

KALIUM LAKES

Kalium Lakes Limited | ABN 98 613 656 643



CONSOLIDATED
ANNUAL REPORT
2016 - 2017

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Gareth Widger

REGISTERED OFFICE AND PRINCIPLE PLACE OF BUSINESS

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Balcatta WA 6021

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152-158 St Georges Terrace
Perth WA 6000 Australia

HOME EXCHANGE

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Perth WA 6000

ASX CODE

KLL





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CHAIRMAN'S ADDRESS

Dear Shareholder

As the Chairman of Kalium Lakes Limited (KLL) and on behalf of the Board and Management, it is my pleasure to present to you the Chairman's Address as part of the Company's first Annual Report as a public company and now listed on the Australian Securities Exchange (ASX).

Our Company, which was established in 2014, is on track to be the first in Australia to develop a sub-surface brine deposit to produce Sulphate Of Potash (SOP) through the Beyondie Sulphate Of Potash Project. Involving an evaporation and processing operation, our aim is to produce 150,000 tonnes per annum in a staged project located 160 kilometres south east of Newman, in Western Australia's Pilbara Region.

Kalium Lakes was admitted to the ASX official list and quotation of its securities on the ASX commenced on Thursday 22 December 2016.

Since that time, we have made extraordinary progress in a relatively short period or to be specific, less than 12 months.

Our scorecard is very impressive:

- ▶ Successful and oversubscribed Initial Public Offer raising of \$6 million.
- ▶ Established a fully operational camp and workshop facility in the Pilbara.
- ▶ Constructed the first large scale pilot evaporation ponds in Australia.
- ▶ Raised \$4.5 million through an oversubscribed placement.
- ▶ Joint ventured our Carnegie Potash Project with BC Iron.
- ▶ On track to become Australia's first SOP producer.
- ▶ Share price has more than doubled since listing.
- ▶ Successfully completed a Pre-Feasibility Study and now fast tracking a Bankable Feasibility Study.

Of course, this would not have been achieved without the focussed, committed and hardworking operational team led by our Managing Director, Brett Hazelden and Chief Development Officer, Rudolph van Niekerk.

While our SOP project is located in the heart of a resources and mining province, we are unique in being an "agri-business" company preparing to produce the agricultural fertiliser SOP.

As a premium potassium fertiliser, SOP is a source of one of the three major nutrients that plants require for healthy plant metabolism, development of strong roots, stalks and stems and at the same time enhancing the appearance, taste, nutritional value and shelf life of harvested crops.

Importantly, demand for premium fertiliser is predicted to gradually increase with world population growth and as developing nations increase consumption of various meat and food crops.

Australia's capacity to deliver robust agricultural supply chains to both domestic and export markets, as well as the Beyondie Project's close proximity to transport infrastructure (providing access to rail, roads and port), remain key attributes within our vision to deliver a successful and profitable SOP production business.

Both the Board and the management team are focussed on delivering a satisfactory return to Kalium Lakes' shareholders and stakeholders. In this first year as a public company, Kalium Lakes has surpassed all the objectives set out in the Prospectus for the Initial Public Offer.

The achievements during the past year are both remarkable and a testament to the challenging work, tenacity and practical problem solving of the small and dedicated team at Kalium Lakes.

On behalf of the Board and the shareholders, I congratulate the Kalium Lakes team on delivering an outstanding first year, which has set solid foundations for the future and sincerely thank them for a tremendous effort.

Yours faithfully



Malcolm Randall
Non-Executive Chairman

MANAGING DIRECTOR'S OVERVIEW

Kalium Lakes Limited (KLL) was incorporated as a public company on 14 July 2016, as part of the restructure of Kalium Lakes Potash Pty Ltd which has been operating since October 2014. The majority of the first half of this financial year, apart from the ongoing site activities at the Beyondie Sulphate Of Potash (SOP) Project, was dedicated to preparations necessary to become a public listed company.

The Company successfully completed an oversubscribed Initial Public Offer, listing on the Australian Securities Exchange (ASX) in December 2016.

The team at KLL has been busy developing a strong, flexible and successful public business, based on the foundations established as a private company.

In briefly summarising the activities undertaken since listing, the pages of this overview not only record the many milestones but also demonstrate the effectiveness of the small team driving the Kalium Lakes' business.

2017 – A Busy Year

As mentioned earlier, Kalium Lakes successfully listed on the ASX on 22 December 2016 and experienced six days of trading on ASX before the new calendar year commenced.

The Initial Public Offering raised \$6 million (\$3 million subscription and \$3 million over subscription) and enabled the Company to commence work on increasing the confidence of Mineral Resources, begin test pumping the various bores, install supporting infrastructure, continue regulatory and other approvals, as well as meet corporate and ongoing working capital requirements.

Kalium Lakes continued to utilise K-UTEC AG Salt Technologies from Germany to prepare a Technical Report according to the guidelines of the JORC Code with reference to the CIM Best Practice Guidelines for Resource and Reserve Estimation for Brines.

Through the adoption of both the JORC Code and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) NI 43-101 standard of disclosure for the reporting of Mineral Resources, Kalium Lakes recognised that the CIM has developed best practice guidelines for Mineral Resource and Reserve estimation of Brines.

In **January** 2017, KLL immediately commenced works on access roads, the installation of water bore drill pads and initial orders were placed for support infrastructure, camp accommodation and specialised test pumping equipment.

In **February**, the Company announced that Innovation Science Australia had approved the overseas Research and Development (R&D) activities for the Beyondie Sulphate of Potash Project in relation to its previously lodged Overseas Findings application for the 2015/16 income year. A total of \$1,371,736 in R&D tax offsets for the 2015/16 income year, for both Australian and overseas R&D activities, was received.

BC Iron Limited (BCI) and Kalium Lakes announced that the companies had entered into a joint venture agreement over Kalium's 100 per cent owned Carnegie Project early in **March** 2017.

The Carnegie Project is a potash exploration project located approximately 220 kilometres north east of Wiluna that comprises one granted exploration licence and two exploration licence applications, covering a total area of approximately 1,700 kilometres. The Carnegie Project remains highly prospective for hosting a large sub-surface brine deposit.

Under the terms of the Agreement, BCI is able to earn up to a 50 per cent interest in the Carnegie Project, by predominantly sole-funding exploration and development expenditure across several stages, with KLL as the manager of the joint venture.

Also in March, a new drilling campaign was initiated and focussed on increasing the confidence in the Mineral Resource for the Project, with an aim of enabling conversion of the Mineral Resource to an Ore Reserve.

In that same month, a range of supporting infrastructure was installed at the Project and the Company appointed Rudolph van Niekerk to the role of Chief Development Officer.

During **April**, the Kalium Lakes team moved the corporate office to premises with an appropriate mix of office and warehouse space in Balcatta, continued bore installation activities and commenced test pumping.

