course of the Consolidated Entity’s business. The Consolidated Entity’s risk management strategy is set by and performed with the close co-operation with the Board and focuses on actively securing the Consolidated Entity’s short to medium-term cash flows by limiting credit risk of customers, regular review of its working capital and minimising the exposure to financial markets. The Consolidated Entity does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Consolidated Entity is exposed are described below.

Financial assets and liabilities

The financial assets and liabilities for financial years ended 30 June 2018 and 30 June 2017 are reflected at amortised cost, and are not fair valued through the Statement of comprehensive income.

Specific financial risk exposures and management

The main risks the Consolidated Entity is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

*a) Credit risk*

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Consolidated Entity.

**23. Financial risk management (continued)**

*b) Liquidity Risk*

Liquidity risk is the risk that there will be inadequate funds available to meet financial commitments as they fall due. The Consolidated Entity recognises the on-going requirements to have committed funds in place to cover both existing business cash flows and provide reasonable headroom for cyclical debt fluctuations and capital expenditure programs. The key funding objective is to ensure the availability of flexible and competitively priced funding from alternative sources to meet the Consolidated Entity's current and future requirements. The Consolidated Entity utilises a detailed cash flow model to manage its liquidity risk. This analysis shows that available sources of funds are expected to be sufficient over the lookout period. The Consolidated Entity attempts to accurately project the sources and uses of funds which provide an effective framework for decision making and budgeting. The table below summarises the maturity profile of the Company's contractual cash flow financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

Consolidated	30 days \$	1-3 months \$	3-12 months \$	Total \$
<b>As at 30 June 2018</b>				
Trade and other payables	3,449,461	302,160	-	3,751,621
<b>Total liabilities</b>	<b>3,449,461</b>	<b>302,160</b>	<b>-</b>	<b>3,751,621</b>
<b>As at 30 June 2017</b>				
Trade and other payables	1,771,683	410,316	(2,200)	2,179,799
<b>Total liabilities</b>	<b>1,771,683</b>	<b>410,316</b>	<b>(2,200)</b>	<b>2,179,799</b>

*c) Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Consolidated Entity is exposed to interest rate movements through the term deposits at a fixed rate of between 1.75% and 2.42% per annum, dependant on days invested. The following table sets out the variable interest bearing and fixed interest bearing financial instruments of the Consolidated Entity:

	Variable interest \$	Fixed interest \$
<b>2018</b>		
<b>Financial assets</b>		
Cash and cash equivalents	4,157,744	3,513,542
<b>Total</b>	<b>4,157,744</b>	<b>3,513,542</b>
<b>2017</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,592,744	4,549,047
<b>Total</b>	<b>1,592,744</b>	<b>4,549,047</b>

**23. Financial risk management (continued)**

The following table illustrates the estimated sensitivity to a 1% increase and decrease to interest rate movements.

Impact on pre-tax profit	30 June 2018 \$	30 June 2017 \$
Interest rates + 1%	41,577	15,927
Interest rates – 1%	(41,577)	(15,927)

d) *Foreign currency risk*

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity periodically transfers amounts held in its functional currency, into foreign currency, based on committed expenditures payable, in order to effectively mitigate against fluctuations in foreign exchange rates.

The Group has cash and cash equivalents and trade and other payables denominated in EUR of AUD\$1,061,632 and AUD\$1,896,923 respectively (2017: AUD\$Nil and AUD\$148,284). At 30 June 2018, if EUR/AUD rates had changed by 10% with all other variables held constant, the consolidated entity's loss before tax for the year would have been AUD\$83,529 lower/higher (30 June 2017: AUD\$14,828 lower/higher).

A sensitivity of 10% (10%: 2017) has been selected as this is considered reasonable given the current level of volatility in the EUR/AUD rate.

**Accounting policy:**

Financial assets

Initial recognition and measurement

Financial assets are categorised as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Consolidated Entity determines the categorisation of its financial assets at initial recognition. Categorisation is re-evaluated at each financial year end. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except where the instrument is classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**23. Financial risk management (continued)**

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently re-measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature in twelve months after the end of the period.

De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Consolidated Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - The Consolidated Entity has transferred substantially all the risks and rewards of the asset, or
  - The Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Consolidated Entity assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or in principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition

Financial liabilities within the scope of AASB139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Consolidated Entity determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings include directly attributable transaction costs. The Consolidated Entity's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

**23. Financial risk management (continued)**

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

*i. At fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Consolidated Entity that are not designated as hedging instruments in hedge relationships as defined by AASB 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The Consolidated Entity has not designated any financial liabilities upon initial recognition as at fair value through profit or loss. Options granted that are not part of a continuing share based payment relationship (i.e. there is no ongoing provision of goods and/or services and are denominated in a currency other than the entity's functional currency) are accounted for as derivative liabilities in accordance with AASB 139: "Financial Instruments: Recognition and Measurement" and IFRIC guidelines. Such options are recorded on the balance sheet at fair value with movements in fair value of the derivative liability, during the period and cumulatively, is not attributable to changes in the credit risk of that liability. In addition, contractual arrangements whereby the Company agrees to issue a variable number of shares are accounted for as a liability. To the extent that these contractual arrangements meet the definition of a derivative, the value of the contractual arrangement is recorded on the balance sheet at fair value with movements in fair value being recorded in the income statement.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**24. Contingent liabilities**

The Consolidated Entity has no contingent liabilities as at 30 June 2018.

**25. Commitments**

Kalium Lakes Limited had \$2,490,163 worth of rental, rates and expenditure commitments relating to its tenements as at 30 June 2018 and other commitments of \$380,000 relating to Engineering work for the Consolidated Entity's Bankable Feasibility Study.



