KALIUM LAKES LIMITED

ABN: 98 613 656 643

and Controlled Entities

CONSOLIDATED ANNUAL REPORT

For the Year Ended
30 June 2020

DIRECTORS

Malcolm Randall	Non-Executive Chairman
Stephen Dennis	Non-Executive Director
Dale Champion	Non-Executive Director
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director

JOINT SECRETARY
Gareth Widger
Chris Achurch

CHIEF FINANCIAL OFFICER
Chris Achurch

CHIEF EXECUTIVE OFFICER
Rudolph van Niekerk

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Balcatta WA 6021
PO Box 610
Balcatta WA 6914
Telephone: +61 8 9240 3200

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AUDITORS
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SHARE REGISTRY
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SOLICITORS
DLA Piper Australia
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HOME EXCHANGE
Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace, Perth WA 6000

ASX CODE
KLL

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity" or "Company") consisting of Kalium Lakes Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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 (ceased employment 24 July 2020)
Stephen Dennis	Non-Executive Director
Dale Champion	Non-Executive Director (appointed 6 April 2020)
Mark Sawyer	Non-Executive Director (appointed 1 May 2020)
Brent Smoothy	Non-Executive Director (appointed 1 May 2020)
Rudolph van Niekerk	Executive Director (resigned 1 May 2020)

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below:

Name:	Malcolm Randall
Title:	Non-Executive Chairman
Qualification:	Dip Applied Chem, FAICD
Experience and expertise:	Mr Malcolm Randall holds a Bachelor of Applied Chemistry Degree and has more than 45 years' of extensive 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. Mr Randall has held the position of chairman and director of a number of ASX listed companies.
Other current Directorships:	Ora Gold Limited, Magnetite Mines Limited, Argosy Minerals Limited, Hastings Technology Metals Limited
Former Directorships (last 3 years):	Summit Resources
Interest in shares as at the date of this report:	3,342,363
Interest in options as at the date of this report:	Nil

Name:	Stephen Dennis
Title:	Non-Executive Director
Qualification:	BCOM BLL.B GDipAppFin(Finsia)
Experience and expertise:	Mr Stephen Dennis has a career spanning more than 30 years as an experienced and well regarded company director and has been appointed on a number of senior boards in the Australian and international resources sector. Mr Dennis was the Managing Director and Chief Executive Officer of CBH Resources Limited and is currently the non-executive chairman of several ASX listed resource companies. Mr Dennis has also held senior operational and commercial positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.
Other current Directorships:	Rox Resources Limited, LeadFX Limited, EHR Resources Limited, Heron Resources, Graphex Limited
Former Directorships (last 3 years):	Nil
Interest in shares as at the date of this report:	1,333,334
Interest in options as at the date of this report:	Nil

Name:	Dale Champion
Title:	Non-Executive Director (appointed 6 April 2020)
Qualification:	Bachelor of Business and GAICD
Experience and expertise:	Mr Champion's finance career spanned more than 25 years and included extensive experience in institutional and corporate banking, together with structured and international trade finance. Dale established Agrify, a private Australian based advisory firm specialising in agricultural related industries, in 2010.
Other current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in shares as at the date of this report:	3,749,061
Interest in options as at the date of this report:	Nil

Name:	Mark Sawyer
Title:	Non-Executive Director (appointed 1 May 2020)
Qualification:	LL.B.
Experience and expertise:	Mark Sawyer is a co-founder of Greenstone Resources which he founded in 2013 after a successful 16 year career in the resources sector. Prior to establishing Greenstone, Mark was GM and Co-Head Group Business Development at Xstrata plc. Prior to Xstrata, he was a founder and partner at Cutfield Freeman & Co, a boutique advisory firm. Mark is a corporate finance Solicitor by training.
Other current Directorships:	Heron Resources, Metro Mining Limited
Former Directorships (last 3 years):	Nil
Interest in shares as at the date of this report:	Nil
Interest in options as at the date of this report:	Nil

Name:	Brent Smoothy
Title:	Non-Executive Director (appointed 1 May 2020)
Experience and expertise:	Brent Smoothy is a successful business owner controlling multiple companies that undertake pastoral, aviation, logistics, aggregate production and construction activities in Australia. Brent is a co-founder of the Company, who retains pastoral leases in the Central and Eastern Pilbara regions of Western Australia, a broadacre cropping and cattle property in Central Queensland and a helicopter aviation business servicing the pastoral, mining and government sectors.
Other current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in shares as at the date of this report:	81,843,097
Interest in performance rights as at the date of this report:	7,300,000
Interest in options as at the date of this report:	Nil

Chris Achurch

Chief Financial Officer and Joint Company Secretary

Chris Achurch (B Com, CA) has worked with a number of major businesses across the construction, exploration, mining and agricultural sectors. Having spent 10 years in public practice with RSM Australia based in Perth, with transfers to Dallas and New York, Chris has a comprehensive understanding of commercial accounting, audit functions and corporate finance.

Chris Achurch provided his 3 month notice period on 30 April 2020. At the date of this report, Mr Achurch continues as CFO on a contract basis and has agreed to do so until a suitable replacement is appointed.

Gareth Widger
Joint Company Secretary and Corporate Affairs Manager

Gareth (BA, GIA (Cert)) has over 30 years' experience in senior roles managing corporate administration and strategic communication activities for public and private companies within the agriculture, industrial chemical, mining, civil engineering, retail and wholesale sectors. His responsibilities have included corporate/investor relations, stakeholder engagement, marketing and media liaison.

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
Number of Meetings Held	**16**	**2**	**1**	**2**
Number of Meetings Attended:				
Malcolm Randall	16	2	1	2
Brett Hazelden	16	-	1	2
Rudolph van Niekerk	13	1	-	-
Stephen Dennis	16	2	1	2
Dale Champion	7	-	-	-
Mark Sawyer	3	-	-	-
Brent Smoothy	3	-	-	-

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:

Number under Option	Exercise Price	Expiry date
330,882	$0.425	29 September 2020
1,000,000	$0.525	17 May 2021
5,000,000	$0.3583	30 June 2025
12,218,987	$0.00	16 June 2023
17,677,493	$0.00	16 June 2023
1,666,667	$0.00	16 June 2023
1,000,000	$0.00	16 June 2022
1,182,639	$0.55	16 June 2022
1,750,000	$0.625	16 June 2022

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

2,438,203 shares were issued as a result of the exercise of options during the financial year.

There were no options or performance rights exercised into shares subsequent to the reporting date.

REMUNERATION REPORT (AUDITED)

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2020. 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 2020.

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") or any other General Meeting of Shareholders. The maximum aggregate amount of fees payable is currently $500,000.

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 2020.

Remuneration Report Approval at FY2020 AGM

The remuneration report for the year ended 30 June 2020 will be put to shareholders for approval at the Company's AGM. The Company received 86.61% "for" votes on its Remuneration Report for the year ended 30 June 2019.

Share Trading by Directors and Executives

When dealing may occur

- Subject to additional restriction set out below ("When dealing may not occur"), a Director, the Company Secretary or employee of the Company may deal in the Company securities provided that he or she does not have information that he or she knows, or ought reasonably to know, is inside information in relation to the Company securities.

  Prior to any dealing in the Company securities:
- The Chairman must use reasonable endeavours to inform the Managing Director ("MD") or Chief Executive Officer ("CEO") (or if not available another Director):
- A Director (other than the chairperson) and the Company Secretary must use reasonable endeavours to inform the Chairperson (or, if not available, the MD/CEO, or if neither are available another Director):
- The MD/CEO must use reasonable endeavours to inform the Chairperson (or if not available another Director): and
- Senior Managers must inform and receive approval from the MD/CEO (or, if not available the Company Secretary).