May 2017 was another very busy period for Kalium Lakes with drilling results delivering outstanding potassium grades up to 11,500 milligrams per litre (equivalent to a SOP grade of 25,600 milligrams per litre), as well as revealing consistently low impurity levels in the Stage 1 Development Area, with Na:K ratios between 7.2 and 8.3.

Early in May, in an update to the market, Kalium Lakes provided a short list of significant exploration achievements:

- ▶ Seven production bores had been installed and more than 20 million litres pumped from the basal aquifer, at continuous rates varying between 5-32 litres per second.
- ▶ More than five kilometres of 250 millimetre production pipeline was being installed between the current bore field and the trial pilot pond site.
- ▶ Approvals were in place for up to 3.4 kilometres of initial trenches with approximately 800 metres installed.
- ▶ Test pumping confirmed the potential for the Project to extract brine from both palaeochannel bores and surficial trenches, providing flexibility on brine sources.
- ▶ Pond verification testing involving four different construction methods and materials which will allow the optimisation of pond leakage, potassium recovery losses and capital/operating cost requirements, were in progress.
- ▶ The trenching trials had shown significant inflows and further confirmed off-lake evaporation ponds are optimal and more practical when considering the use of heavy earthmoving equipment.
- ▶ All regulatory approvals were in place for up to 150 hectares of pilot ponds and the extraction of 1.5 gegalitres of brine per annum.
- ▶ More than 1,105 kilometres of geophysical traverses had been completed utilising gravity and passive seismic methods.
- ▶ Fully operational camp facilities, workshop and a dedicated 78 kilometre access road were in place.

In that same month, the Company successfully completed an oversubscribed book build and received commitments for a placement of 13,235,295 new fully paid ordinary shares at an issue price of \$0.34 per share to both new and existing, domestic and overseas, sophisticated and professional investors raising \$4.5 million.

Proceeds from the placement were immediately used to fast track the establishment of large scale pilot evaporation ponds, production bores and the installation of pumps, pipelines and other equipment, as well as advancing regulatory approvals for the Beyondie SOP Project.

In **mid-June**, KLL announced excellent ongoing production bore brine test pumping flowrates with pump rates up to 25 litres per second and an outstanding 10 Mile Trench Test Pumping at flowrates up to 20 litres per second per kilometre of trench. Another important factor was the consistently high potassium grades for both production bores and trenches delivering up to an equivalent SOP grade of 24,000 milligrams per litre.

On the final day of the financial year, Kalium Lakes signed a Non-Binding Off-Take Memorandum of Understanding with WITTRACO Düngemittel GmbH for the sale of SOP. Based in Hamburg, Germany, WITTRACO is a global business focused on the marketing and distribution of commodity, soluble and specialty fertilisers.

“By May 2017, fully operational camp facilities, workshop and a dedicated 78 kilometre access road were in place”



MANAGING DIRECTOR'S OVERVIEW (CONTINUED)

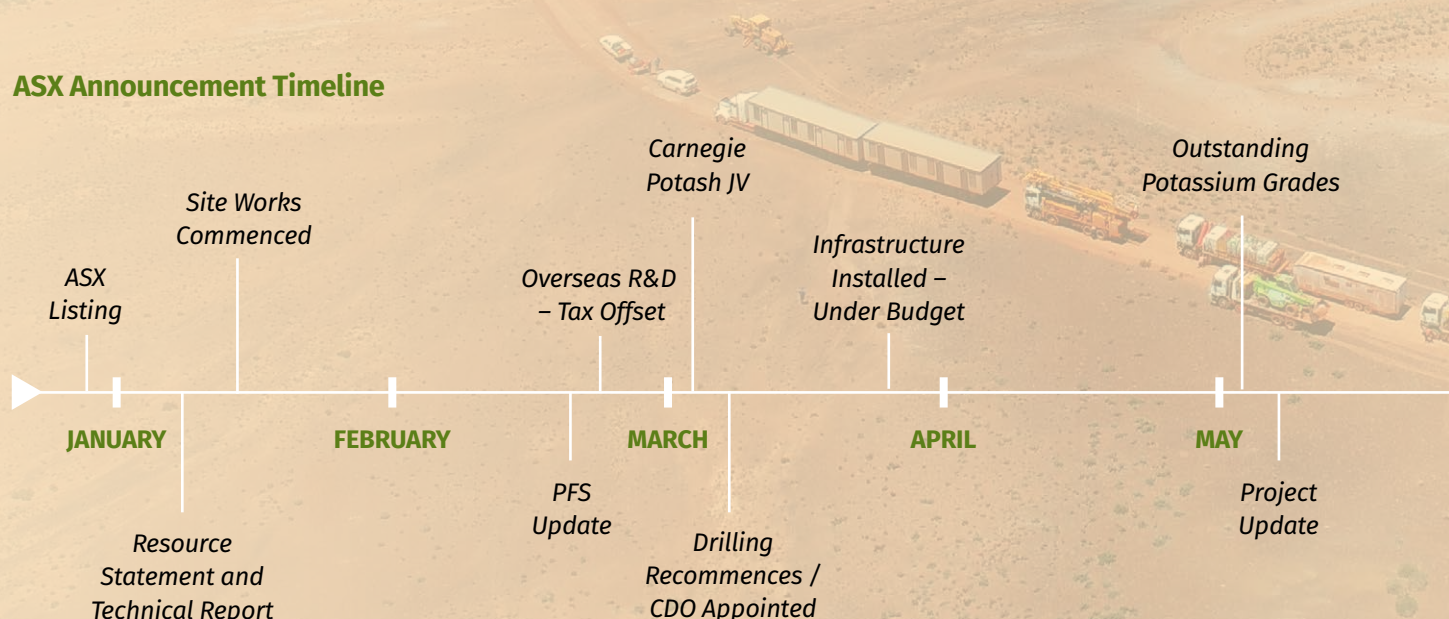
Subsequent Achievements

The pace has not slowed at Kalium Lakes since 30 June 2017, if anything the team's determination to "get on with the job" has allowed the Company to pursue new initiatives:

