

Kalium Lakes Limited

ABN: 98 613 656 643

And Controlled Entities

HALF YEAR REPORT

**For the Half Year Ended
31 December 2019**

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DIRECTORS

Malcolm Randall	Non-Executive Chairman
Brett Hazelden	Managing Director
Rudolph van Niekerk	Chief Development Officer (resigned as Director on 1 May 2020, continued as Chief Development Officer)
Stephen Dennis	Non-Executive Director
Dale Champion	Non-Executive Director (appointed 6 April 2020)
Brent Smoothy	Non-Executive Director (appointed 1 May 2020)
Mark Sawyer	Non-Executive Director (appointed 1 May 2020)

CHIEF FINANCIAL OFFICER

Chris Achurch

JOINT COMPANY SECRETARIES

Gareth Widger
Chris Achurch

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1, 152 Balcatta Road, Balcatta
Perth WA 6021

POSTAL ADDRESS

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Perth WA 6914

SHARE REGISTRY

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Perth WA 6000
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AUDITORS

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

SOLICITORS

DLA Piper Australia
Level 21, 240 St Georges Terrace
Perth WA 6000

HOME EXCHANGE

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

Your Directors submit the financial report of Kalium Lakes Limited (Company) for the half year ended 31 December 2019.

DIRECTORS

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

Malcolm Randall
Brett Hazelden
Rudolph van Niekerk (resigned as Director on 1 May 2020)
Stephen Dennis
Dale Champion (appointed 6 April 2020)
Brent Smoothy (appointed 1 May 2020)
Mark Sawyer (appointed 1 May 2020)

PRINCIPAL ACTIVITIES

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

RESULTS

The loss after tax for the half year ended 31 December 2019 was \$7,720,803 (2018: loss \$9,279,869).

REVIEW OF OPERATIONS

Overview

- 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.

EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events have occurred subsequent to the reporting date:

- 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.
- Kalium Lakes subsequently entered into forbearance arrangements with certain of its key contractors (in respect to funds owing to them for services provided) whilst Kalium Lakes formulated its funding plan as discussed below.
- Following the completion of an independent cost review, a funding shortfall was quantified and, as a result, Kalium Lakes is undertaking an equity capital raising to raise A\$61 million through a ~A\$19 million 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.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the half year ended 31 December 2019 has been received and is included within the financial statements.

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



Malcolm Randall
Chairman
21 May 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Kalium Lakes Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 21 May 2020

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

Kalium Lakes Limited

	Consolidated 31 December 2019	Consolidated 31 December 2018
	\$	\$
Revenue	1,911,184	99,355
Professional fees	(4,343,899)	(631,173)
Depreciation	(255,907)	(198,330)
Directors' remuneration	(526,984)	(367,822)
Employee expenses	(946,334)	(641,006)
Site and exploration expenses	(2,089,883)	(3,963,783)
Share based payments	(143,887)	(2,897,203)
Travel	(343,821)	(121,218)
Other expenses	(981,272)	(558,689)
Loss before income tax expense	(7,720,803)	(9,279,869)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of Kalium Lakes Limited	(7,720,803)	(9,279,869)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive loss for the half-year attributable to the owners of Kalium Lakes Limited	(7,720,803)	(9,279,869)
Basic and diluted loss per share (cents per share)	(2.19)	(5.33)

The accompanying notes form part of these financial statements.

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**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

Kalium Lakes Limited

	Note	Consolidated 31 December 2019	Consolidated 30 June 2019
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		37,565,664	15,467,180
Trade receivables and other assets		3,690,986	2,717,996
Total Current Assets		41,256,650	18,185,176
Non-Current Assets			
Property, plant and equipment		1,938,598	1,528,078
Rehabilitation asset		4,166,074	533,347
Work in progress	2	61,222,026	6,947,206
Mine in development		14,275,786	643,725
Total Non-Current Assets		81,602,484	9,652,356
Total Assets		122,859,134	27,837,532
LIABILITIES			
Current Liabilities			
Trade and other payables		13,834,979	4,372,422
Provisions		1,013,712	681,776
Total Current Liabilities		14,848,691	5,054,198
Non-Current Liabilities			
Provisions		4,166,074	-
Borrowings		19,628,836	-
Total Non-Current Liabilities		23,794,910	-
Total Liabilities		38,643,601	5,054,198
Net Assets		84,215,533	22,783,334
EQUITY			
Contributed equity	3	122,162,648	53,053,533
Reserves	4	3,293,522	3,249,635
Accumulated losses		(41,240,637)	(33,519,834)
Total Equity		84,215,533	22,783,334

The accompanying notes form part of these financial statements.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

