



KALIAM LAKES LIMITED

ABN: 98 613 656 643

and Controlled Entities

CONSOLIDATED ANNUAL REPORT

For the Year Ended

30 June 2022

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CORPORATE DIRECTORY

DIRECTORS

Stephen Dennis	Non-Executive Director
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Salvatore Lancuba	Non-Executive Director

CHIEF EXECUTIVE OFFICERS

Len Jubber (8 December 2021 to current)
 Rudolph van Niekerk (6 October 2020 to 8 December 2021)

CHIEF FINANCIAL OFFICERS

Jason Shaw (5 July 2021 to current)
 Antony Beckmand (9 November 2020 to 30 September 2021)

COMPANY SECRETARIES

Sophie Raven (14 April 2022 to current)
 Jason Shaw (1 October 2021 to current)
 Gareth Widger (1 July 2021 to 13 April 2022)
 Antony Beckmand (24 February 2021 to 30 September 2021)

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 1, 152 Balcatta Road
 Balcatta WA 6021

POSTAL ADDRESS

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 Balcatta WA 6914
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WEBSITE & EMAIL

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AUDITORS

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

SHARE REGISTRY

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

SOLICITORS

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

Thomson Geer
 Level 27, 2 The Esplanade,
 Perth WA 6831

HOME EXCHANGE

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

ASX CODE

KLL

DIRECTORS' REPORT

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 2022.

DIRECTORS

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

Stephen Dennis	Non-Executive Director / Chairman
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Salvatore Lancuba	Non-Executive Director

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below:

Name:	Stephen Dennis
Title:	Non-Executive Chairman (appointed Chairman 20 August 2020)
Qualification:	BCOM BLL.B GDipAppFin(Finsia)
Experience and expertise:	<p>Mr Stephen Dennis has a career spanning more than 35 years as an experienced and well-regarded company director holding directorships at several ASX listed resources companies.</p> <p>Mr Dennis was previously the Managing Director and Chief Executive Officer of CBH Resources Limited and has also held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.</p>
Other current Directorships:	Rox Resources Limited, Marvel Gold Limited
Former Directorships (last 3 years):	Burgundy Diamonds Limited, Lead FX Inc, Heron Resources Limited
Interest in shares as at the date of this report:	2,611,112
Interest in options as at the date of this report:	Nil

DIRECTORS' REPORT

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:	Metro Mining Limited, Serabi Gold Plc, Rockcliff Metals Corp.
Former Directorships (last 3 years):	Heron Resources Limited, North River Resources Plc
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:	<p>Brent Smoothy is a successful business owner controlling multiple companies that undertake pastoral, aviation, logistics, aggregate production and construction activities in Australia.</p> <p>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.</p>
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:	Nil
Interest in options as at the date of this report:	Nil

DIRECTORS' REPORT

Name:	Salvatore (Sam) Lancuba
Title:	Non-Executive Director (appointed 14 October 2020)
Experience and expertise:	<p>Sam Lancuba is a chemical engineer with more than 40 years' experience in the global fertiliser industry. During his career in the industry. Sam has worked in areas of research and development, process engineering, manufacturing and management. Following 27 years at Incitec Pivot Limited, an ASX top 50 company, he moved to providing expert consulting services for industry clients in Australia, New Zealand, USA, South America, Europe, India and China.</p> <p>Sam currently advises fertiliser industry clients in a range of areas including plant design and maintenance, project management, project evaluation and marketing strategies for fertiliser products.</p>
Other current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in shares as at the date of this report:	Nil
Interest in performance rights as at the date of this report:	Nil
Interest in options as at the date of this report:	Nil

OFFICERS OF THE COMPANY

Leonard Jubber

Chief Executive Officer

Len Jubber (B.Eng, MBA) is a mining engineer with broad operational and corporate leadership experience and a track record of developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited, for eight years. Prior roles included Managing Director and CEO of Perilya Limited, which was an ASX-listed zinc and lead production company and Chief Operating Officer of ASX-listed gold producer, Oceana Gold Limited.

Mr Jubber started his career with Rio Tinto at the Rössing Uranium Mine in Namibia. He is also a Non-Executive Director of Muriate of ASX-listed Potash (MOP) development company, South Harz Potash Limited.

DIRECTORS' REPORT

Jason Shaw

Chief Financial Officer and Joint Company Secretary

Jason Shaw (BCom (Hons) MAcc, FCA) is a Chartered Accountant with more than 25 years' experience. Prior to his appointment at Kalium Lakes, he was Joint Group Chief Financial Officer and Chief Financial Officer, America at the Chelsfield private property group. Jason has extensive knowledge of asset acquisition, development, management and financing, as well as establishing and operating corporate financial and administration business systems. Prior to Chelsfield, he held the senior finance executive role at Heytesbury, a private Australian family office with interests including agribusiness and property.

Rudolph van Niekerk

Project Director

Rudolph van Niekerk (B.Eng. Mechanical GAICD) is a professional in the mining and resources industry with more than 16 years' experience in project and business management.

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

Sophie Raven

Joint Company Secretary

Ms Raven is a lawyer and governance professional who has extensive experience in corporate governance and legal roles, both in Australia and internationally. During her career, Sophie has worked in legal and company secretary roles for a variety of ASX listed and large private companies operating across Australia, Africa, the USA, and Europe, in the mining, mining services, technology and manufacturing sectors. She has also practiced as a corporate and commercial lawyer in law firms and as in-house legal counsel for more than twenty years, focusing on general corporate law, mergers & acquisitions and investment funds.

DIRECTORS' REPORT

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	Risk and Audit Committee	Remuneration and Nomination Committee
Number of Meetings Held	30	2	1
Number of Meetings Attended:			
Stephen Dennis	30	2	1
Mark Sawyer	29	2	1
Brent Smoothy	30	n/a	n/a
Salvatore Lancuba	30	2	1

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:

<u>Number under Option</u>	<u>Exercise Price</u>	<u>Expiry date</u>
5,000,000	\$0.50	30 June 2025
17,677,493	\$0.00	16 June 2023

PERFORMANCE RIGHTS

As at the date of this report no performance rights were on issue.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

12,218,987 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2022. 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.

Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for KMP of the Consolidated Entity was in place for the financial year ended 30 June 2022.

The KMP remuneration and reward framework has the below components:

- base salary and other benefits; and
- other remuneration such as superannuation, annual leave, and long service leave.

The combination of these comprises the KMP's total remuneration.

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 \$750,000.

Use of Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. The Company did not seek external remuneration advice in 2022.

Remuneration Report Approval at the 2022 Annual General Meeting

The remuneration report for the year ended 30 June 2022 will be put to shareholders for approval at the Company's AGM. The Company received 99.00% of votes cast for its Remuneration Report for the year ended 30 June 2021.

DIRECTORS' REPORT

Share Trading by Directors and Executives

In May 2021 the Board of Directors adopted a comprehensive Corporate Governance Plan and within this plan (at Schedule 7) the Securities Trading Policy sets out the Company's policy on dealing in the securities of the Company, as well as the securities of other entities, by its Directors, Officers, Employees and Contractors.

The Corporate Governance Plan can be accessed via the Company's website via the Corporate Governance menu tab (link: <https://www.kaliumlakes.com.au/Corporate-Governance>).

A. Details of Remuneration

	Short-term benefits	Post- employment benefits	Share-based payments		
30 June 2022	Cash salary, bonuses, leave cash out and other benefits \$	Superannuation \$	Equity- settled shares \$	Equity- settled options \$	Total \$
Non-Executive Directors					
Stephen Dennis	98,699	9,870	-	-	108,569
Brent Smoothy	67,000	6,700	-	-	73,700
Mark Sawyer	67,000	-	-	-	67,000
Salvatore Lancuba	67,000	6,700	-	-	73,700
Key Management Personnel					
Leonard Jubber ¹	266,734	15,598	-	-	282,332
Jason Shaw ²	288,846	23,568	-	-	312,414
Rudolph Van Niekerk ³	378,306	23,568	-	-	401,874
Total	1,233,584	86,004	-	-	1,319,588

¹ Leonard Jubber appointed as Chief Executive Officer on 8 December 2021.