When dealing may not occur

- Dealing must not occur if Directors, the Company Secretary and employees are in possession of price sensitive information, or where the Company is in possession of price sensitive information, or the Company has notified a director, the Company Secretary and employee that they may not buy or sell securities; and
- Directors, the Company Secretary and members of the Executive Team must not (subject to prior written clearance in accordance with clause 3.10 of the Company's Security Trading Policy) buy or sell or otherwise deal in the Company securities within the following periods:
  - the period beginning on 1 January and ending at the close of trading on the day of release of the Company's half yearly financial report to the ASX;
  - the period beginning on 1 July and ending at the close of trading on the day of the release of the Company's Annual Financial Report to the ASX;
  - the period beginning on the date that is four weeks before a prospectus for the offer of equity securities in or other capital raising by the Company; and
  - any other period as the Board of Directors of the Company may decide, ("Closed Period").

A. **Details of Remuneration**

		Short-term benefits	Post-employment benefits	Share-based payments		
	Year	Cash salary, bonuses[7], leave cash out and other benefits $	Superannuation $	Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors						
Malcolm Randall	**2020**	**88,699**	**8,426**	**-**	**-**	**97,125**
	2019	65,000	6,175	-	-	71,175
Brendan O'Hara[1]	**2020**	**-**	**-**	**-**	**-**	**-**
	2019	39,583	3,761	-	-	43,344
Stephen Dennis[2]	**2020**	**64,132**	**6,093**	**-**	**-**	**70,225**
	2019	8,840	840	-	-	9,680
Brent Smoothy[4]	**2020**	**7,917**	**752**	**-**	**-**	**8,669**
	2019	-	-	-	-	-
Dale Champion[3]	**2020**	**11,875**	**1,128**	**-**	**-**	**13,003**
	2019	-	-	-	-	-
Mark Sawyer[5]	**2020**	**7,917**	**-**	**-**	**-**	**7,917**
	2019	-	-	-	-	-
Executive Directors						
Brett Hazelden[10]	**2020**	**375,962**	**21,003**	**-**	**-**	**396,965**
	2019	290,000	25,254	-	-	315,254
Key Management Personnel						
Rudolph van Niekerk[6&10]	**2020**	**343,844**	**21,003**	**-**	**-**	**364,847**
	2019	267,366	25,000	-	-	292,366
Chris Achurch[9]	**2020**	**189,132**	**17,968**	**-**	**43,887**[8]	**250,987**
	2019	165,000	15,675	-	115,659	296,334
Total	**2020**	**1,089,478**	**76,373**	**-**	**43,887**	**1,209,738**
Total	2019	835,789	76,705	-	115,659	1,028,153

1. Brendan O'Hara resigned as Director on 26 April 2019
2. Stephen Dennis was appointed as Director on 26 April 2019
3. Dale Champion was appointed as Director 6 April 2020
4. Brent Smoothy was appointed as Director 1 May 2020
5. Mark Sawyer was appointed as Director 1 May 2020
6. Rudolph van Niekerk resigned as Director on 1 May 2020
7. Bonuses of $85,000 were paid during the period
8. 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 Chief Financial Officer. The amount recognised in this financial year is a representation of the vesting period elapsed during the reporting period.
9. Chris Achurch provided his 3 month notice period on 30 April 2020. At the date of this report, Mr Achurch continues as CFO on a contract basis and has agreed to do so until a suitable replacement is appointed.
10. On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
Non-Executive Directors						
Malcolm Randall	**85%**	100%	**15%**	0%	**0%**	0%
Brendan O'Hara	**0%**	100%	**0%**	0%	**0%**	0%
Stephen Dennis	**86%**	100%	**14%**	0%	**0%**	0%
Brent Smoothy	**100%**	100%	**0%**	0%	**0%**	0%
Dale Champion	**100%**	100%	**0%**	0%	**0%**	0%
Mark Sawyer	**100%**	100%	**0%**	0%	**0%**	0%
Executive Directors						
Brett Hazelden	**94%**	100%	**6%**	0%	**0%**	0%
Key Management Personnel						
Rudolph van Niekerk	**93%**	100%	**7%**	0%	**0%**	0%
Chris Achurch	**79%**	61%	**4%**	0%	**17%**	39%

B. Service Agreements

The Company has entered into executive service agreements with the Managing Director, Chief Development Officer and Chief Financial Officer as detailed below:

Brett Hazelden in respect to his employment as the Managing Director of the Company. The principal terms are as follows:

- An annual salary of $320,000 excluding superannuation for the financial year ended 30 June 2020;
- Brett 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 (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, in which case no notice is required). During this 12-month period, Brett cannot seek alternative employment, unless permission is granted by the Board; and
- If Brett's employment ends due to the position being made redundant, Brett will be entitled to a minimum of 12 months of base salary.

As disclosed at events subsequent to reporting date, on 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

Rudolph van Niekerk in respect to his employment as the Chief Development Officer of the Company. The principal terms are as follows:

- An annual salary of $300,000 excluding superannuation for the financial year ended 30 June 2020;
- Rudolph may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Rudolph (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 Rudolph, in which case no notice is required); and
- Rudolph is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer on 24 July 2020.

Chris Achurch in respect to his employment as the Chief Financial Officer of the Company. The principal terms are as follows:

- An annual salary of $180,000 excluding superannuation for the financial year ended 30 June 2020;
- Chris may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Chris (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 Chris, in which case no notice is required);
- If Chris's employment ends due to the position being made redundant, Chris will be entitled to a minimum of 6 months of base salary; and
- Chris is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

C. Share Based Compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year of future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per option
Chris Achurch	1,000,000[1]	17/05/18	15/11/19	17/05/21	$0.525	$0.173

[1] 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 Chief Financial Officer. The amount recognised in this financial year is a representation of the vesting period elapsed during the reporting period.

There were no options over ordinary shares granted to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Revenue	638,559	1,705,960	4,261,759	2,519,040	849,748
EBITDA	(18,146,182)	(11,469,093)	(10,696,683)	(5,917,009)	(3,645,685)
EBIT	(18,892,617)	(11,885,909)	(10,900,473)	(5,952,926)	(3,647,069)
Loss after income tax	(18,892,617)	(11,762,018)	(10,757,324)	(5,889,309)	(3,647,069)
The factors that are considered to affect total shareholders return ("TSR") are summarised below:					
Share price at financial year end ($)	0.145	0.59	0.54	0.36	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(4.71)	(6.15)	(6.95)	(5.40)	(4.30)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received as part of remuneration	Additions	Disposals /other	Balance at the end of the year
Malcolm Randall	1,513,207	-	1,829,156	-	3,342,363
Stephen Dennis	-	-	1,020,791	-	1,020,791
Brent Smoothy[2]	69,373,129	-	6,666,667	(8,128,187)	67,911,609
Dale Champion[1]	3,749,061	-	-	-	3,749,061
Mark Sawyer[3]	-	-	-	-	-
Brett Hazelden[4]	14,719,066	-	13,669,537	-	28,388,603
Rudolph van Niekerk[4]	3,615,600	-	6,874,896	(1,040,000)	9,450,496
Chris Achurch	2,000	-	35,715	-	37,715
Total	**92,972,063**	**-**	**30,096,762**	**(9,168,187)**	**113,900,638**

