

Kalium Lakes Limited

ABN: 98 613 656 643

And Controlled Entities

HALF YEAR REPORT

**For the Half Year Ended
31 December 2018**

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DIRECTORS

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

JOINT COMPANY SECRETARIES

Gareth Widger
Christopher Achurch

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1, 152 Balcatta Road, Balcatta
Perth WA 6021

POSTAL ADDRESS

P.O. Box 610, Balcatta
Perth WA 6914

SHARE REGISTRY

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AUDITORS

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

SOLICITORS

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

HOME EXCHANGE

Australian Securities Exchange
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Perth WA 6000

ASX CODE

KLL

Your Directors submit the financial report of Kalium Lakes Limited (Company) for the half year ended 31 December 2018.

DIRECTORS

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

Malcolm Randall
Brett Hazelden
Rudolph van Niekerk
Brendan O'Hara

PRINCIPAL ACTIVITIES

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

RESULTS

The loss after tax for the half year ended 31 December 2018 was \$9,279,869 (2017: loss \$3,811,890).

REVIEW OF OPERATIONS

Overview

Key operational highlights during the reporting period included:

- Completion of the Bankable (or Definitive) Feasibility Study (BFS) including an updated Ore Reserve for the Beyondie Sulphate Of Potash Project;
- 90% Increase in Ore Reserves: Based solely within the Stage 1 Approval Footprint which represents less than a quarter of total lake surface area within the tenement package:
 - Proved Reserve of 1.65 Mt @13,830 mg/l SOP at a cut-off grade of 2,500mg/l K
 - Probable Reserve of 3.49 Mt @11,820 mg/l SOP at a cut-off grade of 2,500mg/lK
- 150% increase in the Beyondie SOP Project's Measured and Indicated Resources:
 - Measured Resource of 1.72 Mt @ 11,488 mg/l SOP
 - Indicated Resource of 9.17 Mt @ 12,459 mg/l SOP
 - Inferred Resource of 8.75 Mt @ 12,593 mg/l SOP
- Early Works and Front End Engineering and Design (FEED) commenced. Early Works underway since July 2018 with the major focus being the upgrade of the access road and communications towers to enable a smooth transition into construction. FEED has been substantially advanced with works focused on plant optimisation, finalising equipment selection, process plant recovery improvements and debottlenecking of constraints across the process flowsheet.

- Letter of Interest received from Euler Hermes for German export credit cover (ECA) with approximately A\$42 million of the Beyondie Sulphate Of Potash Project capital expenditure expected to qualify;
- Positive preliminary assessment decision by the German Government InterMinisterial Committee;
- K+S confirmed that it had satisfactorily completed its technical due diligence (DD) review on the Beyondie Sulphate Of Potash Project. The offtake arrangement for the entire Phase 1 SOP production from the Project remains subject to the parties agreeing and entering into a formal binding offtake agreement. The completion of DD satisfied one condition precedent required for the execution of that agreement;
- A licence to construct and operate a gas pipeline to the Beyondie Sulphate Of Potash Project was granted in November 2018. The gas pipeline will generate substantial operating cost savings and positions KLL to accelerate the future expansion of the Project; and
- Early Works Mining Proposal and Mine Closure Plan assessed and approved by the Department of Mines, Industry Regulation and Safety (DMIRS) and determined to provide the information required in the guidelines approved under section 700 of the Mining Act 1978 (the Act);
- KLL advised it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenement E69/3247 and had lodged a new tenement application. The new tenement is located adjacent to the Company's current Project tenements;
- KLL and BCI Minerals Limited (as JV Companies), the owners of the Carnegie Potash Project (CPP) via the Carnegie Joint Venture announce the completion of the Scoping Study and a maiden Resource and Exploration Target for the CPP in Western Australia;
- The Company received a total of \$3,863,050 in R&D tax offsets for the 2017/18 income year for both Australian and approved overseas R&D activities;
- In December 2018, KLL successfully completed a bookbuild for its placement of 9,053,083 new fully paid ordinary shares in the Company at an issue price of A\$0.31 per Share to both new and existing, domestic and overseas institutional, sophisticated and professional investors to raise A\$2,806,456 before costs. Proceeds from the Placement will be used to continue to fund early capital works, Front End Engineering & Design (FEED), progressing project financing, general overheads and working capital, to advance the Beyondie Sulphate Of Potash Project.

EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to the reporting date:

- In January 2019 KLL received approval in accordance with Part 9 of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) from the Commonwealth Department of the Environment and Energy, for "*The abstraction of potassium-rich brine associated with Sunshine and Ten Mile Lakes, approximately 160 km south-east of Newman, in the eastern Pilbara region of WA and production of Sulphate Of Potash by means of solar evaporation.*" at its Beyondie Sulphate Of Potash Project;

- In mid February 2019, KLL advised that all of the required Mining Tenure for the Beyondie Sulphate Of Potash Project has now been granted by the Department of Mines, Industry Regulation and Safety (DMIRS). The Tenure includes two Mining Leases, 15 Miscellaneous Licences and a gas pipeline licence, in addition to the 15 granted exploration Licences;
- FEED optimisation works completed by K-UTEC in conjunction with a number of equipment suppliers in Germany, which has continued to build on the previous work completed in the BFS. Overall potassium recoveries (Brine to SOP product) have increased from 72% in the BFS up to 91% during the FEED;
- The Board of the Northern Australia Infrastructure Facility (NAIF) announced, on 20 February 2019, the approval of an Investment Decision for A\$74 million Beyondie SOP Project funding. The NAIF funding allows Kalium Lakes to bring forward the construction of a 78 kilometre gas pipeline and a gas fired power station, reducing operating costs by approximately A\$62-65 per tonne; and
- On 27 February 2019, the issue of 1,612,904 fully paid ordinary shares at \$0.31 each, to raise \$500,000 before costs, was ratified.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2018 has been received and is included within the financial statements.

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



Malcolm Randall
Chairman

28 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION

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



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 28 February 2019

**CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Kalium Lakes Limited

	Consolidated 31 December 2018	Consolidated 31 December 2017
	\$	\$
Revenue	99,355	162,869
Accounting fees	(87,843)	(104,945)
Compliance fees	(93,890)	(15)
Depreciation	(198,330)	(62,994)
Directors' remuneration	(367,822)	(426,293)
Employee expenses	(641,006)	(688,026)
Exploration expenditure	(3,963,783)	(1,991,819)
Legal fees	(449,440)	(72,862)
Share based payments	(2,897,203)	(57,276)
Travel	(121,218)	(269,318)
Other expenses	(558,689)	(301,211)
Loss before income tax expense	(9,279,869)	(3,811,890)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of Kalium Lakes Limited	(9,279,869)	(3,811,890)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive loss for the half-year attributable to the owners of Kalium Lakes Limited	(9,279,869)	(3,811,890)
Basic and diluted loss per share (cents per share)	(5.33)	(2.71)

The accompanying notes form part of these financial statements.

	Note	Consolidated 31 December 2018	Consolidated 30 June 2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		5,298,147	7,671,286
Trade and other receivables		363,494	4,230,158
Total Current Assets		5,661,641	11,901,444
Non-Current Assets			
Property, plant and equipment		1,895,980	1,865,404
Total Non-Current Assets		1,895,980	1,865,404
Total Assets		7,557,621	13,766,848
LIABILITIES			
Current Liabilities			
Trade and other payables	2	1,661,728	3,751,621
Provisions	3	505,920	337,438
Total Current Liabilities		2,167,648	4,089,059
Total Liabilities		2,167,648	4,089,059
Net Assets		5,389,973	9,677,789
EQUITY			
Issued capital	4	33,685,377	29,265,527
Reserves	5	2,742,281	2,170,078
Accumulated losses		(31,037,685)	(21,757,816)
Total Equity		5,389,973	9,677,789

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Kalium Lakes Limited

Consolidated	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	15,667,451	2,008,500	(11,000,492)	6,675,459
Loss for the half-year	-	-	(3,811,890)	(3,811,890)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,811,890)	(3,811,890)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	13,029,389	-	-	13,029,389
Security issue expenses	(975,573)	-	-	(975,573)
Share based payment	-	57,276	-	57,276
Balance at 31 December 2017	27,721,267	2,065,776	(14,812,382)	14,974,661
Balance at 1 July 2018	29,265,527	2,170,078	(21,757,816)	9,677,789
Loss for the half-year	-	-	(9,279,869)	(9,279,869)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(9,279,869)	(9,279,869)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	2,306,455	-	-	2,306,455
Security issue expenses	(211,605)	-	-	(211,605)
Shares issued upon conversion of performance rights	450,000	(450,000)	-	-
Share based payment	1,875,000	1,022,203	-	2,897,203
Balance at 31 December 2018	33,685,377	2,742,281	(31,037,685)	5,389,973

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Kalium Lakes Limited

	Consolidated 31 December 2018	Consolidated 31 December 2017
	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities		
Interest received	61,957	44,820
Other receipts	63,258	74,207
R&D refund received	3,868,009	1,881,399
Payments to suppliers and employees	(2,107,207)	(1,417,409)
Payments for exploration activities	(6,278,190)	(3,913,254)
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Net cash used in operating activities	(4,392,173)	(3,330,237)
Cash flows from investing activities		
Payments for property, plant and equipment	(75,816)	(172,344)
	<hr/>	<hr/>
Net cash used in investing activities	(75,816)	(172,344)
Cash flows from financing activities		
Proceeds from issue of securities	2,306,455	13,029,389
Transaction costs – capital raising	(211,605)	(945,191)
	<hr/>	<hr/>
Net cash provided by financing activities	2,094,850	12,084,198
Net (decrease)/increase in cash and cash equivalents	(2,373,139)	8,581,617
Cash and cash equivalents at the beginning of the financial half-year	7,671,286	6,141,791
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	5,298,147	14,723,408
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The accompanying notes form part of these financial statements.