² Jason Shaw appointed as Chief Financial Officer on 5 July 2021 and appointed as Company Secretary on 1 October 2021.

³ Rudolph van Niekerk stood down as Chief Executive Officer and was appointed Project Director on 8 December 2021.

DIRECTORS' REPORT

	Short-term benefits	Post- employment benefits	Share-based payments		
30 June 2021	Cash salary, bonuses, leave cash out and other benefits \$	Superannuation \$	Equity- settled shares \$	Equity- settled options \$	Total \$
Non-Executive Directors					
Malcolm Randall ¹	26,250	2,494	-	-	28,744
Stephen Dennis ²	84,132	7,993	-	-	92,125
Dale Champion ³	46,083	4,378	-	-	50,461
Brent Smoothy	57,250	5,439	-	-	62,689
Mark Sawyer	47,500	-	-	-	47,500
Salvatore Lancuba ⁴	43,715	4,153	-	-	47,868
Executive Director					
Brett Hazelden ⁵	346,281	5,424	-	-	351,705
Key Management Personnel					
Rudolph Van Niekerk ⁶	347,755	23,686	-	-	371,441
Chris Achurch ⁷	24,970	1,425	-	-	26,395
Anthony Heitmann Beckmand ⁸	193,333	14,964	-	-	208,297
Total	1,217,269	69,956	-	-	1,287,225

¹ Malcolm Randall stepped down from the role of Chairman and remained as Non-Executive Director on 20 August 2020. Malcolm Randall resigned as Non-Executive Director on 30 November 2020.

² Stephen Dennis was appointed as Chairman on 20 August 2020.

³ Dale Champion resigned as Non-Executive Director on 30 April 2021.

⁴ Salvatore Lancuba was appointed as Non-Executive Director on 14 October 2020.

⁵ Brett Hazelden ceased his employment as the Managing Director and Chief Executive Officer on 24 July 2020.

⁶ Rudolph van Niekerk was appointed as Interim Chief Executive Officer on 24 July 2020 and Chief Executive Officer on 6 October 2020.

⁷ Chris Achurch resigned as Chief Financial Officer on 31 July 2020.

⁸ Anthony Heitmann Beckmand was appointed as Chief Financial Officer on 29 September 2020 and resigned on 30 September 2021.

DIRECTORS' REPORT

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

	Fixed remuneration		At risk – STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
Non-Executive Directors						
Stephen Dennis	100%	100%	-	-	-	-
Brent Smoothy	100%	100%	-	-	-	-
Mark Sawyer	100%	100%	-	-	-	-
Salvatore Lancuba	100%	100%	-	-	-	-
Malcolm Randall	-	100%	-	-	-	-
Dale Champion	-	100%	-	-	-	-
Executive Directors						
Brett Hazelden	-	100%	-	-	-	-
Key Management Personnel						
Leonard Jubber	100%	-	-	-	-	-
Jason Shaw	100%	-	-	-	-	-
Rudolph van Niekerk	100%	100%	-	-	-	-
Chris Achurch	-	100%	-	-	-	-
Anthony Heitmann Beckmand	-	100%	-	-	-	-

B. Service Agreements

The Company has entered into executive service agreements with the Chief Executive Officer and Chief Financial Officer as detailed below:

The Board resolved to appoint Mr Jubber as Chief Executive Officer on 8 December 2021.

In respect to his employment as the Chief Executive Officer of the Company, the principal terms are as follows:

- Total fixed annual salary of \$500,000 inclusive of superannuation.
- Mr Jubber will be eligible to receive an annual short term incentive, payable in equity or cash at Mr Jubber's election, with payment up to a maximum amount equal to 75% base salary.
- Mr Jubber will be eligible to receive an annual long term incentive, payable in equity up to a maximum amount equal to 100% of base salary, subject to achieving mutually agreed key performance indicators.
- Mr Jubber may terminate the agreement by giving no less than six months notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving no less than six months' notice in writing to Mr Jubber (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 Mr Jubber, in which case no notice is required);
- Mr Jubber is subject to non-compete restrictions during his employment and for a maximum period of nine months following termination of his employment.

DIRECTORS' REPORT

Mr Jason Shaw commenced employment as Chief Financial Officer on 5 July 2021.

In respect to his employment as the Chief Financial Officer of the Company, the principal terms are as follows:

- An annual salary of \$300,000 excluding superannuation at the commencement of his employment;
- Mr Shaw may terminate the agreement by giving no less than four months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving no less than four months' notice in writing to Mr Shaw (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 Mr Shaw, in which case no notice is required); and
- Mr Shaw is subject to non-compete restrictions during his employment and for a maximum period of nine months following termination of his employment.

C. Share Based Compensation

No shares or options were issued to Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2022.

Additional Information

The earnings of the Consolidated Entity for the five financial years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
Revenue (\$)	41,058	7,525,648	638,559	1,705,960	4,261,759
EBITDA (\$)	(24,334,788)	298,745	(18,146,182)	(11,469,093)	(10,696,683)
EBIT (\$)	(27,027,299)	(623,273)	(18,892,617)	(11,885,909)	(10,900,473)
Loss after income tax	(36,547,723)	(623,273)	(18,892,617)	(11,762,018)	(10,757,324)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

Share price at financial year end (\$)	0.061	0.245	0.145	0.59	0.54
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings / (loss) per share (cents per share)	(3.45)	(0.07)	(4.71)	(6.15)	(6.95)

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:

DIRECTORS' REPORT

Name	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
Stephen Dennis ¹	2,333,334	-	277,778	-	2,611,112
Brent Smoothy	81,843,097	-	-	-	81,843,097
Rudolph van Niekerk ²	18,084,741	-	-	-	18,084,741
Mark Sawyer	-	-	-	-	-
Leonard Jubber ³	-	-	100,000	-	100,000
Jason Shaw ⁴	-	-	100,000	-	100,000
Anthony Heitmann Beckmand ⁵	-	-	-	-	-
Total	102,261,172	-	477,778	-	102,738,950

¹ Stephen Dennis was appointed as Chairman on 20 August 2020.

² Rudolph van Niekerk stood down as Chief Executive Officer and commenced as Project Director on 8 December 2021.

³ Leonard Jubber appointed as Chief Executive Officer on 8 December 2021.

⁴ Jason Shaw appointed as Chief Financial Officer on 5 July 2021.

⁵ Anthony Heitmann Beckmand stood down as Chief Financial Officer on 30 September 2021.

Option holding

No options over ordinary shares in the Company were held during the financial year by any Director and other members of Key Management Personnel of the Consolidated Entity, including their personally related parties.

Performance rights 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
Brent Smoothy	7,300,000	-	-	(7,300,000)	-
Rudolph van Niekerk	600,000	-	-	(600,000)	-
Brett Hazelden	2,100,000	-	-	(2,100,000)	-
Antony Heitmann Beckmand ¹	1,000,000	-	-	(1,000,000)	-
Total	11,000,000	-	-	(11,000,000)	-

¹ Mr Antony Heitmann Beckmand commenced as Chief Financial Officer with the Company on 9 November 2020 and on 9 June 2021 he gave notice that he would resign from the Company with effect on 30 September 2021. As a result of the cessation of his employment, on 30 September 2021 all of his performance rights were cancelled.

DIRECTORS' REPORT

Other transactions with Key Management Personnel and their related parties

Payments of \$5,140,185 were made during the financial year to K19 Mining Pty Ltd (a Director-related entity of Mr Brent Smoothy) ("K19") for the construction of ponds, harvesting and haulage of harvested and waste salts. The current trade payable balance as at 30 June 2022 was \$1,271,787.

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

As part of the senior debt restructure completed by the Consolidated Entity with its senior lenders on 12 October 2021, the existing founders' royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust and Greenstone Resources II (Australia) Holdings L.P. (both of whom are related parties of the Company), agreed to subordinate and defer the payment of their royalties over the tenements at Ten Mile Lake, Lake Sunshine and Lake Carnegie until the debt principal repayments to the Consolidated Entity's senior lenders begin on 31 March 2024 and that all such royalties accrued before that date are deferred until the senior lenders' deferred debt is repaid. In consideration for the deferral of the royalty payments the Consolidated Entity agreed to grant a further royalty over the tenements at Ten Mile West to the existing founders' royalty holders on the same terms as their existing royalties (being 1.9% of gross revenue).