[1] Dale Champion was appointed as Director on 6 April 2020. Opening shareholding is at date of appointment.
[2] Brent Smoothy was appointed as Director on 1 May 2020. Opening shareholding is at date of appointment.
[3] Mark Sawyer was appointed as Director on 1 May 2020. Opening shareholding is at date of appointment.
[4] On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Malcolm Randall	2,000,000	-	(2,000,000)	-	-
Stephen Dennis	-	-	-	-	-
Brent Smoothy	-	-	-	-	-
Dale Champion	-	-	-	-	-
Mark Sawyer	-	-	-	-	-
Brett Hazelden	-	-	-	-	-
Rudolph van Niekerk	-	-	-	-	-
Chris Achurch	1,000,000	-	-	-	1,000,000
Total	**3,000,000**	**-**	**(2,000,000)**	**-**	**1,000,000**

Performance shares holding

The number of performance shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Malcolm Randall	-	-	-	-	-
Stephen Dennis	-	-	-	-	-
Brent Smoothy[1]	7,300,000	-	-	-	7,300,000
Dale Champion	-	-	-	-	-
Mark Sawyer	-	-	-	-	-
Brett Hazelden[2]	3,150,000	-	(1,050,000)	-	2,100,000
Rudolph van Niekerk[2]	900,000	-	(300,000)	-	600,000
Chris Achurch	-	-	-	-	-
Total	**11,350,000**	**-**	**(1,350,000)**	**-**	**10,000,000**

1 Brent Smoothy was appointed as Director 1 May 2020. Opening holding is at date of appointment.

2 On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development officer, Rudolph van Niekerk, as the interim Chief Executive Officer.

Other transactions with key management personnel and their related parties

During the financial year, payments for construction services from Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy) of $4,323,731 were made. The current trade payable balance as at 30 June 2020 was $2,089,723. On 9 July 2020, the Company issued 13,931,488 shares at $0.15 in lieu of cash payment for the outstanding invoices owing ($2,089,723) in respect to construction services provided by Smoothy Cattle Co Pty Ltd.

Payments of $4,901,101 were made during the financial year to Firm Construction Pty Ltd "FIRM" (under the FIRM contract Smoothy Cattle Co Pty Ltd was awarded the work as sole sub-contractor). No amounts were outstanding and payable at 30 June 2020 to FIRM Construction Pty Ltd.

All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is the exploration and mining of mineral resources.

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2020 was $18,892,617 (2019: $11,762,018 loss).

CORPORATE

- In July 2019:
  - Kalium Lakes received a credit-approved offer of finance from German KfW IPEX-Bank for the US / Euro dollar equivalent of A$102 million of senior debt funding (KfW IPEX-Bank Debt Facilities) for the development of the Beyondie Sulphate of Potash Project (BSOPP);
  - Kalium Lakes awarded the evaporation pond liner, supply and install contract to Jaylon Environmental Systems Pty Ltd (Jaylon), with the contract including the management of delivery and installation of 1mm HDPE liner for a total of approximately 400ha of evaporation area for the Stage 1 BSOPP 90ktpa SOP facility;
  - the German government advised that its Inter-Ministerial Committee had reached a positive decision on its application for the Euro / US dollar equivalent of approximately A$50 million of project finance export cover; and
  - Kalium Lakes conducted an institutional placement and an accelerated non-renounceable entitlement offer to raise approximately A$72 million. The successful completion of Kalium Lakes' institutional placement and the institutional component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer was announced on 26 July 2019.
- In August 2019, the 10 Mile Lake West Exploration Licence (E69/3594) was granted to Kalium Lakes. Kalium Lakes had previously announced (October 2018) that it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenement. In addition that month, the retail component of its 1 for 2.19 accelerated non-renounceable pro-rata entitlement offer was successfully completed, bringing the total raised to approximately $72 million.
- On 3 October 2019, the Kalium Lakes Board approved the Final Investment Decision for the full development of the BSOPP.
- In October 2019:
  - Kalium Lakes awarded Clarke Energy the contract to design, supply, install and commission of Kalium Lakes' 7.5MW gas fired power station for the BSOPP;
  - the contracts for design, supply and construction of Kalium Lakes fully owned gas lateral pipeline were awarded. The scope of the gas pipeline was divided into three major contracts which include manufacture and supply of the coated line pipe by Edgen Murray, installation of the pipeline by Pipecraft and design, supply and construction of the inlet and delivery stations, as well as the pipeline design by Primero;
  - the contract for construction of the SOP Purification Plant was awarded to G&S Engineering Services Pty Ltd, a wholly owned subsidiary of DRA Global Ltd; and
  - Kalium Lakes received its 2018/19 Research and Development (R&D) Tax Incentive claim, being a total of A$1,387,425 in R&D tax offsets for the 2018/19 income year for both Australian and approved overseas R&D activities in relation to the BSOPP.
- On 14 November 2019, the Premier of Western Australia, Hon. Mark McGowan MLA, signed off on a Northern Australia Infrastructure Facility loan to assist in developing infrastructure for the BSOPP.
- On 26 November 2019, Kalium Lakes and unlisted, emerging magnesium producer EcoMag Limited, signed a term sheet committing both companies to jointly undertake a feasibility study to evaluate the commercial extraction of magnesium from residual brines produced at the BSOPP, for sale into international speciality chemical markets.
- On 9 December 2019, Kalium Lakes achieved Financial Close following the satisfaction of all required Conditions Precedent under the Project Debt Facilities.
- On 29 January 2020 the Company announced additional assay results from auger holes located in the eastern tenements Resource Area, which comprise Stage 2 of the Project. Importantly, the potassium grades are consistent with results obtained from the same locations two and four years ago.

- On 4 February 2020 the remaining brine analysis results for drill holes were completed at its recently acquired 10 Mile West tenement (E69/3594) at the BSOPP. The assay results continue to demonstrate that the BSOPP has the highest grade potassium brine resource in Australia.
- On 24 February 2020, Kalium Lakes identified a potential cost overrun in respect to the BSOPP and requested a voluntary suspension pending the release of an announcement in respect to an independent review of the Company's capital expenditure costings and contingencies in respect to the BSOPP and future financing requirements.
- Following the completion of an independent cost review, a funding shortfall was quantified and, as a result, Kalium Lakes undertook an equity capital raising to raise A$61 million through a placement, and a fully underwritten 5 for 7 accelerated non-renounceable entitlement offer at an issue price of A$0.15 per share.
- On 6 April 2020, Kalium Lakes announced the appointment of Mr Dale Champion as a Non-Executive Director of the Company.
- On 1 May 2020, Kalium Lakes announced the appointment of Mr Brent Smoothy and Mr Mark Sawyer as Non-Executive Directors of the Company. Following the completion of the formal process to appoint Mr Smoothy and Mr Sawyer as Directors, Mr Rudolph van Niekerk advised the Board of his decision to step down from his role as an Executive-Director. Mr van Niekerk, who is a co-founder of Kalium Lakes, continues with the Company in his role as Chief Development Officer.
- On 29 May 2020, the Company announced the successful completion of Kalium Lakes' institutional placement and the institutional component of its 5 for 7 accelerated non-renounceable pro-rata entitlement offer.
- In June 2020:
  - the suspension of trading in the securities of Kalium Lakes Limited ('KLL') was lifted following the release by the Company of an announcement regarding the settlement of the placement and institutional component pursuant to the Company's announcement dated 21 May 2020;
  - the retail component of the 5 for 7 accelerated non-renounceable pro-rata entitlement offer was successfully completed, bringing the total raised before costs to approximately $61 million;
  - successful on-site commissioning of the recently delivered salt harvester at the BSOPP. The commissioning allows the Company to confirm several operational paraments including salt pavement thickness, harvesting methodology, expected grain size and the estimated time frames to drain the evaporation pond of brine, harvest, refill with brine and recommence salt crystallisation.
  - German engineer and equipment supplier Ebtec GbR (Ebtec) commenced the shipment of specialised equipment for the BSOPP purification plant. This is the fist of a total of 10 planned shipments, with the last shipment planned to leave Germany by the end of October 2020. The June shipment includes flotation cells, agitators and cyclones.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTECTED RESULTS OF OPERATIONS