**26. Interests in joint operations**

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

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

As announced to the market, the Scoping Study, Maiden Resource and Exploration Target confirmed that the CPP has potential to be a technically and economically viable project, with an Inferred Resource of 0.88 Mt SOP @ 3,466 mg/l K (equivalent to 7,724 mg/l SOP) based only on the top 1.7 metres of the 27,874 hectare surficial aquifer on granted tenement E38/2995 plus an Exploration Target for material below the top 1.7 metres.

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

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

The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the Consolidated Entity are set out below:

Name	Country of Incorporation	% of Ownership Interest	
		30 June 2018	30 June 2017
Carnegie Joint Operation	Australia	85%*	85%*

\* Kalium Lakes Pty Ltd ownership interest

As per Note 20, subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Operation (CJO). As a result, BC Potash Pty Ltd post year end hold a 30% interest in the CJO, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

The Directors of the Company declare that:

- a. the financial statements and notes are in accordance with the *Corporations Act 2001*;
- b. comply with Accounting Standards;
- c. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
- d. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

The Managing Director and Chief Financial Officer have each declared that:

- a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
- b. the financial statements and notes for the financial year comply with the Accounting Standards; and
- c. the financial statements and notes for the financial year give a true and fair view;

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

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



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Brett Hazelden  
Managing Director

10 September 2018



#### RSM Australia Partners

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## INDEPENDENT AUDITOR'S REPORT To the Members of Kalium Lakes Limited

### Opinion

We have audited the financial report of Kalium Lakes Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed this matter
<b>Exploration and evaluation expenditure</b>	
<p>As reported in the consolidated statement of profit or loss and other comprehensive income, the Group expensed total exploration and evaluation expenditure of \$10,589,212. This expenditure has been expensed as incurred in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> and the Group's accounting policy.</p> <p>Exploration and evaluation expenditure was considered to be a key audit matter as it is material and constituted 71% of the Group's total expenses for the year. The Group must also correctly classify the expenditure in accordance with AASB 6. In addition, the results of exploration and evaluation work determines to what extent the mineral reserves and resources may or may not be commercially viable for extraction.</p>	<p>Our audit procedures in relation to exploration and evaluation expenditure included:</p> <ul style="list-style-type: none"> <li>• Understanding how the expenditure is incurred and agreeing a sample of the expenditure to supporting documentation to ensure the expenditure has been properly authorised, recorded in the correct period and appropriately classified in accordance with AASB 6 and the Group's accounting policy;</li> <li>• Obtaining evidence that the Group has valid rights to explore in each specific area for which the expenditure is recorded;</li> <li>• Considering the Group's assessment of the commercial viability of results relating to exploration and evaluation activities carried out in each specific area; and</li> <li>• Assessing the appropriateness of the Group's disclosures in the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



D J WALL  
Partner  
RSM AUSTRALIA PARTNERS

Perth, Western Australia  
11 September 2018

**As at 30 June 2018**
**Issued Securities**

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	112,023,618	57,769,847	169,793,465
\$0.25 unlisted options expiring 16-Dec-19	-	9,000,000	9,000,000
\$0.425 unlisted options expiring 29-Sep-20	-	330,882	330,882
\$0.525 unlisted options expiring 19-Jan-20	-	843,936	843,936
\$0.525 unlisted options expiring 17-May-21	-	1,000,000	1,000,000
Performance rights	-	20,000,000	20,000,000
<b>Total</b>	<b>112,023,618</b>	<b>88,944,665</b>	<b>200,968,283</b>

**Distribution of Listed Ordinary Fully Paid Shares**

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	91	5,638	-%
1,001	-	5,000	149	413,359	-%
5,001	-	10,000	172	1,567,993	1%
10,001	-	100,000	446	16,354,313	10%
100,001	-	and over	134	151,452,162	89%
<b>Total</b>			<b>992</b>	<b>169,793,465</b>	<b>100%</b>

**Top 20 Listed Ordinary Fully Paid Shareholders**

Rank	Shareholder	Shares Held	% Issued Capital
1.	VINCE SMOOTHY SUPER PTY LTD <VINCE SMOOTHY S/FUND A/C>	40,339,800	24%
2.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	15,865,283	9%
3.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	6,629,414	4%
4.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	6,232,493	4%
5.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	5,854,797	3%
6.	THOMAS ELLIS + SALLY ELLIS <COOLA STATION S/F 1982 A/C>	5,000,000	3%
7.	UBS NOMINEES PTY LTD	4,374,001	3%
8.	CITICORP NOMINEES PTY LIMITED	3,774,928	2%
9.	COOLA STATION PTY LTD <THE COOLA A/C>	3,315,600	2%
10.	PARKRANGE NOMINEES PTY LTD	2,933,553	2%
11.	MR DALE JAMES CHAMPION + MRS ANITA MARIA CHAMPION <CHAMPION INVESTMENT A/C>	2,837,325	2%
12.	P GOYDER SUPERANNUATION PTY LTD <P GOYDER SUPER FUND A/C>	2,715,854	2%
13.	MR STACEY RADFORD	2,247,966	1%
14.	NOWHERETOGO PTY LTD <THE R&J INVESTMENT S/F A/C>	2,157,800	1%
15.	MR DANIEL GEORGE CLARK + MISS JOHANNE GILLINGHAM <CLARGILLY SUPERFUND A/C>	2,150,443	1%
16.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	2,014,068	1%

17.	BLUEBAY ASSET PTY LTD <E GOYDER SUPERANNUATION A/C>	1,881,500	1%
18.	NATIONAL NOMINEES LIMITED	1,878,720	1%
19.	MR EDWARD EARL MARSHALL	1,385,854	1%
20.	PATINA RESOURCES PTY LTD	1,352,600	1%
<b>Total</b>		<b>114,941,999</b>	<b>68%</b>