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

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 2022 was \$36,547,723 (2021: \$623,273 loss).

CORPORATE

The 2022 financial year was one of mixed fortunes for Kalium Lakes as it was faced with a number of significant issues during the commissioning phase of the purification plant at the Company's Beyondie SOP Project.

In the first half of the year, Kalium Lakes completed a feasibility study for an increase in its production target from 90 ktpa to 120 ktpa as a new base case, which was followed by an equity raising targeted to fund the expansion.

In addition, the offtake agreement with K+S Asia Pacific ("K+S") was extended to cover increased production at the 120 ktpa level and included improved payment terms for the first three years to assist the Company with its working capital needs.

With harvesting operations and the stockpiling of potassium salt continuing, plant commissioning activities saw completed plant modules progressively handed over by the construction contractor. On 5 October 2021 the Company announced it had produced its first batch of SOP at the required product specification during the product commissioning process.

Formal binding documentation to restructure the Company's debt facilities with its two senior lenders, KfW and NAIF, was completed on 12 October 2021 with the senior lenders also providing an additional short term \$20 million liquidity facility as a general-purpose facility. The restructure included a condition that the Company successfully complete an equity raise of at least \$47.1m, which the Company completed by way of a two-tranche equity placement to raise \$50 million at an offer price of \$0.18 per share. In addition, a Share Purchase Plan offer was announced for eligible shareholders which aimed to raise up to \$10 million.

The successful completion of the equity placement was announced on 14 October 2021, with the placement significantly oversubscribed. The Share Purchase Plan closed one month later and raised approximately \$7.59 million.

During November 2021 the Company provided a commissioning update and noted that the operation of the trenches and bore fields had been impacted during late October because of silting and collapsing of trench walls in several places, as well as unexpected breakdowns of a few production bores. Product commissioning had entered the final stages although the process was trending slightly behind schedule and using more of the harvested salts than anticipated.

The Annual General Meeting was held in Perth on Tuesday 30 November 2021, with all resolutions as set out in the Notice of Meeting voted on at the meeting and passed by shareholders.

DIRECTORS' REPORT

Following the decision of the Chief Executive Officer and co-founder, Mr Rudolph van Niekerk, to step down and move to the role of Project Director, Mr Leonard Jubber was appointed as Chief Executive Officer of Kalium Lakes, effective from 8 December 2021.

Mr Jubber is a mining engineer with broad operational and corporate leadership experience and a track record of successfully developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited.

The practical completion of the compaction plant occurred in late December 2021 and marked the completion of the construction contract with DRA Pacific Pty Ltd. Dry commissioning of the compaction plant commenced, with product commissioning expected to commence when sufficient quantities of standard grade SOP became available.

As certain later-stage plant commissioning issues had been identified, the Company announced on 22 December 2021 that Mr Jubber had initiated a review of the SOP purification plant operations. It was noted that the restricted availability of resources and logistical challenges in getting additional international experts of the original equipment manufacturers on site through COVID-19 restrictions had also contributed to some of the challenges during commissioning of specific plant equipment.

A month later, at the end of January 2022, the Company released detailed information on the status of borefield and trenching operations, brine production, pond operations, the level of harvested potassium salts, the purification plant and SOP production to date.

On 1 March 2022, Kalium Lakes provided the market with a further update on brine production and the 120 ktpa expansion bore drilling and brine supply program. It advised that sufficient 'start-up grade' harvested potassium salts were expected to be accumulated to coincide with the expected SOP purification plant re-start leading to targeted commercial SOP sales from July 2022. It was expected that an approximate production run rate of 80 ktpa of SOP would be achieved by Q1 CY2023, with the targeted expansion to a 120 ktpa run rate established by Q3 CY2024. As a result of the revised production ramp-up schedule, the Company advised that it had a requirement for further external funding by Q3 CY2022 and had commenced discussions with its financiers to address this requirement.

At the end of May 2022, the Company reported that the SOP plant process design had been validated, and during April/May had produced approximately 400 tonnes of commercially saleable SOP. The SOP purification plant commissioning was proceeding as planned and ongoing discussions were being held with debt providers, NAIF and KfW, on funding initiatives that would be required by Q3 CY2022, as well as with key offtake partner, K+S, regarding the rescheduling of SOP deliveries.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Consolidated Entity transitioned the Beyondie Sulphate of Potash ("SOP") Mine ("BSOPM") from project development into operations in relation to activities in its ponds and borefields. The SOP purification plant remained in the commissioning phase as at 30 June 2022.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Entity intends to continue its development of the Beyondie SOP Mine, for which commissioning of the SOP purification and compaction plant 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 its 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:

At the beginning of July 2022, Kalium Lakes provided an update advising that the first commercial sales had been scheduled for later that month and that it had achieved cumulative production of 1,000 tonnes of commercially saleable SOP to 29 June 2022. Further testing of plant equipment was continuing and the purification plant would undertake a shutdown in August, with a restart anticipated for September. The Company also noted that late rain events in May and June 2022 had filled trenches, pre-concentrator ponds and evaporation ponds, causing delays in pond salt precipitation due to longer evaporation periods.

An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers (CSBP), had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The next month, on 18 August 2022, Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.

In addition to the Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan ("SPP") at the Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs). An SPP shortfall offer was also announced, which would allow the Company to accept subscriptions from investors who wanted to subscribe to make up any shortfall if total subscriptions for the SPP offer were below \$8 million. The second tranche of the Placement and the SPP offers are subject to the Company obtaining shareholder approval at a General Meeting scheduled to be held on 3 October 2022.

DIRECTORS' REPORT

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure of its existing debt arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing \$20 million liquidity facility to January 2026.

The debt restructure is subject to the requirement that the Company successfully completes an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the Placement announced on the same day enables this requirement to be met.

On 13 September 2022, Kalium Lakes announced that the SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.

On 19 September 2022, Kalium Lakes announced that, it had received applications in excess of \$8 million under the SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the SPP offer to \$12 million.

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 29 to the financial statements.

DIRECTORS' REPORT

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 29 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*.



Stephen Dennis - Chairman

23 September 2022

CORPORATE GOVERNANCE STATEMENT

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 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Rsm

RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 23 September 2022

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**



	Note	30 June 2022 \$	30 June 2021 \$
Revenue			
Other income	5	41,058	7,525,648
Expenditure			
Accounting and audit fees	29	(140,500)	(96,230)
Depreciation and amortisation expense	6	(2,692,511)	(922,018)
Directors and executive remuneration	32	(1,319,588)	(1,287,225)
Employee expenses		(1,424,088)	(1,037,607)
Finance costs		(9,520,424)	-
Foreign currency gain/(loss)		(8,755,607)	-
Legal fees		(603,706)	(1,002,469)
Operating expenses	7	(8,281,296)	-
Share based payment (credit)/expense	8	93,750	(93,750)
Other expenses	9	(3,944,811)	(3,709,622)
Loss before tax		(36,547,723)	(623,273)
Income tax expense	10	-	-
Net loss for the year from operations		(36,547,723)	(623,273)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(36,547,723)	(623,273)
Loss attributable to:			
Owners of the parent		(36,547,723)	(623,273)
Total comprehensive loss attributable to:			
Owners of the parent		(36,547,723)	(623,273)
Basic and diluted loss per share (cents)	28	(3.45)	(0.07)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	30 June 2022 \$	30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	11	21,512,780	34,206,120
Trade and other receivables	12	358,383	1,033,898
Other assets	13	2,112,287	211,627
Inventory and raw materials	14	4,524,848	-
Total Current Assets		28,508,298	35,451,645
Non-Current Assets			
Property, plant and equipment	15	3,372,790	15,956,872
Capital work in progress	16	168,065,199	258,756,965
Mine properties - in development	17	-	17,023,986
Mine properties – in production	18	165,027,311	-
Collateral for bank guarantees	19	610,000	610,000
Right-of-use assets	20	50,435	96,265
Total Non-Current Assets		337,125,735	292,444,088
Total Assets		365,634,033	327,895,733
LIABILITIES			
Current Liabilities			
Trade and other payables	21	5,590,408	8,528,610
Lease liabilities	22	-	50,000
Borrowings	23	-	6,238,670
Provisions	24	606,288	337,691
Total Current Liabilities		6,196,696	15,154,971
Non-Current Liabilities			
Borrowings	23	179,080,406	159,152,664
Provisions	24	18,055,533	13,681,710
Total Non-Current Liabilities		197,135,939	172,834,374
Total Liabilities		203,332,635	187,989,345
NET ASSETS		162,301,398	139,906,388
EQUITY			
Contributed equity	25	243,613,489	184,670,756
Reserves	26	7,071,356	8,271,356
Accumulated losses	27	(88,383,447)	(53,035,724)
TOTAL EQUITY		162,301,398	139,906,388