The Consolidated Entity intends to continue its development of the Beyondie Sulphate of Potash Project (BSOPP), of which construction continues as at the date of this report. In addition, the Consolidated Entity will continue to progress the development of the Carnegie Project, in accordance with 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:

- On 1 July 2020, the Company announced to the market the maiden Mineral Resource for Ten Mile West following acquisition of the Ten Mile West tenement and subsequent initial exploration in 2019.
- On 9 July 2020, following shareholder approval the Company issued 13,931,488 shares at $0.15 in lieu of cash payment for the outstanding invoices owing in respect to construction services provided by Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy).
- On 9 July 2020, following shareholder approval the Company issued 20,305,409 shares to Directors, Officers, and its cornerstone investor at $0.15 raising approximately $3 million.
- On 9 July 2020, the Company advised that construction works for its fully owned gas pipeline had commenced on schedule at the Companies Beyondie Sulphate of Potash Project.
- On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.
- On 5 August 2020, the Company announced that the Beyondie Sulphate of Potash Project (BSOPP) was 52% complete and tracking ahead of its updated schedule.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Consolidated Entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 24 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*.

The Directors are of the opinion that the services as disclosed in note 24 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*.

Mal Randall - Chairman
13 August 2020

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 3rd 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 has 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

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2020, 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.

D J WALL
Partner
RSM Australia Partners

Perth, Western Australia
13 August 2020

KALIUM LAKES

	Note	30 June 2020 $	30 June 2019 $
Revenue			
Other income	5	**638,559**	1,705,960
Expenditure			
Accounting fees		**(169,724)**	(135,214)
Compliance fees		**(283,111)**	(116,890)
Depreciation		**(746,435)**	(416,816)
Directors and executive remuneration	27	**(1,165,851)**	(912,494)
Employee expenses		**(3,226,584)**	(1,141,245)
Site and exploration expenditure		**(6,798,079)**	(4,976,077)
Legal fees		**(4,616,755)**	(1,209,522)
Share based payment expense	6	**(243,887)**	(2,954,557)
Travel expenses		**(357,957)**	(441,189)
Other expenses	7	**(1,922,793)**	(1,163,974)
Loss before tax		**(18,892,617)**	(11,762,018)
Income tax expense	8	**-**	**-**
Net loss for the year from operations		**(18,892,617)**	(11,762,018)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive loss for the year		**(18,892,617)**	(11,762,018)
Loss attributable to:			
Owners of the parent		**(18,892,617)**	(11,762,018)
		(18,892,617)	(11,762,018)
Total comprehensive loss attributable to:			
Owners of the parent		**(18,892,617)**	(11,762,018)
		(18,892,617)	(11,762,018)
Basic and diluted loss per share (cents)	23	**(4.71)**	(6.15)

The accompanying notes form part of these financial statements.

	Note	30 June 2020 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**54,623,007**	15,467,180
Trade and other receivables	10	**1,594,745**	2,717,996
Total Current Assets		**56,217,752**	18,185,176
Non-Current Assets			
Property, plant and equipment	11	**6,828,145**	2,061,425
Work in progress	12	**118,957,531**	6,947,206
Mine in development	13	**14,754,721**	643,725
Right-of-use assets	14	**200,541**	-
Total Non-Current Assets		**140,740,938**	9,652,356
Total Assets		**196,958,690**	27,837,532
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**6,532,453**	4,372,422
Provisions	16	**208,809**	128,429
Lease liabilities	17	**105,020**	-
Total Current Liabilities		**6,846,282**	4,500,851
Non-Current Liabilities			
Provisions	18	**4,166,074**	553,347
Borrowings	19	**50,472,783**	-
Total Non-Current Liabilities		**54,638,857**	553,347
Total Liabilities		**61,485,139**	5,054,198
Net Assets		**135,473,551**	22,783,334
EQUITY			
Contributed equity	20	**179,614,646**	53,053,533
Reserves	21	**8,271,356**	3,249,635
Accumulated losses	22	**(52,412,451)**	(33,519,834)
Total Equity		**135,473,551**	22,783,334

The accompanying notes form part of these financial statements.

	Contributed equity $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2018	**29,265,527**	**2,170,078**	**(21,757,816)**	**9,677,789**
Loss for the year	-	-	(11,762,018)	(11,762,018)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(11,762,018)	(11,762,018)
Transactions with owners in their capacity as owners:				
Shares issued during the year	23,620,913	-	-	23,620,913
Security issue expenses	(1,707,907)	-	-	(1,707,907)
Share based payments	1,875,000	1,079,557	-	2,954,557
Balance at 30 June 2019	**53,053,533**	**3,249,635**	**(33,519,834)**	**22,783,334**
Balance at 1 July 2019	**53,053,533**	**3,249,635**	**(33,519,834)**	**22,783,334**
Loss for the year	-	-	(18,892,617)	(18,892,617)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(18,892,617)	(18,892,617)
Transactions with owners in their capacity as owners:				
Shares issued during the year	133,671,178	-	-	133,671,178
Security issue expenses	(8,103,560)	-	-	(8,103,560)
Share based payments	993,495	5,021,721	-	6,015,216
Balance at 30 June 2020	**179,614,646**	**8,271,356**	**(52,412,451)**	**135,473,551**

The accompanying notes form part of these financial statements.

	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Receipts from customers		**1,491,660**	3,994,886
Payments to suppliers and employees		**(10,318,880)**	(5,180,615)
Payment for site and exploration expenditure		**(7,156,038)**	(8,250,977)
Payment for mine development		**(108,397,268)**	(4,500,000)
Net cash used in operating activities	25	**(124,380,526)**	(13,936,706)
Cash flows from investing activities			
Interest received		**362,615**	123,462
Payments for property, plant and equipment		**(1,791,014)**	(303,868)
Net cash used in investing activities		**(1,428,399)**	(180,406)
Cash flows from financing activities			
Proceeds from issue of shares		**133,671,178**	23,620,376
Share issue transaction costs		**(7,415,553)**	(1,707,370)
Proceeds from borrowings		**49,671,280**	-
Transaction costs related to borrowings		**(10,898,484)**	-
Repayment of lease liabilities		**(63,669)**	-
Net cash provided by financing activities		**164,964,752**	21,913,006
Net increase in cash and cash equivalents		**39,155,827**	7,795,894
Cash and cash equivalents at beginning of the financial year		**15,467,180**	7,671,286
Cash and cash equivalents at the end of the financial year	9	**54,623,007**	15,467,180

The accompanying notes form part of these financial statements.

1. Corporate information

This annual report 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 2020 (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. Significant 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.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity.

AASB 16 Leases
The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019
Operating lease commitments as at 1 July 2019 (AASB 117)	433,750
Accumulated depreciation as at 1 July 2019 (AASB 16)	(123,795)
Right-of-use assets (AASB 16)	309,955
Lease liabilities - current (AASB 16)	(117,837)
Lease liabilities - non-current (AASB 16)	(192,118)
Reduction in opening accumulated losses as at 1 July 2019	-

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 3.

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 26.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kalium Lakes Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Kalium Lakes Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Kalium Lakes Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Exploration, evaluation and development expenditure

Exploration and evaluation are written off as incurred. The Consolidated Entity’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.