- ▶ On 4 July 2017, the Company signed an exclusive Letter of Intent with EcoMag Limited, to trial the recovery of high value Hydrated Magnesium Carbonate (HMC). EcoMag is currently building a transportable pilot plant that will be used to trial the recovery of HMC which may, in turn, generate additional revenue.
- ▶ The Company continued to record high grade potassium results - up to 8,800 milligrams per litre equivalent to an SOP grade of 19,600 milligrams per litre. The milestone of pumping more than 55 million litres of brine from bores and trenches was passed during this month.
- ▶ Kalium Lakes commenced commissioning of the Large Scale Pilot Evaporation Ponds at the Beyondie in mid-August 2017 and informed the market that SOP Recovery for lined ponds was estimated at up to 87 per cent excluding purification plant recovery losses.
- ▶ Later in August, the Company announced additional assay results from auger holes located in the eastern tenements Resource Area, which comprise Stage 2 of the Project. These Stage 2 results, collected two years apart, confirmed consistent high potassium grades up to 11,600 milligrams per litre - equivalent to a SOP grade of 25,850 milligrams per litre, including low impurity levels with Na:K (sodium to potassium) ratios averaging 8.6.
- ▶ During early September, Kalium Lakes advised that the first salts had precipitated in the large scale pilot ponds and that the realised cost of installing the lined ponds was approximately \$5.40 per square metre, inclusive of cut and fill earthworks to create level tiered pond floors, pond wall construction, liner supply and liner installation.
- ▶ In the last week of September KLL signed a Memorandum Of Understanding with Yunnan Jingyifeng Supply Chain Management Co Ltd (JYF) for the sale of Sulphate Of Potash. Based in Kunming City, JYF is focused on the marketing and distribution of liquid and solid chemicals and fertilisers throughout south west China.
- ▶ At the end of another busy quarter, the Company received a total of \$1,881,570 in Research and Development (R&D) tax offsets for the 2016/17 income year, for both Australian and approved overseas R&D activities.



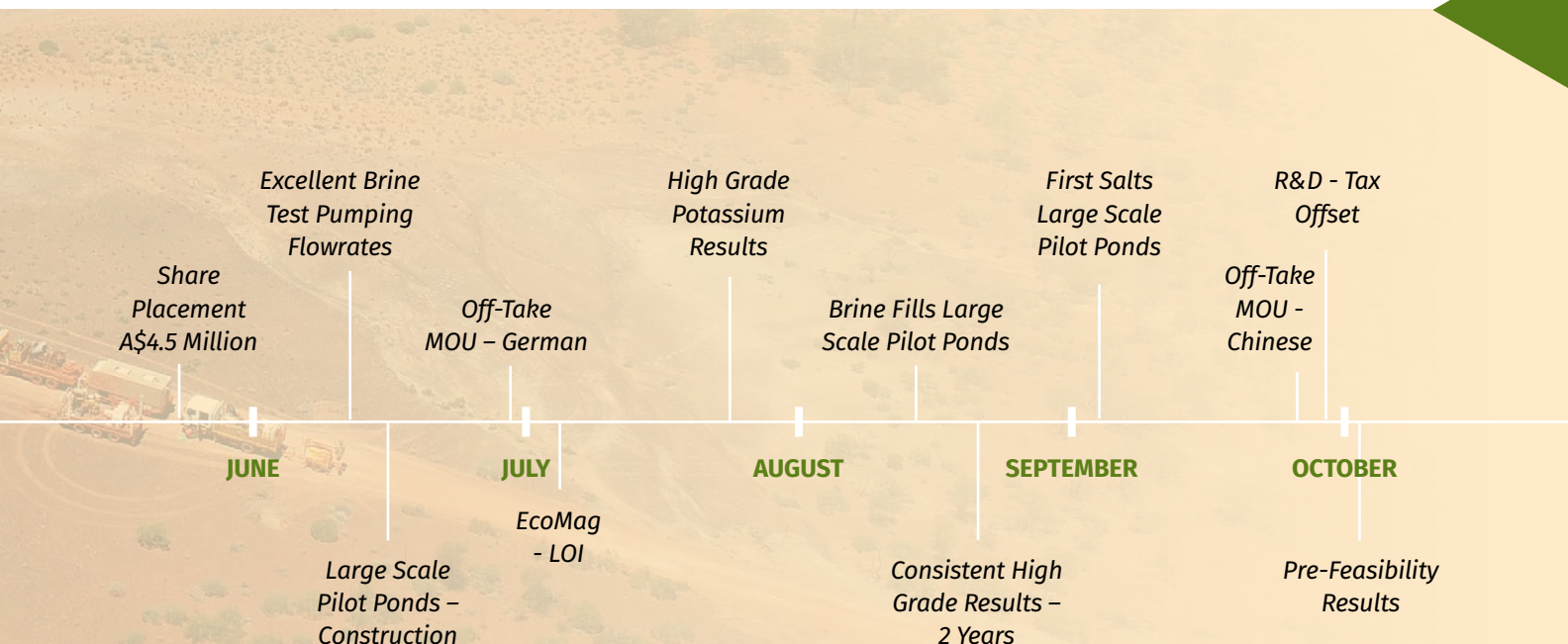
ASX Announcement Timeline



Pre-Feasibility Study

On 3 October 2017, Kalium Lakes delivered the Beyondie SOP Project Pre-Feasibility Study, which contained the following key points:

- Pre-Feasibility Study (PFS) confirms that Kalium Lakes' 100% Owned, Beyondie Sulphate Of Potash Project, is technically and financially robust.
- Indicated Resource of 4.37 Mt @ 14,000 mg/l SOP at a cut-off grade of 3,500mg/l K and an Inferred Resource of 13.74 Mt @ 12,788 mg/l SOP at a cut-off grade of 3,500mg/l K.
- Maiden Probable Reserve of 2.66 Mt @ 14,210 mg/l SOP at a cut-off grade of 3,500mg/l K based solely within the Stage 1 Approval Footprint, which represents ~21% of total lake surface area within the tenement package.
- Development base case of 150 ktpa SOP, with the option to incrementally phase the project, through a ramp up from 75 ktpa to 150 ktpa SOP, to minimise operational and financial risks.
- Development base case pre-tax NPV₁₀ of A\$388M, IRR of 28.7%, average EBITDA of A\$83 Mpa, EBITDA margin of 62%, a payback period of 3.7 years and Life of Mine (LOM) free cash flows of more than \$1B, based on an initial 21 year LOM and a US\$500/t SOP sales price @ \$A/\$US exchange rate of 0.75.
- Estimated LOM Operating Cash Cost of A\$244-253/t SOP FOB Geraldton or Fremantle Port. This places the BSOPP in the lowest quartile cost of global SOP production.
- Pre-production Capital Cost of A\$220 million, including a 78 kilometre gas pipeline for the base case or A\$124 million for the phased ramp-up scenario.
- Significant potential upside to increase production levels or extend the LOM.
- Potential additional revenue associated with recovery of magnesium by-products which have not been included in the current financial outcomes.
- Approvals are well advanced and the Company intends to make submissions to the relevant authorities during the next quarter. Offtake discussions are progressing and the Company has entered into two non-binding off-take MOUs, as announced on the ASX.
- An independent review by Snowden Mining Industry Consultants Pty Ltd (Snowden) considered that the PFS content meets or exceeds the appropriate standard to support the estimation of Ore Reserves.
- Kalium Lakes' Board, which previously approved the undertaking of Pilot Scale Works, has now endorsed the commencement of a Bankable Feasibility Study (BFS).