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	179,614,646	8,271,356	(52,412,451)	135,473,551
Loss for the year	-	-	(623,273)	(623,273)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(623,273)	(623,273)
Transactions with owners in their capacity as owners:				
Shares issued during the year	5,135,535	-	-	5,135,535
Security issue expenses	(79,425)	-	-	(79,425)
Balance at 30 June 2021	184,670,756	8,271,356	(53,035,724)	139,906,388
Balance at 1 July 2021	184,670,756	8,271,356	(53,035,724)	139,906,388
Loss for the year	-	-	(36,547,723)	(36,547,723)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(36,547,723)	(36,547,723)
Transactions with owners in their capacity as owners:				
Shares issued during the year	61,292,587	-	-	61,292,587
Security issue expenses	(2,349,854)	-	-	(2,349,854)
Lapse of performance rights	-	(1,200,000)	1,200,000	-
Share based payments	-	-	-	-
Balance at 30 June 2022	243,613,489	7,071,356	(88,383,447)	162,301,398

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 June 2022 \$	30 June 2021 \$
OPERATING ACTIVITIES			
Receipts from customers/others		34,806	133,491
Interest received		10,592	64,706
Payments to suppliers and employees		(23,194,960)	(7,607,695)
Net cash used in operating activities	30	(23,149,562)	(7,409,498)
INVESTING ACTIVITIES			
Collateral given for bank guarantee		-	(610,000)
Payments for mine development		(37,758,097)	(132,785,149)
Interest paid		(5,316,333)	-
Payment for site and exploration expenditure		(787,276)	(131,635)
Payments for property, plant and equipment		(1,914,134)	(430,833)
Net cash used in investing activities		(45,775,840)	(133,957,617)
FINANCING ACTIVITIES			
Proceeds from issue of shares		59,459,738	3,045,811
Share issue transaction costs		(2,349,854)	(79,424)
Proceeds from borrowings		4,526,484	118,645,188
Transaction costs related to borrowings		(5,220,513)	(194,908)
Repayment of borrowings		-	(411,419)
Repayment of lease liabilities		(50,000)	(55,020)
Net cash provided by financing activities		56,365,855	120,950,228
Net decrease in cash and cash equivalents		(12,559,547)	(20,416,887)
Cash and cash equivalents at beginning of the financial year		34,206,120	54,623,007
Effects of currency translation on cash and cash equivalent		(133,793)	-
Cash and cash equivalents at the end of the financial year	11	21,512,780	34,206,120

The above consolidated statement of changes in cash flow should be read in conjunction with the accompanying notes.

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 2022 (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.

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 2022. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of asset and the settlement of liabilities in the ordinary course of business.

As disclosed in this report, for the full year, the Group incurred a net loss of \$36.5 million and had net cash outflows from operating and investing activities of \$23.1 million and \$45.7 million respectively for the year ended 30 June 2022. The Group has unrestricted cash reserves of \$18.8 million, net current assets of \$22.3 million and net assets of \$162.3 million as at 30 June 2022.

The Directors believe that it is reasonably foreseeable that the going concern basis of preparation of the financial report remains appropriate, after consideration of the following factors:

- The Consolidated Entity agreed to a debt restructure subsequent to the financial year end in August 2022 with its senior lenders that will defer the commencement of principal repayments on term loan facilities until March

2025 and extend the maturity of these facilities 5-7 years to March 2040.

- The maturity date of the liquidity facility (currently undrawn) has also been extended to 1 January 2026. The terms of the debt restructure will allow access to the \$20 million liquidity facility on the condition that additional equity funds of \$20 million (net of costs) are raised on or before 7 October 2022. This condition will be met by the raising of equity by way of a two tranche placement detailed below.
- The Company conducted an equity capital raising in August 2022 whereby commitments were received for \$22m (\$20.5m net of costs), by way of a two tranche placement ("Placement"). The second tranche is subject to approval by shareholders at the Company's forthcoming General Meeting on 3 October 2022.
- The Company also announced a Share Purchase Plan ("SPP") at the time of the Placement, to raise up to \$8 million. The SPP has received subscriptions in excess of \$8 million and as a result, on 19 September 2022 the Company announced that the maximum size of the SPP would be increased to \$12 million. The SPP is also subject to approval by shareholders at the Company's forthcoming General Meeting on 3 October 2022.
- The Placement and the SPP together will fund additional working capital during ramp-up of the Beyondie SOP Mine and assist in the expansion of the mine to the targeted 120ktpa production run rate, targeted to be achieved by Q3 CY2024.

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 31.

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 2022 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

Deferred tax assets and liabilities are always classified as non-current.

Joint operations

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

Exploration, evaluation and development expenditure

Exploration and evaluation are written off as incurred. The 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.

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 at the respective notes.

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.

Accounting policy:

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

5. Other income

	30 June 2022 \$	30 June 2021 \$
Foreign exchange gain - realised	16,455	842,975
Foreign exchange gain - unrealised	-	6,484,476
Other income	14,011	133,491
Interest income	10,592	64,706
Other income	41,058	7,525,648

Accounting policy:

Interest

Interest revenue is recognised as interest accrues.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

6. Depreciation and amortisation expense

	30 June 2022 \$	30 June 2021 \$
Depreciation – Property, plant and equipment	1,183,959	817,742
Depreciation – Mine properties	1,407,702	-
Amortisation – Right of use	100,850	104,276
Depreciation and amortisation expense	2,692,511	922,018

The increase in depreciation was a result of depreciation commencing on \$165,027,311 of mine properties in production which were transferred from capital work in progress, mine properties in development and rehabilitation assets during the year ended 30 June 2022.

Key Estimate and Assumption: Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation change proportionate to the depletion of the anticipated remaining life of mine production. Each asset's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of the economically recoverable mine plan. These calculations require the use of estimates and assumptions.

7. Operating expenses

	30 June 2022 \$	30 June 2021 \$
Total operating expenses incurred	21,012,078	-
Capitalised operating costs	(9,414,877)	-
Inventory movement	(3,315,905)	-
Operating expenses	8,281,296	-

8. Share based payment

	30 June 2022 \$	30 June 2021 \$
Issue of performance rights to management	-	93,750
Performance rights cancelled ¹	(93,750)	-
Share based payment (credit)/expense	(93,750)	93,750

¹ The performance rights lapsed on 14 April 2022 when the member of management resigned.

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 profit or loss and other 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.

9. Other expenses

	30 June 2022	30 June 2021
	\$	\$
Bank charges	11,118	207,153
Compliance fees	226,551	139,300
Travel expenses	-	31,616
Insurance	1,410,185	1,371,588
Subscriptions and licenses	10,606	254,240
Site and exploration expenditure	-	100,019
Other consultants	1,276,373	318,942
Head office and administration	1,009,978	1,286,764
Other expenses	3,944,811	3,709,622

10. 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 2022 \$	30 June 2021 \$
Loss before Income tax	(36,547,723)	(623,273)
Prima facie benefit on operating loss at 25% (2021: 26%)	9,136,931	162,051
Non allowable expenditure	(20,076)	(1,822)
Unrecognised deferred tax assets attributable to tax losses	(9,116,855)	(156,423)
Income tax expense	-	-
Tax losses available	67,003,257	44,078,556

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$16,750,814 (2021: \$11,460,424) 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.