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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

3. 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.

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.

Mine in development & Work in progress
These costs are capitalised to the extend they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

4. Operating segments

The Consolidated Entity has considered the requirements of AASB 8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (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 and development of 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.

	30 June 2020 $	30 June 2019 $
5. Other income		
Foreign exchange gain - realised	**323,322**	35,331
Loss on derivative financial instruments	**(151,613)**	-
Other income	**104,235**	159,313
Interest income	**362,615**	123,891
Research and development tax offset - International	**-**	281,094
Research and development tax offset - Domestic	**-**	1,106,331
	638,559	1,705,960

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.

	30 June 2020 $	30 June 2019 $
6. Share based payment expense		
Unlisted options to executive – vesting over multiple periods[1]	**43,887**	115,659
Acquisition of tenements (options)	**-**	963,898
Acquisition of tenements (shares)	**-**	1,875,000
Issue of shares for services[2]	**200,000**	-
	243,887	2,954,557

[1] 1,000,000 Options expiring on 17 May 2021 issued to KMP (CFO) in the 2018 financial year, 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 2020 was $43,887 (2019: $115,659). The options fully vested during the financial year ended 30 June 2020.

[2] The Company issued 400,000 shares in August 2019. The fair value per share on grant date was $0.50 and this resulted in a share-based payment expense of $200,000.

Other share-based payments which have been capitalised on the Consolidated Statement of Financial Position have been disclosed in notes 20 and 21.

Accounting policy:

Share based payments

The Consolidated Entity provides benefits to employees (including Directors and Consultants) 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:

- The extent to which the vesting period has expired; and
- 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.

	30 June 2020 $	30 June 2019 $
7. Other expenses		
Bank charges	**4,320**	4,245
Insurance	**929,833**	122,622
Subscriptions and licenses	**114,035**	16,125
Other consultants	**98,707**	397,989
Head office and administration	**775,898**	622,993
	1,922,793	1,163,974

8. 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:

	30 June 2020 $	30 June 2019 $
Loss before Income tax	**(18,892,617)**	(11,762,018)
Prima facie benefit on operating loss at 27.5% (2019: 27.5%)	**5,195,470**	3,234,555
Non allowable expenditure	**(277,895)**	(1,195,872)
Unrecognised deferred tax assets attributable to tax losses	**(4,917,575)**	(2,038,683)
Income tax expenses	**-**	-
Tax losses available	**33,405,913**	15,523,825

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately $9,186,626 (2019: $4,269,052) 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;
- 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 2020 $	30 June 2019 $
9. Cash and cash equivalents		
Cash at bank	**54,609,507**	10,454,090
Cash on deposit	**13,500**	5,013,090
	54,623,007	15,467,180

Accounting policy:

Cash and cash equivalents
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 2020 $	30 June 2019 $
10. Trade and other receivables		
GST refundable	**946,825**	803,095
Prepayments	**620,178**	419,947
Research and development tax offset	**-**	1,387,425
Accrued interest	**-**	26,100
Fuel rebate	**27,742**	81,429
	1,594,745	2,717,996

Accounting policy:

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Allowance for expected credit losses
The Consolidated Entity has not recognised any loss (2019: $Nil) in respect of expected credit losses for the year ended 30 June 2020.

	30 June 2020 $	30 June 2019 $
11. Property, plant and equipment		
Carrying value		
Exploration & mining equipment	**2,082,229**	1,246,808
Office equipment	**49,222**	11,181
Motor vehicles	**408,734**	148,730
Rehabilitation asset	**4,166,074**	553,347
Computer software	**121,886**	101,359
	6,828,145	2,061,425

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & mining equipment $	Office equipment $	Motor Vehicles $	Leasehold improvements $	Rehabilitation asset $	Computer software $	Total $
Balance at 1 July 2018	1,482,226	14,321	117,647	6,832	244,378	-	1,865,404
Additions	125,722	4,976	71,811	-	308,969	101,359	612,837
Depreciation expense	(361,140)	(8,116)	(40,728)	(6,832)	-	-	(416,816)
Balance at 30 June 2019	1,246,808	11,181	148,730	-	553,347	101,359	2,061,425
Additions	1,352,764	54,930	334,400	-	3,612,727	48,920	5,403,741
Depreciation expense	(517,343)	(16,889)	(74,396)	-	-	(28,393)	(637,021)
Balance at 30 June 2020	**2,082,229**	**49,222**	**408,734**	**-**	**4,166,074**	**121,886**	**6,828,145**

Accounting policy:

Property, plant and equipment
Property, plant and equipment is recorded at historical cost less accumulated depreciation and any impairment. The carrying value of assets are 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	20%
Computer software	20%

Rehabilitation asset and the corresponding provision 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, 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

12. Work in progress

	30 June 2020 $	30 June 2019 $
Brine supply and ponds	**37,247,365**	2,702,415
Purification facility	**38,332,187**	2,302,125
Village accommodation	**8,445,751**	1,152,135
Access road	**2,872,911**	332,621
Gas pipeline & power station	**18,166,630**	188,080
Owners costs	**5,152,390**	135,104
Non process infrastructure	**7,503,279**	-
Other infrastructure	**1,237,018**	134,726
	118,957,531	6,947,206

13. Mine in development

	30 June 2020 $	30 June 2019 $
Mine in development	**14,754,721**	643,725
	14,754,721	643,725

Accounting policy:

Work in progress and Mine in development
When proven mineral reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction within property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied.

The Consolidated Entity may use funds sourced from external parties to finance the acquisition and development of assets and operations. Finance costs are expensed as incurred, except where they relate to the financing of construction or development of qualifying assets. Borrowing costs directly attributable to acquiring or constructing a qualifying asset are capitalised during the development phase. Development expenditure is net of proceeds from the saleable material extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets and depreciation commences.

	30 June 2020 $	30 June 2019 $
14. Right-of-use assets		
Head office space - right-of-use	**309,955**	-
Less: Accumulated depreciation	**(109,414)**	-
	200,541	-

Accounting policy:

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	30 June 2020 $	30 June 2019 $
15. Trade and other payables		
Accounts payable	**6,084,266**	3,472,370
Derivative financial instruments	**151,613**	-
Other payables	**256,574**	21,531
Accrued expenses	**40,000**	878,521
	6,532,453	4,372,422

Accounting policy:

Trade and other payables

Trade and other payable amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

	30 June 2020 $	30 June 2019 $
16. Current provisions		
Employee entitlements	**208,809**	128,429
	208,809	128,429

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.

	30 June 2020 $	30 June 2019 $
17. Lease liabilities		
Head office space - lease liabilities	**105,020**	-
	105,020	-

Accounting policy:

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

	30 June 2020 $	30 June 2019 $
18. Non-Current provisions		
Opening balance	**553,347**	-
Additions	**3,612,727**	553,347
Closing balance	**4,166,074**	553,347

Accounting policy:

Provisions

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. 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.

	30 June 2020 $	30 June 2019 $
19. Non-Current borrowings		
Loan from KfW	**13,467,527**	-
Loan from KfW/Euler Hermes	**16,603,829**	-
Loan from NAIF	**19,599,924**	-
	49,671,280	-
Interest from KfW	**52,695**	-
Interest from KfW/Euler Hermes	**186,053**	-
Interest from NAIF	**120,544**	-
Commitment fees from KfW/Euler Hermes	**442,211**	-
	801,503	-
	50,472,783	-

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

Lender	**Borrower**	**Facility Limit**	**Maturity Date**
NAIF	Kalium Lakes Infrastructure	AUD$48,000,000	14 years[1]
NAIF	Kalium Lakes Potash	AUD$26,000,000	9 years[1]
KfW/Euler Hermes	Kalium Lakes Potash	EURO 32,487,268	9 years[1]
KfW	Kalium Lakes Potash	USD$37,000,000	9 years[1]

[1] The maturity dates are 14 and 9 years after the first repayment date.