1. Basis of Preparation of Half Year Financial Report**a) Reporting entity**

Kalium Lakes Limited (“Company”) is a public company domiciled in Australia. The interim financial statements of the Company as at and for the half year ended 31 December 2018 comprise the Company and its controlled entities (together referred to as the “Consolidated Entity” or “Company”).

b) Statement of compliance

These interim financial statements constitute a general purpose financial report and have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB134 ensures compliance with IAS134: Interim Financial Reports. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements as at and for the year ended 30 June 2018.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Entity’s last annual financial statements for the year ended 30 June 2018. The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these interim financial statements.

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

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the consolidated entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

1. Basis of Preparation of Half Year Financial Report**d) Comparative Figures**

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

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
2. Trade and other payables		
<u>Current</u>		
Accounts payable	1,053,633	3,285,903
Other payables	58,408	117,683
Accrued expenses	549,687	348,035
	1,661,728	3,751,621
3. Provisions		
Employee entitlements	108,452	93,060
Rehabilitation	397,468	244,378
	505,920	337,438
4. Issued capital		
Issued and paid up capital:	Number	Number
Ordinary shares fully paid of no par value	187,233,644	169,793,465
	31 December 2018	
	Number	Value \$
Movement in ordinary shares on issue:		
Opening balance 1 July 2018	169,793,465	29,265,527
Conversion of performance rights: 17 October 2018 (<i>transfer from reserves</i>)	5,000,000	450,000
Issue of shares for tenement acquisition: 26 October 2018	5,000,000	1,875,000
Issue of placement shares: 21 December 2018	7,440,179	2,306,455
Transaction costs relating to share issues	-	(211,605)
Closing balance 31 December 2018	187,233,644	33,685,377

	Consolidated 31 December 2018	Consolidated 30 June 2018
	\$	\$
5. Reserves		
Options reserve	1,992,281	970,078
Performance rights reserve	750,000	1,200,000
	<u>2,742,281</u>	<u>2,170,078</u>

Movements in reserves

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

Options reserve

	Number	Value \$
Balance at 1 July 2018	11,174,818	970,078
<i>New unlisted options issued during the half-year</i>		
Issue of options for tenement acquisition: 26 October 2018*	5,000,000	963,898
<i>Unlisted options issued in a prior period vesting over 18 months</i>		
Issue of options to KMP*	-	58,305
Balance at 31 December 2018	<u>16,174,818</u>	<u>1,992,281</u>

* Share based payments via the issue of unlisted options totalled \$1,022,203 for the half year ended 31 December 2018 (includes options vesting over multiple periods).

Performance rights reserve

	Value \$
Balance at 1 July 2018	1,200,000
Conversion of performance rights (<i>transfer to issued capital</i>)	<u>(450,000)</u>
Balance at 31 December 2018	<u>750,000</u>

Dividends

There were no dividends paid or declared for the half-year ended 31 December 2018.

5. Commitments

The Consolidated Entity had \$2,525,239 of expenditure commitments as at 31 December 2018, associated with rent, rates, native title and expenditure commitments in relation to the Company's exploration and mining tenements.

6. Contingent assets and liabilities

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

7. Financial reporting by segments

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

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

8. Events subsequent to period end

The following events have occurred subsequent to the reporting date:

- In January 2019 KLL received approval in accordance with Part 9 of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) from the Commonwealth Department of the Environment and Energy, for "*The abstraction of potassium-rich brine associated with Sunshine and Ten Mile Lakes, approximately 160 km south-east of Newman, in the eastern Pilbara region of WA and production of Sulphate Of Potash by means of solar evaporation.*" at its Beyondie Sulphate Of Potash Project;
- In mid February 2019, KLL advised that all of the required Mining Tenure for the Beyondie Sulphate Of Potash Project has now been granted by the Department of Mines, Industry Regulation and Safety (DMIRS). The Tenure includes two Mining Leases, 15 Miscellaneous Licences and a gas pipeline licence, in addition to the 15 granted exploration Licences;
- FEED optimisation works completed by K-UTEC in conjunction with a number of equipment suppliers in Germany, which has continued to build on the previous work completed in the BFS. Overall potassium recoveries (Brine to SOP product) have increased from 72% in the BFS up to 91% during the FEED;
- The Board of the Northern Australia Infrastructure Facility (NAIF) announced, on 20 February 2019, the approval of an Investment Decision for A\$74 million Beyondie SOP Project funding. The NAIF funding allows Kalium Lakes to bring forward the construction of a 78 kilometre gas pipeline and a gas fired power station, reducing operating costs by approximately A\$62-65 per tonne; and
- On 27 February 2019, the issue of 1,612,904 fully paid ordinary shares at \$0.31 each, to raise \$500,000 before costs, was ratified.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

The directors declare that:

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

- a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date.

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

Declaration

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



Malcolm Randall
Chairman

28 February 2019



RSM Australia Partners

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

We have reviewed the accompanying half-year financial report of Kalium Lakes Limited (company), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kalium Lakes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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RSM Australia Partners ABN 36 965 185 036

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Conclusion

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

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 28 February 2019