Kalium Lakes Limited (the 'head-entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head-entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the "separate taxpayer within group" approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the currently tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

11. Cash and cash equivalents

	30 June 2022 \$	30 June 2021 \$
Cash at bank	18,823,926	31,710,582
Restricted funds ¹	2,688,854	2,495,538
Cash and cash equivalents	21,512,780	34,206,120

¹ Restricted funds relate to cash set aside for future debt service repayments to the senior lenders to the Beyondie SOP Project.

Accounting policy:

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

12. Trade and other receivables

	30 June 2022 \$	30 June 2021 \$
GST refundable	358,383	913,826
Fuel rebate	-	120,072
Trade and other receivables	358,383	1,033,898

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 (2021: \$Nil) in respect of expected credit losses for the year ended 30 June 2022

13. Other assets

	30 June 2022 \$	30 June 2021 \$
Prepayments	2,112,287	211,627
Other assets	2,112,287	211,627

14. Inventory and raw materials

	30 June 2022 \$	30 June 2021 \$
KTMS	2,474,590	-
Finished goods	1,224,356	-
Consumables	825,902	-
Inventory and raw materials	4,524,848	-

Accounting policy:

Kainite Type Mixed Salt (KTMS)

KTMS is potassium based feed salt harvested from evaporation ponds and used to feed the purification plant. Stockpiles are physically measured or estimated and stated at the lower of weighted average cost and net realisable value. Costs include direct material, direct labour and overhead expenditure which is directly related to the production of KTMS.

Finished goods

Finished Goods includes the stockpile of Sulphate of Potash, measured or estimated and stated at the lower of weighted average and net realisable value. Costs include direct material, direct labour and overhead expenditure which is directly related to the production of Sulphate of Potash as well as the input of the costs from the KTMS feed.

Consumables

Warehouse stores and consumables are stated at the lowest of weighted average cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Key Estimate and Assumption: Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing SOP prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the potassium grade of the stockpile based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantity of recoverable potassium is reconciled by comparing the grades of the stockpile to the quantities of SOP actually produced (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

15. Property, plant and equipment

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	Rehabilitation asset	Computer software	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2020	2,082,229	49,222	408,734	4,166,074	121,886	6,828,145
Additions	384,143	42,607	112,420	9,515,636	9,440	10,064,246
Disposal	(117,777)	-	-	-	-	(117,777)
Depreciation expense	(639,300)	(29,926)	(116,914)	-	(31,602)	(817,742)
Balance at 30 June 2021	1,709,295	61,903	404,240	13,681,710	99,724	15,956,872
Additions	1,893,627	100,584	182,644		104,732	2,281,587
Transfer to mine properties	-	-	-	(13,681,710)	-	(13,681,710)
Depreciation expense	(940,124)	(48,384)	(149,651)	-	(45,800)	(1,183,959)
Balance at 30 June 2022	2,662,798	114,103	437,233	-	158,656	3,372,790

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 and mining equipment	20%
Office equipment	33%
Motor vehicles	20%
Computer software	20%

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 and capital work in progress 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.

16. Capital work in progress

	30 June 2022	30 June 2021
	\$	\$
120 ktpa expansion target	6,093,980	-
Purification plant	161,971,219	72,468,500
Brine supply and ponds	-	47,261,101
Village accommodation	-	10,129,146
Access road	-	5,579,460
Gas pipeline & power station	-	37,603,718
Owner's costs	-	69,111,616
Non process infrastructure	-	15,175,111
Other infrastructure	-	1,428,313
Capital work in progress	168,065,199	258,756,965

17. Mine properties in development

	30 June 2022	30 June 2021
	\$	\$
Mine properties in development	-	17,023,986

During the financial year, the construction of brine supply and ponds, village accommodation, access road and gas pipeline & power station were considered to have been completed and ready for use. An amount of \$141,488,667 in relation to these assets were transferred to mine properties in production.

The purification plant remained in commissioning as at 30 June 2022. As a result, \$161,971,219 of purification plant, including \$8,775,202 allocated from mine properties in development and \$2,008,039 of rehabilitation assets in relation to the purification plant are reported as capital work in progress. During the year commencement of the expansion to the 120ktpa production target commenced and a total of \$6,093,980 has been reported as capital work in progress.

Key estimate and assumption: Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete, ready for its intended use. At this time, any costs capitalised to 'mine properties - in development' or 'capital work in progress' are reclassified to 'mine properties – in production' and 'property, plant and equipment'. Some of the criteria will include, but are not limited, to the following:

- Availability of the plant;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce SOP in saleable form (within specifications); and
- Ability to sustain ongoing production of SOP at commercial rates of production.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine properties asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Accounting policy:

Capital work in progress and Mine properties in development

When proven mineral reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as capital work in progress. All subsequent development expenditure is capitalised and classified as capital work in progress, 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. On completion of development, all assets included in capital work in progress are reclassified as either property, plant and equipment or mine properties – in production and depreciation commences.

Key Estimate and Assumption: Mine properties - in development and Capital work in progress

These costs are capitalised to the extent 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 – in production, as appropriate.

18. Mine properties - in production

	Brine supply & ponds \$	Rehabilit- ation assets \$	Access Road \$	Airstrip \$	Camp Facilities \$	Gas pipeline & power station \$	Total \$
Balance at 1 July 2021	-	-	-	-	-	-	-
Transfer	90,000,516	13,681,710	6,331,986	989,646	11,181,772	41,898,241	164,083,871
Additions	-	2,351,142	-	-	-	-	2,351,142
Depreciation	(698,265)	(198,934)	(53,517)	(8,364)	(94,506)	(354,116)	(1,407,702)
Balance at 30 June 2022	89,302,251	15,833,918	6,278,469	981,282	11,087,266	41,544,125	165,027,311

Accounting policy:

Mine properties – in production represents expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred by the Consolidated Entity previously accumulated and carried forward in capital work in progress and mine properties under development in relation to areas of interest in which mining has now commenced. Mine properties – in production are stated at cost, less accumulated amortisation and accumulated impairment losses. These assets were depreciated by the unit-of-production method from 1 October 2021.

Rehabilitation asset and the corresponding provision is discounted to its net present value and amortisation is charged using the units-of-production method. Amortisation and corresponding finance charges incurred in the unwinding of the provision will be recognised in the profit or loss.

Key Estimate and Assumption: Impairment of non-financial 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.

The carrying values of non-current assets are reviewed for impairment when indicators of impairment exist or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ('CGU') to which the asset belongs and where the carrying values exceed the estimated recoverable amount, the assets or CGU are written down to their recoverable amount.

The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs, ore grades and/or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

The relevant CGU for Consolidated Entity is the Beyondie SOP mine.

Impairment of mine properties – in production, capital work in progress and property, plant and equipment

The future recoverability of capitalised mine properties, capital work in progress and property, plant and equipment is dependent on a number of key factors including; SOP prices, discount rates used in determining the estimated discounted cash flows of CGUs, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources included in the determination of fair value less cost to dispose ('fair value'), future technological changes which could impact the cost of mining, and future legal changes (including changes to environmental restoration obligations).

Fair value is estimated based on discounted cash flows using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on CGU life of mine ('LOM') plans. The Consolidated Entity considers this valuation approach to be consistent with the approach taken by market participants.

In determining the fair value of CGUs, future cash flows were discounted using rates based on the Consolidated Entity's estimated weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU. Life of mine operating and capital cost assumptions are based on the Consolidated Entity's latest budget and LOM plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price assumptions.

Key assumptions for this review:

SOP price (US\$ per tonne): US\$500/tonne to US\$1,000/tonne

Commodity prices are estimated with reference to forecasts provided by market analysts. The rates applied to the valuation have regard to observable market data.

Discount rate: 8.5%

In determining the fair value of the CGU, the future cash flows were discounted using rates based on the consolidated entity's estimated weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU (where applicable).

Operating and capital costs:

Life-of-mine operating and capital cost assumptions are based on the Consolidated Entity's latest budget and LOM operating plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price and exchange rate assumptions.