Kalium Lakes Limited

Consolidated	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 half-year	-	-	(9,279,869)	(9,279,869)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(9,279,869)	(9,279,869)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	2,306,455	-	-	2,306,455
Security issue expenses	(211,605)	-	-	(211,605)
Shares issued upon conversion of performance rights	450,000	(450,000)	-	-
Share based payment	1,875,000	1,022,203	-	2,897,203
Balance at 31 December 2018	33,685,377	2,742,281	(31,037,685)	5,389,973
Balance at 1 July 2019	53,053,533	3,249,635	(33,519,834)	22,783,334
Loss for the half-year	-	-	(7,720,803)	(7,720,803)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(7,720,803)	(7,720,803)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the half-year	72,630,930	-	-	72,630,930
Security issue expenses	(3,996,815)	-	-	(3,996,815)
Conversion of options	375,000	-	-	375,000
Share based payment	100,000	43,887	-	143,887
Balance at 31 December 2019	122,162,648	3,293,522	(41,240,637)	84,215,533

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

Kalium Lakes Limited

	Consolidated 31 December 2019	Consolidated 31 December 2018
	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities		
Interest received	297,163	61,957
Research and Development refund received	1,387,425	3,868,009
Other receipts	294,536	63,258
Payments to suppliers and employees	(7,128,478)	(2,107,207)
Site costs and exploration	(1,755,579)	(6,278,190)
	<hr/>	<hr/>
Net cash used in operating activities	(6,904,933)	(4,392,173)
Cash flows from investing activities		
Payments for mine development	(58,586,940)	-
Payments for property, plant and equipment	(686,427)	(75,816)
	<hr/>	<hr/>
Net cash used in investing activities	(59,273,367)	(75,816)
Cash flows from financing activities		
Proceeds from borrowings	19,602,669	-
Proceeds from issue of securities	72,670,930	2,306,455
Transaction costs from issue of securities	(3,996,815)	(211,605)
	<hr/>	<hr/>
Net cash provided by financing activities	88,276,784	2,094,850
Net increase/(decrease) in cash and cash equivalents	22,098,484	(2,373,139)
Cash and cash equivalents at the beginning of the financial half-year	15,467,180	7,671,286
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	37,565,664	5,298,147

The accompanying notes form part of these financial statements.

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1. Basis of Preparation of Half Year Financial Report

a) Reporting entity

Kalium Lakes Limited ("Company") is a public company domiciled in Australia. The interim financial statements of the Company as at and for the half year ended 31 December 2019 comprise the Company and its controlled entities (together referred to as the "Consolidated Entity" or "Company").

b) Statement of compliance

These interim financial statements constitute a general-purpose financial report and have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with IAS 134: Interim Financial Reports. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements as at and for the year ended 30 June 2019.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Consolidated Entity's last annual financial statements for the year ended 30 June 2019. The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these interim financial statements.

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

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the consolidated entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Any new, revised or amending 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 company:

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 classification 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 of AASB 16

The consolidated entity has made an assessment and determined that this standard does not have a significant impact. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

c) Comparative Figures

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

d) Going Concern Basis of Preparation

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the subsequent events note, the Company requested a voluntary suspension from the Australian Securities Exchange to be applied to all the Company's securities from the commencement of trading on Monday, 24 February 2020.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the fully underwritten placement and entitlement offers to raise A\$61 million and the other factors described in the subsequent events note.

	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
2. Work in progress		
Brine supply and ponds	26,383,274	2,702,415
Purification facility	13,286,442	2,302,125
Village accommodation	7,349,615	1,152,135
Access road	1,901,478	332,621
Gas pipeline	3,535,859	188,080
Other infrastructure	8,765,358	269,830
	<u>61,222,026</u>	<u>6,947,206</u>

3. Issued capital

Issued and paid up capital:	Number	Number
Ordinary shares fully paid of no-par value	391,866,166	238,966,103
	31 December 2019	
	Number	Value \$
Movement in ordinary shares on issue:		
Opening balance 1 July 2019	238,966,103	53,053,533
Capital raise	145,261,860	72,630,930
Share based payment	200,000	100,000
Conversion of performance rights *	5,000,000	-
Conversion of options (Advisors)	1,500,000	375,000
Conversion of options (Directors)	938,203	-
Transaction costs relating to share issues	-	(3,996,815)
Closing balance 31 December 2019	<u>391,866,166</u>	<u>122,162,648</u>

(*) 1,350,000 of the 5,000,000 performance rights were exercised by Directors of the Company.