The first repayment date means the earlier of:

a) the date falling six months after the starting point of credit[1]; and
b) the long stop date[2]

[1] The date of issue of the Provisional Acceptance Certificate by the Borrower in accordance with the EPS Contract.
[2] The date falling 30 months after Financial Close (Financial close was achieved 9 December 2019).

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	30 June 2020 $	30 June 2019 $
Total facilities		
Bank loans[1]	**179,156,779**	-
Used at the reporting date		
Bank loans	**50,472,783**	-
Unused at the reporting date		
Bank loans	**128,683,996**	-

[1] Converted using AUD-EURO at 0.63 and AUD-USD at 0.69. Total facility available includes principal, commitment fees and interest.

Accounting policy:

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

20. Contributed equity

	2020 Shares	**2019 Shares**	**2020 $**	**2019 $**
Ordinary shares – fully paid	**802,257,785**	238,966,103	**179,614,646**	53,053,533

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	**1 Jul 2019**	**169,793,465**		**29,265,527**
Conversion of performance rights	17 Oct 2018	5,000,000	-	-
Issue of shares for tenement acquisition	26 Oct 2018	5,000,000	0.375	1,875,000
Placement	21 Dec 2018	7,440,179	0.31	2,306,455
Placement	01 Mar 2019	1,612,904	0.31	500,000
Exercise of options	14 Mar 2019	254,110	-	-
Exercise of options	21 Mar 2019	240,017	-	-
Exercise of options	04 Apr 2019	704,036	-	-
Exercise of options	04 Apr 2019	754,326	-	-
Placement	09 Apr 2019	18,904,487	0.44	8,317,974
Exercise of options	19 Apr 2019	861,478	-	-
Placement	23 Apr 2019	28,401,101	0.44	12,496,484
Share issue costs	-	-	-	(1,707,907)
Balance	**30 Jun 2019**	**238,966,103**		**53,053,533**
Placement	02 Aug 2019	76,248,464	0.50	38,124,232
Issue of shares for goods/services[1]	02 Aug 2019	470,000	0.50	235,000
Issue of shares for services[2]	02 Aug 2019	400,000	0.50	200,000
Placement	22 Aug 2019	65,398,806	0.50	32,699,403
Placement	03 Sep 2019	2,444,590	0.50	1,222,295
Exercise of options	07 Oct 2019	1,500,000	0.25	375,000
Placement	18 Nov 2019	500,000	0.50	250,000
Conversion of performance rights	13 Dec 2019	5,000,000	-	-
Exercise of options	13 Dec 2019	938,203	-	-
Placement and entitlement offer	01 Jun 2020	325,226,468	0.15	48,783,970
Entitlement offer	16 Jun 2020	81,441,851	0.15	12,216,278
Issue of shares to contractors[3]	09 Jun 2020	720,000	0.15	108,000
Issue of shares to contractors[3]	09 Jun 2020	666,667	0.15	100,000
Issue of shares to contractors[3]	09 Jun 2020	1,303,300	0.15	195,495
Issue of shares to advisors[4]	09 Jun 2020	1,033,333	0.15	155,000
Share issue costs	-	-	-	(8,103,560)
Balance	**30 Jun 2020**	**802,257,785**		**179,614,646**

[1] Shares issued for goods and services relating to the BSOPP have been capitalised on the Consolidated Statement of Financial Position as non-current assets (270,000 shares at 0.50 cents a share $135,000). Shares issued for 2 years rent for the operations office has been capitalised on the Consolidated Statement of Financial Position as a reduction in current liabilities (200,000 shares at 0.50 cents a share $100,000).

[2] Shares issued to consultants and contractors have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

[3] Shares issued for services relating to the BSOPP have been capitalised on the Consolidated Statement of Financial Position as non-current assets.

[4] Shares issued to advisors have been capitalised on the Consolidated Statement of Financial Position as equity (share issue costs).

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 controls the capital of the Consolidated Entity in order to maintain a capital structure that ensures 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.

21. Reserves

	30 June 2020 $	30 June 2019 $
Performance rights reserve	**1,200,000**	1,200,000
Options reserve	**7,071,356**	2,049,635
	8,271,356	3,249,635

Movements in performance rights reserve

	Number	**$**
Balance 1 July 2019	20,000,000	1,200,000
Conversion of performance rights	(5,000,000)	-
Balance at 30 June 2019	15,000,000	1,200,000
Conversion of performance rights	(5,000,000)	-
Balance at 30 June 2020	10,000,000	1,200,000

As at 30 June 2020 10,000,000 performance rights have been converted into shares (total performance rights at grant date 20,000,000). The Company has elected not to transfer the fair value of the performance rights from the performance rights reserve into contributed equity. As at the date of this report, there were no further conversions of performance rights into shares.

Movements in options reserve

	Number	$
Balance 1 July 2019	11,174,818	970,078
Unlisted options issued in a prior year vesting over multiple periods	-	115,659
Issue of options for tenement acquisition on 26 October 2018	5,000,000	963,898
Exercise of options on 14 March 2019	(550,000)	-
Exercise of options on 21 March 2019	(500,000)	-
Exercise of options on 4 April 2019	(1,400,000)	-
Exercise of options on 4 April 2019	(1,500,000)	-
Exercise of options on 18 April 2019	(1,550,000)	-
Balance at 30 June 2019	10,674,818	2,049,635
Unlisted options issued in a prior year vesting over multiple periods[10]	-	43,887
Exercise of options by Directors on 13 December 2019[1]	(2,000,000)	-
Exercise of options by Adviser on 16 December 2019[1]	(1,500,000)	-
Options lapsed on 16 January 2020[1]	(843,936)	-
Issue of options to contractors on 16 June 2020[2,8&11]	12,218,987	1,832,848
Issue of options to contractors on 16 June 2020[3,8&11]	17,677,493	2,651,624
Issue of options to contractors on 16 June 2020[4,8&11]	1,666,667	250,000
Issue of options to contractors on 16 June 2020[5,8&11]	1,000,000	150,000
Issue of options to advisors on 16 June 2020[6&9]	1,182,639	40,160
Issue of options to advisors on 16 June 2020[7&9]	1,750,000	53,202
Balance at 30 June 2020	41,826,668	7,071,356

1 The Company has elected not to transfer the fair value from the exercise and lapse of options from the options reserve to contributed equity.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

	Grant date	Expiry date	Share price at grant date	Exercise price	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
2	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
3	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
4	15/05/20	16/06/23	0.15	0.00	100%	0%	0.24%	0.15
5	15/05/20	16/06/22	0.15	0.00	100%	0%	0.22%	0.15
6	15/05/20	16/06/22	0.15	0.55	100%	0%	0.22%	0.0340
7	15/05/20	16/06/22	0.15	0.625	100%	0%	0.22%	0.0304

8 Options issued to contractors have been capitalised on the Consolidated Statement of Financial Position as non-current assets, within work in progress and mine in development assets.

9 Options issued to advisors have been capitalised on the Consolidated Statement of Financial Position as equity (share issue costs).

10 Options issued to key management personnel have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

11 Probability of vesting conditions being met associated with the options issued to contractors used in the valuation model was 100%.