Sensitivity analysis:

Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of the CGU that has been subject to impairment testing:

	Increase \$000	Decrease \$000
Change of:		
SOP price by 10%	106,900	(120,000)
Discount rate by 10%	(40,100)	38,900

Changes in the SOP price and Discount rate assumption above are assumed to move in isolation, while other assumptions are held constant.

19. Collateral for bank guarantees

	30 June 2022 \$	30 June 2021 \$
Collateral for bank guarantees ¹	610,000	610,000
Collateral for bank guarantees	610,000	610,000

¹ Collateral for bank guarantees is cash set aside to cover bank guarantees issued by the Consolidated Entity's bankers in relation to energy access service contracts.

20. Right-of-use assets

	30 June 2022 \$	30 June 2021 \$
Head office space - right-of-use	200,541	200,541
Less: Accumulated depreciation	(150,106)	(104,276)
Right-of use-assets	50,435	96,265

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.

21. Trade and other payables

	30 June 2022 \$	30 June 2021 \$
Accounts payable	4,096,147	5,582,672
Other payables	1,045,334	125,964
Accrued expenses	448,927	2,819,974
Trade and other payables	5,590,408	8,528,610

Accounting policy:

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.

22. Lease liabilities

	30 June 2022 \$	30 June 2021 \$
Head office space - lease liabilities	-	50,000
Lease liabilities	-	50,000

Accounting policy:

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.

23. Borrowings

	30 June 2022 \$	30 June 2021 \$
Current Borrowings		
Loan from KfW	-	2,234,800
Loan from KfW/Euler Hermes	-	2,026,670
Loan from NAIF	-	1,977,200
Current Borrowings	-	6,238,670

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**



Non-current Borrowings	30 June 2022 \$	30 June 2021 \$
Loan from KfW	51,604,012	43,698,522
Loan from KfW/Euler Hermes	50,276,859	43,140,295
Loan from NAIF	72,513,621	68,104,883
	174,394,492	154,943,700
Interest on loan from KfW	1,390,228	1,273,007
Interest on loan from KfW/Euler Hermes	1,094,735	812,459
Interest on loan from NAIF	1,486,379	1,486,378
Commitment fees on loan from KfW/Euler Hermes	714,572	637,120
	4,685,914	4,208,964
Non-current Borrowings	179,080,406	159,152,664

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.

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.

The total debt facilities are as follows (all secured and pledged against the assets of the Consolidated Entity):

Lender	Borrower	Facility Limit (Ccy)	Undrawn (Ccy)	Undrawn (AUD)	Maturity Date ⁴
KfW / Euler Hermes	Kalium Lakes Potash (Facility A) ¹	EUR €32,487,268	EUR €1,562,980	AUD \$2,372,103	31 March 2033 ³
KfW	Kalium Lakes Potash (Facility B) ²	USD \$37,000,000	-	-	31 March 2033 ³
NAIF	Kalium Lakes Potash (Facility C)	AUD \$26,000,000	-	-	31 March 2033 ³
NAIF	Kalium Lakes Infrastructure	AUD \$48,000,000	-	-	31 March 2036
KfW	Kalium Lakes Potash (Liquidity Facility A) ⁴	USD \$8,000,000	USD \$8,000,000	AUD \$10,000,000	31 July 2022
NAIF	Kalium Lakes Potash (Liquidity Facility B) ⁴	AUD \$10,000,000	AUD \$10,000,000	AUD \$10,000,000	31 July 2022
				AUD \$22,372,103	

¹ Facility A has an EUR denominated facility limit. The unused facility has been converted to AUD at the 30 June 2022 AUD:EUR spot rate of 0.6589. When a loan is drawn down it is immediately converted into USD at the EUR:USD spot rate in existence at the time of the drawdown, with interest accruing in USD. The USD loan balance is the aggregate amount of all drawdowns converted from EUR to USD at the respective EUR:USD spot rates at the date of drawing.

² Facility B is a USD denominated loan facility. The USD facility limit, loan balance and unused facility has been converted to AUD at the 30 June 2022 AUD:USD spot rate of 0.6889

³ Following the debt restructure with the senior lenders which was completed on 12 October 2021, the principal repayments for the KLP Facilities A, B, C and the KLI Facility were deferred for two years and, as of the financial year end, were scheduled to commence on 31 March 2024. As of the financial year end, the maturity dates for the KLP Facilities A, B and C are 31 March 2033 and for the KLI Facility the maturity date is 31 March 2036.

⁴ As part of the debt restructure with the senior lenders which was completed on 12 October 2021, the senior lenders provided a liquidity facility which is a general purpose facility that is available to be used for short-term working capital purposes. The liquidity facility is divided into Liquidity Facility A provided by KfW for USD \$8 million, and Liquidity Facility B provided by NAIF for AUS \$10 million. The KfW Liquidity Facility A, whilst a USD denominated facility, is subject to being drawn for the same AUD equivalent as the NAIF Liquidity Facility B and as such its AUD equivalent facility limit is stated above at AUD \$10 million. The maturity date of these facilities, as of the financial year end, was 31 July 2022, with pre-requisites to drawdown related to the Consolidated Entity demonstrating to its senior lenders that it has a financing solution in place for the revised ramp up to the production target of 120 ktpa.

The weighted average interest rate on drawn amounts across all facilities as at the financial year end is 4.15% per annum.

24. Provisions

Current Provisions – Employee benefits	30 June 2022 \$	30 June 2021 \$
Employee entitlements	606,288	337,691
Current Provisions	606,288	337,691

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.

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Non-current Provisions – Provision for rehabilitation	30 June 2022	30 June 2021
	\$	\$
Opening balance	13,681,710	4,166,074
Additional provision required	4,373,823	9,515,636
Non-current Provisions	18,055,533	13,681,710

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 has been based on technical advice provided by an external expert and 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.

Key Estimate and Assumption: 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 asset 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.

25. Contributed equity

	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 \$	30 June 2021 \$
Ordinary shares – fully paid	1,181,712,214	839,161,349	243,613,489	184,670,756

Movements in ordinary share capital	Date	Shares	Issue price	\$
Balance	1 July 2020	802,257,785		179,614,646
Issue of shares to contractors ¹	09 Jul 2020	13,931,488	0.150	2,089,724
Issue of shares under contingent placement	09 Jul 2020	20,305,409	0.150	3,045,811
Exercise of options by contractors	04 Sep 2020	2,666,667	-	-
Share issue costs				(79,425)
Balance	30 June 2021	839,161,349		184,670,756
Issue of shares under capital raising	19 Oct 2021	174,341,902	0.180	31,381,542
Issue of shares under capital raising	2 Nov 2021	35,448,435	0.180	6,380,718
Issue of shares under share purchase plan	18 Nov 2021	42,148,389	0.180	7,586,710
Issue of shares under capital raising	3 Dec 2021	78,393,152	0.180	14,110,767
Issue of shares to contractors ¹	7 Feb 2022	12,218,987	0.150	1,832,848
Share issue costs				(2,349,852)
Balance	30 June 2022	1,181,712,214		243,613,489

¹ Shares issued to contractors for work performed on the Beyondie SOP Project have been capitalised on the Consolidated Statement of Financial Position as non-current assets

Accounting policy:

Share capital

Ordinary shares are classified as equity. 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.