	Consolidated 31 December 2019	Consolidated 30 June 2019
	\$	\$
4. Reserves		
Options reserve	2,093,522	2,049,635
Performance rights reserve	1,200,000	1,200,000
	<u>3,293,522</u>	<u>3,249,635</u>

Movements in reserves

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

Options reserve	Number	Value \$
Opening balance 1 July 2019	10,674,818	2,049,635
<i>Unlisted options exercised or lapsed</i>		
Options exercised *	(3,500,000)	-
<i>Unlisted options issued in a prior period</i>		
Issue of options to KMP**	-	43,887
Closing balance 31 December 2019	<u>7,174,818</u>	<u>2,093,522</u>

(*) 2,000,000 of the 3,500,000 options were exercised by Directors of the Company.

(**) On 17 May 2018, 1,000,000 options with an 18-month vesting period and a total value of \$173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date. Given the 18-month vesting period is now satisfied, the amount recognised for the half-year ended 31 December 2019, in addition to those recognised in previous reporting periods totals \$173,488.

Performance rights reserve

	Value \$
Balance at 1 July 2019	1,200,000
	<hr/>
Balance at 31 December 2019 *	<u><u>1,200,000</u></u>

(*) 5,000,000 performance rights were converted into shares on 2 August 2019 (Note 3). The Company has elected not to recognise a transfer from Reserves into Issued Capital, although the number of performance rights on issue has reduced from 15,000,000 to 10,000,000 at 31 December 2019, and correspondingly the number of shares on issue also increased on the date of the conversion, by 5,000,000. 1,350,000 of the 5,000,000 performance rights converted to shares were issued to Directors of the Company.

Dividends

There were no dividends paid or declared for the half-year ended 31 December 2019.

5. Related party transactions**Contracts with related parties**

Smoothy Cattle Co Pty Ltd is a company owned by Brent Smoothy, a director of Kalium Lakes Limited.

In April 2019 a contract for ponds and general earthworks was awarded under Kalium Lakes Potash Pty Ltd to FIRM Construction Pty Ltd (FIRM) for A\$8.5 million. Under the FIRM contract, Smoothy Cattle Co Pty Ltd, was awarded the work as sole sub-contractor with a value of A\$7.2 million. The sub-contractor selection was awarded as part of an independently run competitive tender process with 5 tender proposals received. As at 31 March 2020 the contract with FIRM has been terminated with A\$0.6 million having been incurred under the contract with FIRM and A\$5.65 million with Smoothy Cattle Co Pty Ltd. On 15 May 2020, a new contract has been awarded directly to Smoothy Cattle Co Pty Ltd to the value of A\$3.1 million to complete the earthworks for ponds, plant area, internal roads and access roads to remote bore-field areas.

There is also another existing contract with Smoothy Cattle Co Pty Ltd under Kalium Lakes Infrastructure Pty Ltd to the value of A\$3.25 million, for earthworks on the site access road and Great Northern Highway intersection which was awarded on 1 May 2019. A\$1.6 million has been incurred against this contract at the date of this report. On 15 May 2020 there were board approved variations to this contract with an incremental value of A\$2.665 million for an airstrip upgrade, gas inlet/delivery station pads and road maintenance.

Transactions with related parties

There were transactions with Smoothy Cattle Co Pty Ltd of A\$2.994 million during the period 1 July 2019 to 31 December 2019. A\$1.177 million was unpaid as at 31 December 2019.

Further, there were transactions with FIRM Construction Pty Ltd, which Smoothy Cattle Co Pty Ltd was a subcontractor for A\$4.901 million (payable to Smoothy Cattle Co Pty Ltd), during the period 1 July 2019 to 31 December 2019. A\$0.445 million was unpaid as at 31 December 2019.

All related party transactions were at arm's length and in the ordinary course of business.

6. Commitments

The Consolidated Entity had \$194.2 million of capital expenditure commitments associated with the construction of the Beyondie Sulphate of Potash Project (BSOPP), in addition to \$1.27 million of commitments for rent, rates, native title and other expenditure as at the date of this report.

7. Contingent assets and liabilities

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

8. Financial reporting by segments

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

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

9. Events subsequent to period end

The following significant events have occurred subsequent to the reporting date:

- On 29 January 2020 the Company announced that 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.

- Kalium Lakes subsequently entered into forbearance arrangements with certain of its key contractors (in respect to funds owing to them for services provided) whilst Kalium Lakes formulated its funding plan as discussed below.
- Following the completion of an independent cost review, a funding shortfall was quantified and, as a result, Kalium Lakes is undertaking an equity capital raising to raise A\$61 million through a ~A\$19 million 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.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

The directors declare that:

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

- a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date.

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

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



Malcolm Randall
Chairman

21 May 2020

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

We have reviewed the accompanying half-year financial report of Kalium Lakes Limited (company), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kalium Lakes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 21 May 2020

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