MANAGING DIRECTOR'S OVERVIEW (CONTINUED)

Next Steps

Following the completion of the PFS, the Board has now endorsed the commencement of the BFS. The BFS program will run in conjunction with the previously approved Pilot Scale Works, including ongoing submissions for the various regulatory approvals required to develop the Project.

The key next steps are:

- ▶ Continue the ongoing pilot pond evaporation program to provide bulk salts for the pilot scale purification works and confirm operational and scale up parameters
- ▶ Undertake bulk salts sample processing at K-UTEC's facilities in Germany for the purification plant pilot works to confirm recovery and design parameters
- ▶ Further Resource and Reserve drilling to meet BFS requirements
- ▶ Ongoing test pumping of bores and trenches
- ▶ Update the Hydrogeological Numerical Modelling and associated Mine Plan
- ▶ Engineering and design activities to allow tendered construction prices to be received
- ▶ Project Approval submissions to the relevant authorities commencing in the coming quarter
- ▶ Finalisation of the second Native Title Mining Agreement
- ▶ Advance product sales discussions with the objective of securing Binding Offtake Agreements

- ▶ Undertake detailed investigations of magnesium by-product recoveries to a level sufficient for incorporation into the BFS
- ▶ Pilot trial recovery of Hydrated Magnesium Carbonate in parallel to ongoing pilot ponds
- ▶ Advance discussions with various lenders and strategic investors, with the objective of securing binding funding proposals prior to the Final Investment Decision

Kalium Lakes is well placed to progress to the next stages of its development path. The Company remains committed to continuing to de-risk the Project, minimise initial capital requirements and become Australia's first SOP producer, which will provide the early cashflow that will allow expansion with the market.

In doing these things we will ultimately be assisting Australian farmers by providing an agronomically superior product, while delivering a satisfactory return to our shareholders for potentially, a number of decades.



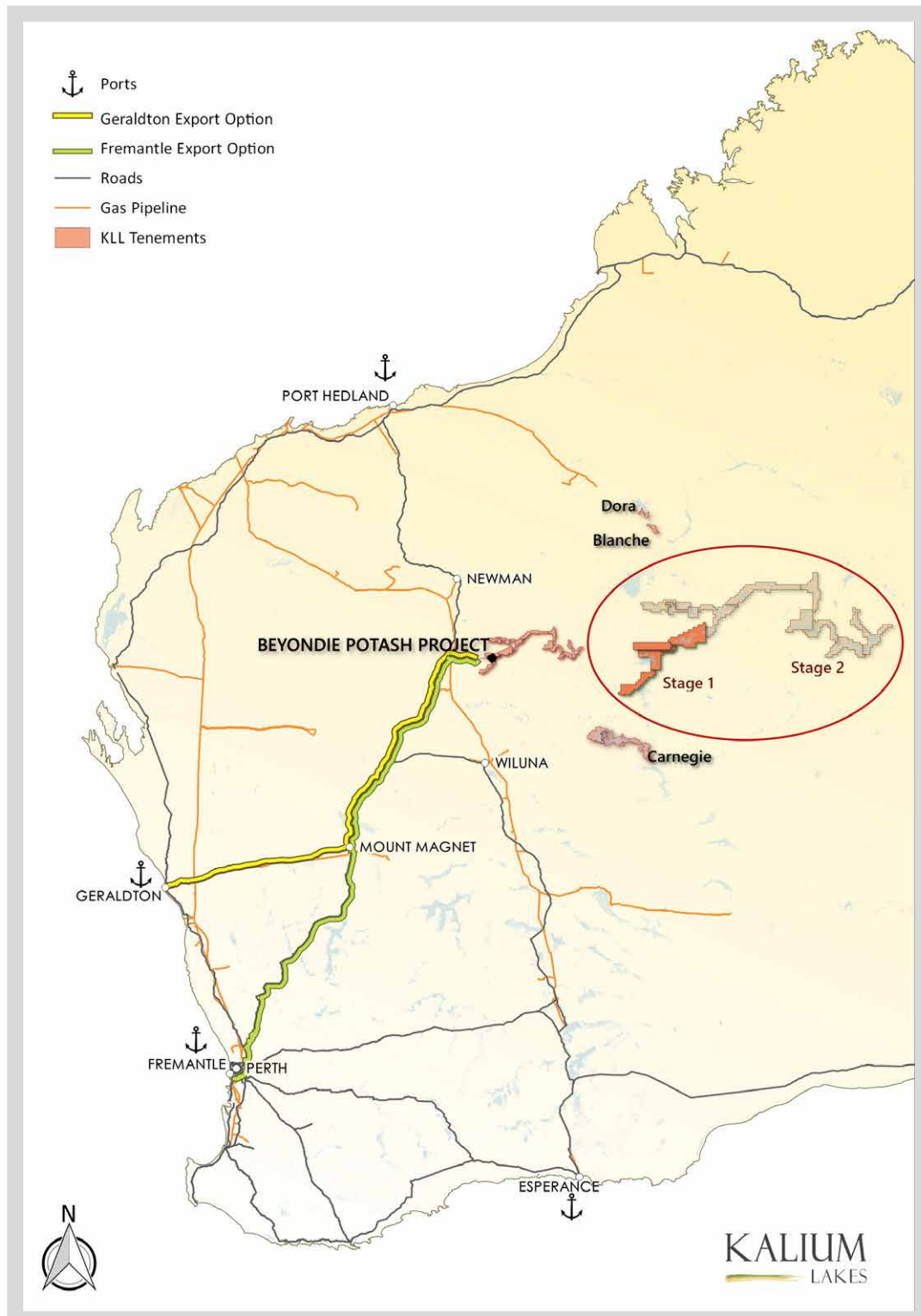
Brett Hazelden
Managing Director and Chief Executive Officer
06 October 2017



COMPANY SUMMARY

Review Of Operations

The Company holds rights to granted tenure of more than 2,400 square kilometres, as well as further tenement applications at the eastern margin of the East Pilbara region of Western Australia.



► Kalium Lakes Tenement and Location

COMPANY SUMMARY (CONTINUED)

Beyondie Sulphate Of Potash Project

KLL is an exploration and development company focussed on developing the Beyondie Sulphate Of Potash Project (BSOPP) in Western Australia with the aim of producing Sulphate Of Potash (SOP) for domestic and international sale.