26. Reserves

	30 June 2022	30 June 2021
	\$	\$
Performance rights reserve	-	1,200,000
Options reserve	7,071,356	7,071,356
Reserves	7,071,356	8,271,356

Movements in options reserve	Number	\$
Balance at 30 June 2020	41,826,668	7,071,356
Exercise of options by contractors on 7 September 2020	(2,666,667)	-
Cancellation of options	(1,000,000)	-
Balance at 30 June 2021	38,160,001	7,071,356
Cancellation of options	(3,263,521)	-
Exercise of options by contractors on 7 February 2022	(12,218,987)	-
Balance at 30 June 2022	22,677,493	7,071,356

As at 30 June 2022, the following unlisted options were on issue:

Number under Option	Exercise Price	Expiry date
5,000,000	\$0.50	30 June 2025
17,677,493	\$0.00	16 June 2023

Movement in performance rights reserve	Number	\$
Balance at 30 June 2020	10,000,000	1,200,000
Issue of performance rights	2,250,000	-
Balance at 30 June 2021	12,250,000	1,200,000
Cancellation of performance rights	(12,250,000)	(1,200,000)
Balance at 30 June 2022	-	-

27. Accumulated losses

	30 June 2022 \$	30 June 2021 \$
Accumulated losses at the beginning of the financial year	(53,035,724)	(52,412,451)
Transfer from performance rights reserve (refer note 26)	1,200,000	-
Loss after income tax expense for the year	(36,547,723)	(623,273)
Accumulated losses at the end of the financial year	(88,383,447)	(53,035,724)

28. Loss per share

	30 June 2022 \$	30 June 2021 \$
Loss after income tax	(36,547,723)	(623,273)
Loss after income tax attributable to the owners of Kalium Lakes Limited used in calculating diluted earnings per share	(36,547,723)	(623,273)
Basic loss per share	(3.45)	(0.07)
Diluted loss per share	(3.45)	(0.07)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	1,060,272,969	837,950,677

Accounting policy:

Earnings per share

Basic earnings per share ("EPS") 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. Diluted EPS 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 diluted EPS was not calculated as the consolidated entity has incurred a net loss for the current and prior year. 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.

29. Auditor's remuneration

	30 June 2022	30 June 2021
	\$	\$
Audit and review of the financial report	113,000	70,000
Technical advice services	-	26,230
Auditor's remuneration	113,000	96,230

30. Reconciliation of cashflows from operating activities

	30 June 2022	30 June 2021
	\$	\$
Loss after income tax expense for the year	(36,547,723)	(623,273)
Adjustments for:		
Depreciation	2,692,511	922,018
Share based payment (credit)/expense	(93,750)	93,750
Finance costs	9,520,424	-
Realised current translation losses/(gains)	(16,455)	-
Unrealised currency translation losses/(gains)	8,755,607	(6,484,476)
Other items	-	(1,294,026)
Change in operating assets and liabilities:		
Trade & other receivables	675,515	349,220
Trade & other payables	(2,864,895)	(501,594)
Inventories and raw materials	(5,556,860)	-
Employee benefits expense	286,064	128,883
Net cash used in operating activities	(23,149,562)	(7,409,498)

31. Parent entity information

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

	30 June 2022 \$	30 June 2021 \$
Statement of profit or loss and other comprehensive income		
Loss after income tax ¹	(74,313,229)	(4,432,837)
Total comprehensive loss	(74,313,229)	(4,432,837)
Statement of financial position		
Total current assets	6,552,386	3,998,092
Total assets	162,638,417	140,226,094
Total current liabilities	(337,019)	(319,706)
Total liabilities	(337,019)	(319,706)
Net assets	162,301,398	139,906,388

¹ Loss for parent entity largely due to write-down of \$70.7 million to align the parent entity net assets to the Consolidated Entity net assets.

Guarantees

Kalium Lakes Limited is a guarantor under the KLP Facility Agreement, KLI Facility Agreement, Security Trust Deed, Intercreditor Deed, Liquidity 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

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

32. Key Management Personnel disclosure

The aggregate compensation made to Key Management Personnel of the Consolidated Entity is set out below:

	30 June 2022 \$	30 June 2021 \$
Short-term employee benefits	1,233,584	1,217,269
Post-employment benefits	86,004	69,956
Total compensation	1,319,588	1,287,225

33. Related party transactions

Parent entity

Kalium Lakes Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 32 and the remuneration report included in the Directors' report.

The following transactions occurred with related parties:

	30 June 2022 \$	30 June 2021 \$
Payment for services:		
Payment for construction services from K19 Mining Pty Ltd (Director related entity of Brent Smoothy) ¹	5,140,185	3,031,106
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) ^{2 & 3}	-	5,455,602
Payment for employee services from Tanya Hazelden (Director related entity of Brett Hazelden)	-	40,608
	5,140,185	8,527,316

¹ K19 Mining Pty Ltd and Smoothy Cattle Co Pty Ltd are Director related entities of Brent Smoothy. The companies were engaged in the construction works, harvesting and haulage of harvested and waste salts for the Beyondie SOP Mine.

² Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy) was engaged in the construction and maintenance works of pond roads and the airstrip.

³ Smoothy Cattle Co Pty Ltd was awarded the sub-contractor works under the FIRM Construction Pty Ltd contract. Amounts paid during the prior 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 2022 \$	30 June 2021 \$
Current payables:		
Payment for construction services and haulage of harvested & waste salt from K19 Mining Pty Ltd (Director related entity of Brent Smoothly)	1,271,787	644,396
Payment for construction services from Smoothy Cattle Co Pty Ltd (Director related entity of Brent Smoothy)	-	261,996
	1,271,787	906,392

Loans to/from related parties

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

Other transactions with related parties

As part of the senior debt restructure completed by the Consolidated Entity with senior lenders on 12 October 2021, the existing founders' royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust and Greenstone Resources II (Australia) Holdings L.P. (both of whom are related parties of the Company), agreed to subordinate and defer the payment of their royalties over the tenements at Ten Mile Lake, Lake Sunshine and Lake Carnegie until the debt principal repayments to the Consolidated Entity's senior lenders begin on 31 March 2024 and that all such royalties accrued before that date are deferred until the senior lenders' deferred debt is repaid. In consideration for the deferral of the royalty payments the Consolidated Entity agreed to grant a further royalty over the tenements at Ten Mile West to the existing founders' royalty holders on the same terms as their existing royalties (being 1.9% of gross revenue).

Terms and conditions

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

34. 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 2022 \$	30 June 2021 \$
Unused at the reporting date		
Senior lender debt facilities	22,372,104	7,351,720

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 2022	Weighted average interest rate	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$
Non-derivates					
<i>Non-interest bearing</i>					
Trade payables	-	4,096,147	-	-	4,096,147
Other payables	-	1,045,334	-	-	1,045,334
Lease liability	-	-	-	-	-
<i>Interest bearing</i>					
Senior debt	4.15%	-	45,486,773	133,593,633	179,080,406
Total non-derivatives		5,141,481	45,486,773	133,593,633	184,221,887

30 June 2021	Weighted average interest rate	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$
Non-derivates					
<i>Non-interest bearing</i>					
Trade payables		5,582,672	-	-	5,582,672
Other payables	-	125,964	-	-	125,964
Lease liability	-	50,000	-	-	50,000
<i>Interest bearing</i>					
Senior debt	3.10%	6,238,670	62,637,378	96,515,306	165,391,354
Total non-derivatives		11,997,306	62,637,378	96,515,306	171,149,990

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 1% 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 \$
Cash and cash equivalents	30 June 2022	21,512,780
Cash and cash equivalents	30 June 2021	34,206,120

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 2022	215,128	(215,128)
Cash and cash equivalents	30 June 2021	342,016	(342,061)

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 \$179,080,406 (2021: \$165,391,334), are principal and interest payment loans. Of these, \$105,080,406 (2021: \$93,822,892) are variable rate interest loans and \$74,000,000 (2021: \$71,568,462) are fixed rate interest loans. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of \$1,050,804 (2021: \$938,228) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity has no forward foreign exchange contracts and options at the reporting date.

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, its 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.

35. 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 2022 %	30 June 2021 %
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	100

¹ Magnesium Lakes Pty Ltd was dormant at the reporting date.

36. Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities and assets as at 30 June 2022 (2021: Nil).

37. Commitments

	30 June 2022 \$	30 June 2021 \$
Committed at the reporting date but not recognised as liabilities, payable:		
Rental, rates and expenditure commitments relating to tenements	2,473,016	2,696,232
90ktpa project	4,358,080	42,848,243
120ktpa expansion	11,246,878	-
Total committed at the reporting date	18,077,974	45,544,475
Non-contractual at the reporting date:		
90ktpa project	4,909,921	-
120ktpa expansion	29,373,809	-
Total non- contractual at the reporting date	34,283,730	-

38. 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 Equity Interest	
		30 June 2022 %	30 June 2021 %
Carnegie Joint Operation	Australia	70%	70%

39. 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:

At the beginning of July 2022, Kalium Lakes provided an update advising that the first commercial sales had been scheduled for later that month and that it had achieved cumulative production of 1,000 tonnes of commercially saleable SOP to 29 June 2022. Further testing of plant equipment was continuing and the purification plant would undertake a shutdown in August, with a restart anticipated for September. The Company also noted that late rain events in May and June 2022 had filled trenches, pre-concentrator ponds and evaporation ponds, causing delays in pond salt precipitation due to longer evaporation periods.