	30 June 2020 $	30 June 2019 $
22. Accumulated losses		
Accumulated losses at the beginning of the financial year	**(33,519,834)**	(21,757,816)
Loss after income tax expense for the year	**(18,892,617)**	(11,762,018)
Accumulated losses at the end of the financial year	**(52,412,451)**	(33,519,834)

	30 June 2020 $	30 June 2019 $
23. Earnings/(loss) per share		
Loss after income tax	**(18,892,617)**	(11,762,018)
Loss after income tax attributable to the owners of Kalium Lakes Limited used in calculating diluted earnings per share	**(18,892,617)**	(11,762,018)
Basic earnings per share	**(4.71)**	(6.15)
Diluted earnings per share	**(4.71)**	(6.15)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**400,814,955**	191,370,743

Accounting policy:

Earnings per share

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 divided 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 2020 $	30 June 2019 $
24. Auditor's remuneration		
Audit and review of the financial report	**65,936**	40,250
Research and development tax	**40,976**	53,503
Investigative accountants report	**19,943**	-
Taxation and technical advice services	**75,747**	41,461
	202,602	135,214

	30 June 2020 $	30 June 2019 $
25. Reconciliation of cashflows from operating activities		
Loss after income tax expense for the year	**(18,892,617)**	(11,762,018)
Adjustments for:		
Depreciation	**746,435**	416,816
Share based payment expense	**243,887**	2,954,557
Interest income	**-**	(123,462)
Loss on derivative financial instruments	**151,613**	-
Change in operating assets and liabilities:		
Trade & other receivables	**1,086,191**	1,512,162
Trade & other payables	**2,564,349**	656,170
Work in progress	**(96,169,388)**	(6,947,206)
Mine development	**(14,110,996)**	(643,725)
Net cash used in operating activities	**(124,380,526)**	(13,936,706)

26. Parent entity information

Set out below is the supplementary information about the parent entity.

	30 June 2020 $	30 June 2019 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(29,629,117)**	(11,762,018)
Total comprehensive loss	**(29,629,117)**	(11,762,018)
Statement of financial position		
Total current assets	**6,743,107**	16,131,454
Total assets	**136,176,199**	22,973,133
Total current liabilities	**(702,648)**	(189,799)
Total liabilities	**(702,648)**	(189,799)
Net assets	**135,473,551**	22,783,334

Guarantees
Kalium Lakes Limited is a guarantor under the KLP Facility Agreement, KLI Facility Agreement, Security Trust Deed, Intercreditor Deed, Working Capital Facility Agreement, and the Offtake Agreement.

Other Commitments and Contingencies
Kalium Lakes Limited has no other 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 the notes to the financial statements.

27. Key management personnel disclosure

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 June 2020 $	30 June 2019 $
Short-term employee benefits	**1,089,478**	835,789
Post-employment benefits	**76,373**	76,705
	1,165,851	912,494
Share-based payments	**43,887**	115,659
	1,209,738	1,028,153

28. Related party transactions

Parent entity
Kalium Lakes Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

The following transactions occurred with related parties:

	30 June 2020 $
Payment for services:	
Payment for employee services from Tanya Hazelden (Director related entity of Brett Hazelden)	90,820
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy)	4,323,731
Payment for construction services from FIRM Construction Pty Ltd[1]	4,901,101

[1] Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) was awarded the sub-contractor works under the FIRM Construction Pty Ltd contract. Amounts paid during the year to FIRM Construction Pty Ltd disclosed above relate to work performed by Smoothy Cattle Co Pty Ltd.

Receivables from and payables to related parties

	30 June 2020 $
Current payables:	
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy)	2,089,723[1]

[1]On 9 July 2020, the Company issued 13,931,488 shares at $0.15 in lieu of cash payment for the outstanding invoices owing ($2,089,723) in respect to construction services provided by Smoothy Cattle Co Pty Ltd.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

29. Financial instruments

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as forward foreign exchange contracts and options to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk. The risks to which the Consolidated Entity is exposed are described below.

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.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Liquidity Risk
Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	30 June 2020 $	30 June 2019 $
Unused at the reporting date		
Bank loans[1]	**128,683,996**	-

[1] Refer to note 19.

Remaining contractual maturities
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2020	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivates					
Non-interest bearing					
Trade payables	-	6,124,266	-	-	6,124,266
Other payables	-	232,567	-	-	232,567
Lease liability	-	105,020	-	-	105,020
Interest bearing					
Bank loans	3.64%	-	50,472,783[1]	-	50,472,783[1]
Total non-derivatives		6,461,853	50,472,783	-	56,934,636
Derivatives					
Forward foreign exchange contracts and options net settled	-	151,613	-	-	151,613
Total derivatives		151,613	-	-	151,613

[1] Refer to note 19.

30 June 2019	**Weighted average interest rate**	**1 year or less**	**Between 1 and 5 years**	**Over 5 years**	**Remaining contractual maturities**
	%	**$**	**$**	**$**	**$**
Non-derivates					
Non-interest bearing					
Trade payables	-	3,472,370	-	-	3,472,370
Lease liability	-	-	-	-	-
Interest bearing					
Bank loans	-	-	-	-	-
Total non-derivatives		3,472,370	-	-	3,472,370
Derivatives					
Forward foreign exchange contracts net settled	-	-	-	-	-
Total derivatives	-	-	-	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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 term deposits and online savers at fixed and variable rates of between 0.2% and 2.2% per annum, dependent on market rates on the day of investment and the length of the investment. The following table sets out the variable interest bearing and fixed interest-bearing financial instruments of the Consolidated Entity:

Financial assets	**Year end**	**Variable interest**	**Fixed interest**
		$	**$**
Cash and cash equivalents	30 June 2020	54,623,007	-
Cash and cash equivalents	30 June 2019	10,454,090	5,013,090

The following table illustrates the estimated sensitivity to a 1% increase and decrease to fixed, variable interest rate fluctuations.

Impact on pre-tax profit	**Year end**	**Interest rates +1%**	**Interest rates - 1%**
Cash and cash equivalents	30 June 2020	546,230	(546,230)
Cash and cash equivalents	30 June 2019	154,671	(154,671)

The Consolidated Entity is also exposed to interest rate risk arising from long-term borrowings. Borrowings obtained at variable rates expose the Consolidated Entity to interest rate risk. Borrowings obtained at fixed rates expose the Consolidated entity to fair value risk.

The Consolidated Entity's bank loans outstanding, totalling $50,472,783 (2019: $Nil), are principal and interest payment loans. An official increase/decrease in interest rates of 100 (2019: 100) basis points would have an adverse/favourable effect on profit before tax of $504,728 (2019: $Nil) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. Principal repayments of $Nil are due during the year ending 30 June 2021.

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.

In order to protect against exchange rate movements, the Consolidated Entity has entered into forward foreign exchange contracts and options. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

The maturity, settlement amounts and the average contractual exchange rates of the Consolidated Entity's outstanding forward foreign exchange contracts and options at the reporting date were as follows:

	Sell USD dollars		**Average exchange rates**	
	2020	**2019**	**2020**	**2019**
Buy AUD dollars				
Maturity:				
0-6 months	22,331,111	-	0.690	-
6-12 months	9,204,328	-	0.693	-

	Sell USD dollars		**Capped EURO to USD rate**	
	2020	**2019**	**2020**	**2019**
Buy Euros[1]				
Maturity:				
0-6 months	15,753,779	-	1.15	-
6-12 months	46,794	-	1.15	-

The amounts in the above table are presented in AUD.

[1] The Company has Euro call options with a cap of 1.15 (Euro to USD).