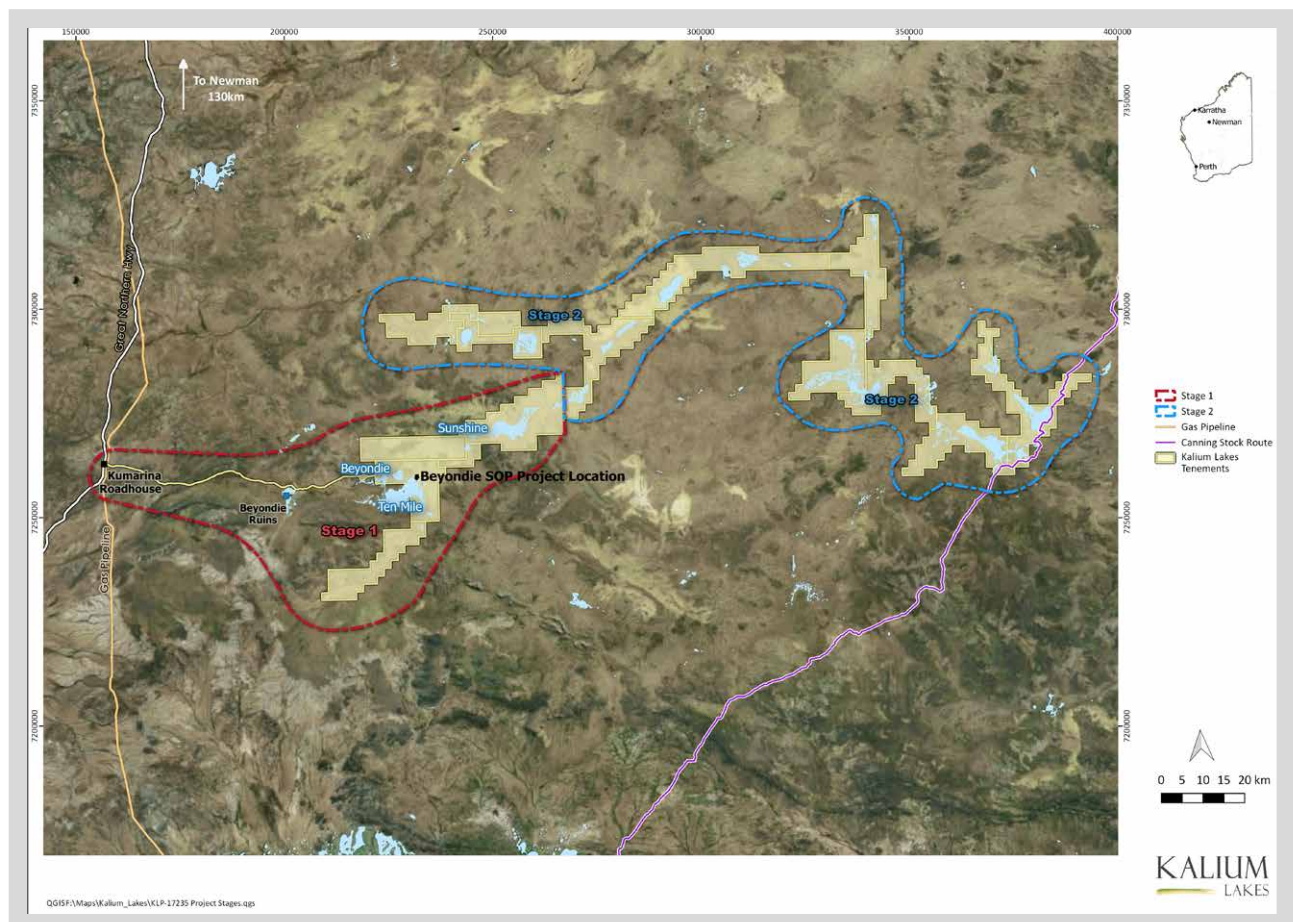
The Project, comprising 15 granted exploration licences and a miscellaneous licence, covers an area of approximately 2,400 square kilometres. Kalium Lakes intends to develop a sub-surface Brine deposit to produce a SOP product, by undertaking an evaporation and processing operation 160 kilometres south east of Newman.

The BSOPP is among Australia's highest grade SOP deposit at an average of 13.1 kilograms per cubic metre SOP and is located close to key infrastructure. The Project is already well progressed and has completed detailed technical reports, initial test pumping of brine, undertaken environmental and heritage surveys, negotiated a Native Title agreement covering the initial project development area (with a second currently

being negotiated) and has approvals in place from the WA Department of Mines and Petroleum (DMP), the WA Department of Environmental Regulation (DER) and the WA Department of Water (DoW).

The Beyondie Sulphate Of Potash Project currently has Indicated Resources of 4.37 million tonnes (Mt) at 14,000 milligrams per litre (mg/l) SOP using a cut-off grade of 3,500mg/l K, Inferred Resources of 13.74 Mt @ 12,788 mg/l SOP using a cut-off grade of 3,500 mg/l K and a Maiden Probable Reserve of 2.66 Mt @ 14,210 mg/l SOP at a cut-off grade of 3,500mg/l K based solely within the Stage 1 Development Area (Note: Stage 1 represents approximately 21 per cent of total lake surface area of the tenement package).

The founders of Kalium Lakes initiated a Concept Study in November 2014 after initial encouraging results from surface water samples containing high potential for potash production and concluded that study in April 2015. Work on the Pre-Feasibility Study commenced immediately and this was completed during September 2017.