An announcement that deliveries of SOP from the Beyondie SOP Mine to local WA fertiliser manufacturer and distributor, CSBP Fertilisers (CSBP), had commenced as part of the inaugural sale under its offtake agreement with K+S, was made on 31 July 2022.

The next month, on 18 August 2022, Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.

In addition to the Placement, existing eligible shareholders were offered the opportunity to subscribe for shares under a Share Purchase Plan ("SPP") at the Placement offer price of \$0.04 per share, to raise up to an additional \$8 million (before costs). An SPP shortfall offer was also announced, which would allow the Company to accept subscriptions from investors who wanted to subscribe to make up any shortfall if total subscriptions for the SPP offer were below \$8 million. The second tranche of the Placement and the SPP offers are subject to the Company obtaining shareholder approval at a General Meeting scheduled to be held on 3 October 2022.

Also on 18 August 2022, the Company announced that it had entered into formal binding documentation with its senior lenders to restructure of its existing debt arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing \$20 million liquidity facility to January 2026.

The debt restructure is subject to the requirement that the Company successfully completes an equity raise of at least \$20 million (net of costs) by 7 October 2022. Completion of the Placement announced on the same day enables this requirement to be met.

On 13 September 2022, Kalium Lakes announced that the SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.

On 19 September 2022, Kalium Lakes announced that, it had received applications in excess of \$8 million under the SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the SPP offer to \$12 million.

DIRECTORS' DECLARATION

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 2022 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.



Stephen Dennis
Chairman

23 September 2022

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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 2022, 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 2022 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.

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Key audit matters

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

Key audit matter	How our audit addressed this matter
<p>Impairment of Group's Beyondie Sulphate of Potash cash-generating unit - Refer to Note 15, 16 and 18 in the financial statements</p> <p>As prescribed by AASB 136 <i>Impairment of Assets</i>, the Group performs impairment assessment when events or changes in circumstances occur in respect of production of Sulphate of Potash from the Beyondie Sulphate of Potash mine cash-generating unit (CGU).</p> <p>The carrying value of the Group's non-current assets, which includes property, plant and equipment, mine properties and capital work-in-progress as disclosed in the consolidated statement of financial position at 30 June 2022.</p> <p>Impairment indicators were identified during the year ended 30 June 2022 in respect of the Group's CGU requiring management to perform an impairment assessment in accordance with AASB 136 <i>Impairment of Assets</i>.</p> <p>Management's assessment of the recoverability of these non-current assets is performed using a value in use model that involved significant judgements, assumptions and estimates used in determining the recoverable amount of the CGU.</p> <p>The value in use model is based on expected future cash flows, which are inherently uncertain, and are affected by a number of factors as set out in the life-of-mine model, including reserves and production estimates, economic factors such as discount rate, sulphate of potash price, estimate of operating expenditure, foreign currency exchange rate and future capital expenditure.</p> <p>Management concluded that impairment of the CGU was not required for the year ended 30 June 2022.</p> <p>We determined this area to be a key audit matter due to the significant account balances and the level of management estimates and judgement involved in the preparation of the impairment model to support the carrying values as discussed above.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing management's determination of allocating the non-current assets to a single CGU based on the nature of the Group's business and the manner in which results are monitored and reported; Assessing the appropriateness of the value-in-use model prepared by management; Challenging the reasonableness of key assumptions used in the value in use model, including the: <ul style="list-style-type: none"> Future production levels and operations expenditure; Future commodity prices and exchange rates; Estimated capital expenditure; Discount rate applied; and Life of Mine model; Checking the mathematical accuracy of the value in use model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; Reviewing sensitivity analyses to consider the impact of changes in key judgements, assumptions and estimates on the recoverable amount and the impact on the impairment assessment of the CGU; and Assessing the appropriateness of the disclosures in the financial statements.

Key audit matter	How our audit addressed this matter
Provision for rehabilitation - Refer to Note 24 in the financial statements	
<p>As a result of the Group's past activities, there is an obligation to rehabilitate and restore mine sites. As at 30 June 2022, the Group has brought to account a provision for rehabilitation of \$18,055,533.</p> <p>We considered this to be a key audit matter due to the significant management judgement and estimates involved in assessing the provision for rehabilitation including:</p> <ul style="list-style-type: none"> • Determination of costs to be incurred in future years and its timing; • Complexity involved in the quantification of the provision based on areas disturbed; and • The methodology used to calculate the provision amount to ensure compliance with Australian Accounting Standards. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process involved in the determination of the provision; • Checking the mathematical accuracy of the model used to calculate the provision; • Reviewing the reasonableness of the inflation rate, discount rate and timing of the rehabilitation cashflows assumptions used in the model; • Reviewing areas of disturbances on a sample basis by agreeing to supporting documents; • Reviewing the reasonableness of the estimated costs performed by management expert; • Ensuring the movement in the provision has been accounted for in accordance with Australian Accounting Standards; and • Assessing the appropriateness of the disclosures in the financial statements.

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 2022 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: https://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 within the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2022, 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.

RSM

RSM AUSTRALIA PARTNERS

AIK

AIK KONG TING
Partner

Perth, WA
Dated: 23 September 2022

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

Issued Securities as at 30 June 2022

	Quoted on ASX	Unlisted	Total
Fully Paid Ordinary Shares	1,181,712,214	-	1,181,712,214
\$0.00 unlisted options expiring 16/6/23		17,677,493	17,677,493
\$0.50 unlisted options expiring 30/6/25		5,000,000	5,000,000
Total	1,181,712,214	22,677,493	1,204,389,707

Distribution of Listed Ordinary Fully Paid Shares as at 30 June 2022

Spread	of	Holdings	Number of Holders	Number of Units	% Issued Capital
1	-	1,000	243	88,736	0.01%
1,001	-	5,000	1,653	5,254,774	0.44%
5,001	-	10,000	1,333	10,627,044	0.90%
10,001	-	100,000	4,023	157,091,882	13.29%
100,001	-	and over	1,473	1,008,649,778	85.36%
Total			8,725	1,181,712,214	100%

Top 20 Listed Ordinary Fully Paid Shareholders as at 30 June 2022

Rank	Shareholder	Shares Held	% Issued Capital
1.	GREENSTONE RESOURCES II (AUSTRALIA) HOLDINGS L P	152,886,533	12.94%
2.	GREENSTONE MANAGEMENT (DELAWARE) II LLC	78,673,124	6.66%
3.	KUMARINA HOLDINGS PTY LTD <VINCE SMOOTHLY FAMILY A/C>	39,839,800	3.37%
4.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	22,922,679	1.94%
5.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	20,598,155	1.74%
6.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	19,199,159	1.62%
7.	MR PHILIPPUS RUDOLPH VAN NIEKERK + MRS JEAN-MARIE VAN NIEKERK <R & J VAN NIEKERK A/C>	15,831,741	1.34%
8.	DRA PACIFIC PTY LTD	12,218,987	1.03%
9.	HISHENK PTY LTD	10,600,000	0.90%
10.	CITICORP NOMINEES PTY LIMITED	10,405,085	0.88%
11.	MR STACEY RADFORD	10,230,323	0.87%
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,800,033	0.74%
13.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	8,450,142	0.72%
14.	MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	8,200,000	0.69%
15.	WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	8,000,000	0.68%
16.	VALDARNO PTY LTD <VALDARNO A/C>	7,306,040	0.62%
17.	PS SUPER NOMINEE PTY LIMITED <SHADBOLT FUTURE FUND A/C>	7,245,278	0.61%
18.	MR KENNETH JOSEPH HALL <HALL PARK A/C>	6,226,769	0.53%
19.	KUMARINA HOLDINGS PTY LTD <TOM SMOOTHY INVESTMENT A/C>	6,000,000	0.51%
20.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,414,658	0.46%
Total		459,048,506	38.85%