The Consolidated Entity had net liabilities denominated in foreign currencies in Euro (AUD equivalent $176,708) and USD (AUD equivalent $25,521,990) totalling $25,698,698 (AUD) as at 30 June 2020. Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been $2,569,870 lower/$1,284,935 higher and equity would have been $2,569,870 lower/$1,284,935 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2020 was $323,322 (2019: $35,331).

The Consolidated Entity had net assets denominated in foreign currencies in Euro (AUD equivalent $41,075) as at 30 June 2019. If the 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 $4,107 lower/higher.

Accounting Policy

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

30. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in the notes to the financial statements.

	Incorporation	% of Equity Interest	
		30 June 2020 %	30 June 2019 %
Kalium Lakes Potash Pty Ltd	Australia	**100**	100
Kalium Lakes Infrastructure Pty Ltd	Australia	**100**	100
Carnegie Potash Pty Ltd	Australia	**100**	100
Magnesium Lakes Pty Ltd[1]	Australia	**100**	-

[1] Magnesium Lakes Pty Ltd was incorporated on 9 June 2020. The company was dormant at the reporting date.

31. Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities and assets as at 30 June 2020 (2019: Nil).

32. Commitments

	30 June 2020 $	30 June 2019 $
Committed at the reporting date but not recognised as liabilities, payable:		
Rental, rates and expenditure commitments relating to tenements	**1,124,496**	2,438,611
Construction of the Beyondie Sulphate of Potash Project (BSOPP)	**155,186,218**	12,034,097
	156,310,714	14,472,708

33. 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.

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 CJO 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.

Kalium Lakes Limited ownership interest is set out below:

	Incorporation	**% of Interest**	
		30 June 2020	**30 June 2019**
		%	**%**
Carnegie Joint Operation	Australia	**70%**	70%

34. Events after 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:

- On 1 July 2020, the Company announced to the market the maiden Mineral Resource for Ten Mile West following acquisition of the Ten Mile West tenement and subsequent initial exploration in 2019.
- On 9 July 2020, following shareholder approval the Company issued 13,931,488 shares at $0.15 in lieu of cash payment for the outstanding invoices owing in respect to construction services provided by Smoothy Cattle Co Pty Ltd (Director-related entity of Brent Smoothy).
- On 9 July 2020, following shareholder approval the Company issued 20,305,409 shares to Directors, Officers, and its cornerstone investor at $0.15 raising approximately $3 million.
- On 9 July 2020, the Company advised that construction works on its fully owned gas pipeline have commenced on schedule at the Beyondie Sulphate of Potash Project.
- On 24 July 2020, Mr Brett Hazelden ceased his employment with the Company, as Managing Director and CEO. The Board resolved to appoint the current Chief Development Officer, Rudolph van Niekerk, as the interim Chief Executive Officer.
- On 5 August 2020, the Company announced that the Beyondie Sulphate of Potash Project (BSOPP) was 52% complete and tracking ahead of its updated schedule.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Consolidated Entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 2 to the financial statements; and
d. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

The Chief Executive Officer and Chairman 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.

Mal Randall
Chairman

13 August 2020

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 (**Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 (**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.

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of non-current asset</td></tr>
<tr><td>
The carrying value of the Group's non-current assets amounted to $140,740,938 as at 30 June 2020 and is comprised of:
<table>
<tr><td>Work in progress</td><td>$118,957,531</td></tr>
<tr><td>Mine in development</td><td>$14,754,721</td></tr>
<tr><td>Property, plant and equipment</td><td>$6,828,145</td></tr>
<tr><td>Right-of-use assets</td><td>$200,541</td></tr>
</table>
Recoverability of these non-current assets is dependent on macro-economic assumptions about commodity prices, discount and exchange rates as well as internal assumptions relating to future mine development costs, rehabilitation expenses, production levels, operating costs and the weighted average cost of capital (WACC).
Management performed an impairment assessment over the carrying value of non-current assets by:

Calculating the value-in-use using a discounted cash flow model. The model used projected cash flows (revenues, expenses and capital expenditure) over the estimated life of the mine. The projected cash flow was discounted to net present value by applying the Group's estimated WACC; and
Comparing the resulting value-in-use with the carrying value of non-current assets.

Management has ascertained that there are no indicators of impairment.
We determined this area to be a key audit matter due to the material size of the carrying value and the significant management judgement involved in assessing whether indicators of impairment are present.
</td><td>
Our audit procedures included:

Reviewing and performing sensitivity analysis on the significant assumptions used by management when preparing the discounted cash flow model, such as WACC, commodity prices, capital expenditure, operating expenses and foreign exchange rates;
Reviewing the management expert's report on internal consistency and integrity of the model;
Involving our internal financial modelling specialists to assess the integrity of the model and reasonableness of management's key assumptions;
Checking the mathematical accuracy of the cash flow model; and
Assessing the appropriateness of the disclosures in the financial statements.

</td></tr>
</table>

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 2020, 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. 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 2020.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2020, 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
13 August 2020

Issued Securities as at 30 June 2020

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	802,257,785	-	802,257,785
$0.425 unlisted options expiring 29-Sep-20	-	330,882	330,882
$0.525 unlisted options expiring 17-May-21	-	1,000,000	1,000,000
$0.00 unlisted options expiring 16-Jun-22	-	1,000,000	1,000,000
$0.55 unlisted options expiring 16-Jun-22	-	1,182,639	1,182,639
$0.625 unlisted options expiring 16-Jun-22	-	1,750,000	1,750,000
$0.00 unlisted options expiring 16-Jun-23	-	12,218,987	12,218,987
$0.00 unlisted options expiring 16-Jun-23	-	17,677,493	17,677,493
$0.00 unlisted options expiring 16-Jun-23	-	1,666,667	1,666,667
$0.3583 unlisted options expiring 30-Jun-25	-	5,000,000	5,000,000
Performance rights	-	10,000,000	10,000,000
Total	**802,257,785**	**51,826,668**	**854,084,453**

Distribution of Listed Ordinary Fully Paid Shares as at 30 June 2020

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	249	136,954	0.02
1,001	-	5,000	1,253	3,440,025	0.43
5,001	-	10,000	747	5,918,492	0.74
10,001	-	100,000	2,010	77,236,011	9.63
100,001	-	and over	707	715,526,303	89.18
Total			**4,966**	**802,257,785**	**100**

Top 20 Listed Ordinary Fully Paid Shareholders as at 30 June 2020

Rank	Shareholder	Shares Held	% Issued Capital
1.	GREENSTONE RESOURCES II (AUSTRALIA) HOLDINGS L P	84,801,857	10.57
2.	GREENSTONE MANAGEMENT (DELAWARE) II LLC	78,673,124	9.81
3.	VINCE SMOOTHY SUPER PTY LTD <VINCE SMOOTHY S/FUND A/C>	40,339,800	5.03
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	33,389,224	4.16
5.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	24,296,755	3.03
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,174,956	2.51
7.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	19,199,159	2.39
8.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	18,818,187	2.35
9.	CITICORP NOMINEES PTY LIMITED	17,866,710	2.23
10.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	15,670,475	1.95
11.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	12,619,537	1.57
12.	MR STACEY RADFORD	10,686,254	1.33
13.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	9,378,452	1.17
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	8,785,987	1.10
15.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,284,669	0.91
16.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	6,666,667	0.83
17.	MR PHILIPPUS RUDOLPH VAN NIEKERK + MRS JEAN-MARIE VAN NIEKERK <R & J VAN NIEKERK A/C>	6,574,896	0.82
18.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	6,390,614	0.80
19.	VALDARNO PTY LTD <VALDARNO A/C>	5,960,491	0.74
20.	ANDIUM PTY LIMITED	5,521,569	0.69
Total		**433,099,383**	**53.99**