► Beyondie SOP Project Footprint

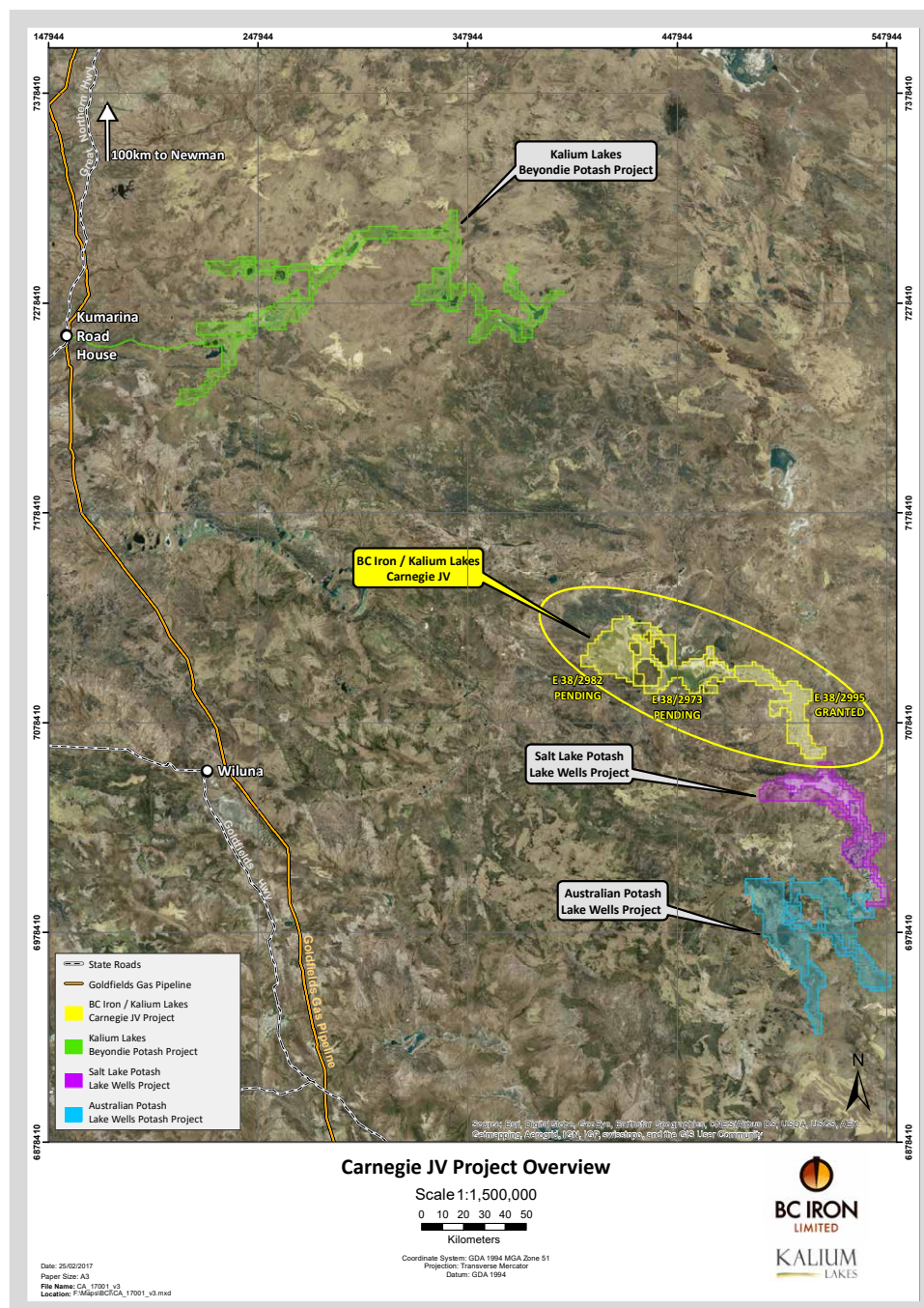
Carnegie Project – Joint Venture

The Carnegie Project, a joint venture between BC Iron Limited (BCI) and KLL, is a potash exploration project located approximately 220 kilometres north east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres.

This project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation

that produces Sulphate of Potash. The Carnegie Project tenements are located directly north of Salt Lake Potash Limited's (SO4) – Lake Wells tenements and Australian Potash Limited's (APC) – Lake Wells tenements.

Under the terms of the Agreement, BC Iron can earn up to a 50 per cent interest in this project, by predominantly sole-funding up to \$10.5 million in exploration and development expenditure across several stages. Kalium Lakes is the manager of the joint venture.

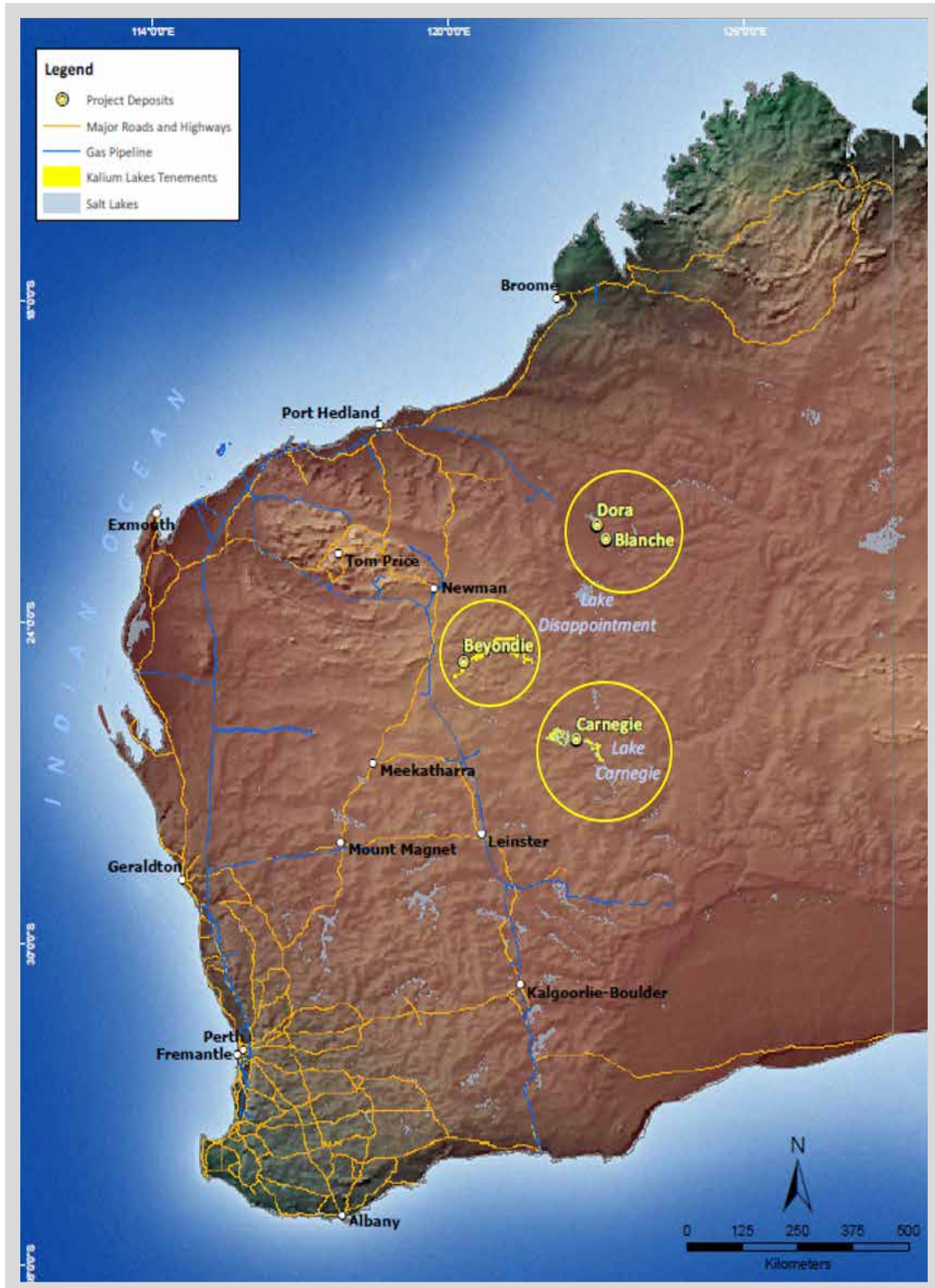


► Carnegie Potash Project JV Tenement Location

COMPANY SUMMARY (CONTINUED)

Potash Prospects – Dora and Blanche

The Company has applied for exploration licences that could, if granted, introduce a new prospective area, the Dora/Blanche Prospect, for potassium exploration.



► Project Deposit Locations



Safety

Kalium Lakes places the health and safety of its employees and contractors above all other business considerations. Health and safety performance is integral to an efficient and successful company. KLL strives to create a culture where safety is a core value and every individual takes responsibility for their own actions and will act to stop the unsafe actions of others.

In support of this culture, management accepts the responsibility for the creation of a safe workplace, through the implementation of a Health and Safety Management System and the promotion of safety awareness among their employees and contractors. Kalium Lakes will abide by all legal and other requirements that are directly related to the Health and Safety activities.

During the year to 30 June 2017 a total of 15,907 hours were worked at the Beyondie SOP Project site with no Lost Time Injuries and no Medical Treatment Injuries.

Risk Factors and Management

The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and management of the Company and cannot be mitigated. An investment in the Company is not risk free and should be considered speculative

Section 8 of the Prospectus issued in November 2016 provides a non-exhaustive list of the risks faced by the Company or by investors in the Company. The risks described in that section of the Prospectus also include forward looking statements. Actual events may be materially different to those described and may therefore affect the Company in a different way.

Investors should be aware that the performance of the Company may be affected by these risk factors and the value of its Shares may rise or fall over any given period. None of the Directors or any person associated with the Company guarantee the Company's performance or the market price at which the Shares will trade.

Sustainability

NATIVE TITLE AND HERITAGE

Kalium Lakes recognises the importance of country, law and culture of the Traditional Owners. It is committed to the effective management of indigenous and community matters which form an integral part of its successful operations. KLL also expects its managers to be educated and active in fostering long-term relationships with both Indigenous People and the Community.

The Traditional Owners' belief that the health and vitality of people (martu), country (ngurra) and law and culture (tjukurrpa) are connected, is formally acknowledged by Kalium Lakes.

The Company recognises that culturally significant sites and issues may from time to time be identified on its leases. Its management, employees, contractors and associates undertake to comply with the requirements of the Aboriginal Heritage Act 1972 in recognising these sites.

ENVIRONMENT

Kalium Lakes Limited is committed to responsible environmental management and environmental performance as an essential attribute of an efficient and successful company. This will be achieved through leadership and the use of reliable systems that provide timely and accurate information, in a transparent manner to support effective decision making.

COMMUNITY

Kalium Lakes strives to engage and work with those local communities near to where it operates. In doing so, it will continually work to ensure that key stakeholders are informed in a timely, open and transparent manner.

The Company will maintain a clear and concise approach to consultation and negotiations with landholders, adhere to acceptable protocols and establish mutually beneficial long term relationships, employment and contracting opportunities as part of a culturally aware workplace.

COMPANY SUMMARY (CONTINUED)

Corporate

BOARD AND MANAGEMENT

The Directors were appointed on 14 July 2016, coinciding with the incorporation of Kalium Lakes Limited.

In March 2017, Mr Rudolph van Niekerk (B.Eng. Mechanical, GAICD) was appointed to the role of Chief Development Officer for the Company.

Mr van Niekerk had been involved with the Company for some time as a Director and his responsibilities include the development of the Beyondie SOP Project.

During his career he has held various responsibilities that included financial evaluation, risk review and management, project management, study 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.

BUSINESS DEVELOPMENT

The Company plans to continue to actively assess business development opportunities that relate to its existing project portfolio.

As and when acquisitions, divestments or partnerships are completed the Company will make announcements to the market under continuous disclosure requirements.

INITIAL PUBLIC OFFER - USE OF FUNDS

As set out in the Prospectus for the Initial Public Offer, the funds raised under the Offer have been used to fund the Company's main objectives, namely to:

- ▶ Increase confidence of Mineral Resources – continue hydrogeological definition with the aim of increasing confidence in the current Mineral Resource for the Beyondie Potash Project;
- ▶ Test pumping of bores – conduct short term test pumping to verify the Company's resource estimates in accordance with the JORC Code and CIM Code;
- ▶ Install supporting infrastructure – construct access roads, a camp, workshops, utilities and buildings;
- ▶ Regulatory and other approvals – continuing environmental, Native Title and regulatory approvals and agreement processes; and
- ▶ Meet corporate and working capital requirements.

FINANCIAL POSITION

The Company had \$6.1 million cash on hand as at 30 June 2017.

SHARES ON ISSUE

As at 30 June 2017 the Company had 135,030,035 Ordinary Shares on Issue.

The following is a list detailing the ASX Restricted Securities:

- ▶ 57,769,847 fully paid ordinary shares are currently escrowed for a period of 24 months from the date of official quotation on the ASX;
- ▶ 9,000,000 options exercisable at \$0.25 each, expiring on 16 December 2019, are currently escrowed for a period of 24 months from the date of official quotation on the ASX;
- ▶ 20,000,000 performance rights with terms and conditions as set out at pages 190 to 192 of the Prospectus are currently escrowed for a period of 24 months from the date of official quotation; and
- ▶ 129,999 fully paid ordinary shares were escrowed until 4 August 2017.

DIVIDENDS

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company.

ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, pursuing corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board considers that, due to the Company's size and nature, the current Board composition and structure is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's Corporate Governance Statement is available on the Company's website at www.kaliumlakes.com.au

Tenement Interests

Below is a schedule of tenement interests by project as at 30 June 2017.

BEYONDIE SULPHATE OF POTASH PROJECT

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E69/3306	Yanneri-Terminal	KLP	WA	Granted	17-3-2015	100%
E69/3309	Beyondie - 10-Mile	KLP	WA	Granted	17-4-2015	100%
E69/3339	West Central	KLP	WA	Granted	22-6-2015	100%
E69/3340	White	KLP	WA	Granted	22-6-2015	100%
E69/3341	West Yanneri	KLP	WA	Granted	11-8-2015	100%
E69/3342	Aerodrome	KLP	WA	Granted	22-6-2015	100%
E69/3343	T Junction	KLP	WA	Granted	22-5-2015	100%
E69/3344	Northern	KLP	WA	Granted	22-5-2015	100%
E69/3345	Wilderness	KLP	WA	Granted	22-5-2015	100%
E69/3346	NE Beyondie	KLP	WA	Granted	11-8-2015	100%
E69/3347	South 10 Mile	KLP	WA	Granted	11-8-2015	100%
E69/3348	North Yanneri-Terminal	KLP	WA	Granted	11-8-2015	100%
E69/3349	East Central	KLP	WA	Granted	22-6-2015	100%
E69/3351	Sunshine	KLP	WA	Granted	31-8-2015	100%
E69/3352	Beyondie Infrastructure	KLP	WA	Granted	31-8-2015	100%
L52/162	Access Road	KLP	WA	Granted	30-3-2016	100%

Note: Kalium Lakes Potash Pty Ltd (KLP) is a wholly owned subsidiary of Kalium Lakes Limited (KLL)

CARNEGIE POTASH PROJECT - JOINT VENTURE

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E38/2995	Carnegie East	KLP	WA	Granted	31-7-2015	85%
E38/2973	Carnegie Central	Rachlan	WA	Application	-	85%
E38/2982	Carnegie West	Rachlan	WA	Application	-	85%

Note: Kalium Lakes Potash Pty Ltd (KLP) entered into a declaration of trust with Rachlan Holdings Pty Ltd (Rachlan) where Rachlan will hold for the benefit of KLP certain exploration licence applications and deal with the applications as directed by KLP (including transferring title).

POTASH PROSPECTS

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E45/4436	Dora	Rachlan	WA	Application	-	100%
E45/4437	Blanche	Rachlan	WA	Application	-	100%

Note: Kalium Lakes Potash Pty Ltd (KLP) entered into a declaration of trust with Rachlan Holdings Pty Ltd (Rachlan) where Rachlan will hold for the benefit of KLP certain exploration licence applications and deal with the applications as directed by KLP (including transferring title).

Annual Mineral Resources and Ore Reserves Statement - Resources Tables as at 6 October 2017

Indicated Mineral Resources

Aquifer Type	Coverage (km ²)	Volume (10 ⁶ m ³)	Total Porosity (P)	Brine Volume (10 ⁶ m ³)	Specific Yield (Sy)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	288	1,066	0.46	492	0.14	150.59	6,885	1.01	18,710	2.82	5,617	0.85	14.91	2.24
Palaeovalley Clay	105	3,901	0.50	1,951	0.03	117.03	5,753	0.67	16,156	1.89	4,908	0.57	12.83	1.50
Palaeochannel Sand	19	146	0.39	57	0.27	38.64	6,004	0.23	18,453	0.71	5,745	0.22	13.39	0.52
Fractured/Weathered Bedrock	7	113	0.10	11	0.05	5.63	8,200	0.05	25,070	0.14	7,230	0.04	18.29	0.10
Total Resources		5,225		2,511		311.88	6,278	1.96	17,834	5.56	5,396	1.68	14.00	4.37

Inferred Mineral Resources

Aquifer Type	Coverage (km ²)	Volume (10 ⁶ m ³)	Total Porosity (P)	Brine Volume (10 ⁶ m ³)	Specific Yield (Sy)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	260	1,559	0.45	701	0.12	182.43	6,344	1.16	18,646	3.40	6,834	1.25	14.15	2.58
Palaeovalley Clay	665	23,275	0.50	11,638	0.03	698.25	5,730	4.00	17,108	11.95	6,194	4.32	12.78	8.92
Palaeochannel Sand	97.2	682	0.39	266	0.28	188.95	5,101	0.96	15,304	2.89	5,342	1.01	11.38	2.15
Fractured/Weathered Bedrock	9.7	97	0.10	10	0.05	4.85	8,170	0.04	26,410	0.13	7,310	0.04	18.22	0.09
Total Resources		25,612		12,615		1,074.48	5,735	6.16	17,094	18.37	6,158	6.62	12.79	13.74

Exploration Target

Geological Layer	Maximum Thickness (m)	Coverage (km ²)	Sediment Volume (10 ⁶ m ³)	Porosity (P)	Total Stored Brine Volume (10 ⁶ m ³)	Specific Yield (Sy)	Drainable Brine Volume (10 ⁶ m ³)	K Grade (mg/L)	K Mass (Mt)	SO ₄ Grade (mg/L)	SO ₄ Mass (Mt)	Mg Grade (mg/L)	Mg Mass (Mt)	K ₂ SO ₄ (Mt)
Alluvium	6	157	942	0.4	377	0.10	94	2,000	0.19	6,080	0.57	2,320	0.22	0.42
Clays	20	1,148	22,960	0.45	10,332	0.03	689	1,800	1.24	5,472	3.77	2,088	1.44	2.76
Basal Sands	7	108	756	0.35	265	0.20	151	1,650	0.25	5,016	0.76	1,914	0.29	0.56
Total					10,973		934	1,803	1.68	5,482	5.10	2,092	1.95	3.74
Alluvium	12	157	1,884	0.5	942	0.18	170	4,500	0.76	12,375	2.00	4,950	0.84	1.70
Clays	50	1,148	57,400	0.55	31,570	0.05	1,579	4,275	6.75	11,756	18.56	4,703	7.42	15.05
Basal Sands	10	108	1,080	0.45	486	0.30	146	4,000	0.58	11,000	1.60	4,400	0.64	1.30
Total					32,998		1,894	4,277	8.09	11,763	22.26	4,705	8.90	18.05

Probable Ore Reserves

Aquifer Type	Brine Volume (10 ⁶ m ³)	K Grade (mg/L)	K Mass (Mt)	SO ₄ Grade (mg/L)	SO ₄ Mass (Mt)	Mg Grade (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	138.44	6,793	0.94	19,020	2.63	5,774	0.80	15.15	2.10
Production Bores	48.61	5,179	0.25	14,501	0.70	4,402	0.21	11.55	0.56
Total Reserve	187.06	6,373	1.19	17,845	3.34	5,417	1.01	14.21	2.66

Refer to Disclaimer & Compliance Statement. The Beyondie Project Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code and it is uncertain if future exploration will result in the determination of a Mineral Resource

Compliance Statement

The information in this document is extracted from the report titled "TECHNICAL REPORT FOR THE BEYONDIE SULPHATE OF POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 Technical Report" and dated 29 September 2017 (Report), that relates to Exploration Targets, Exploration Results, Mineral Resources and Mineral Reserves and is based on information compiled by Thomas Schicht, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1077) and Anke Penndorf, a Competent Person who is a Member of a RPO, the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1152). Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the original announcement regarding the Report and, in the case of estimates of Mineral Resources, which all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed. Kalium Lakes confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original announcement regarding the Report.

Thomas Schicht and Anke Penndorf are full-term employees of K-UTEC AG Salt Technologies (K-UTEC). K-UTEC, Thomas Schicht and Anke Penndorf are not associates or affiliates of Kalium Lakes or any of its affiliates. K-UTEC will receive a fee for the preparation of the Report in accordance with normal professional consulting practices. This fee is not contingent on the conclusions of the Report and K-UTEC, Thomas Schicht and Anke Penndorf will receive no other benefit for the preparation of the Report. Thomas Schicht and Anke Penndorf do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the Beyondie Potash Project.

K-UTEC does not have, at the date of the Report, and has not had within the previous years, any shareholding in or other relationship with Kalium Lakes or the Beyondie Potash Project and consequently considers itself to be independent of Kalium Lakes.

Thomas Schicht and Anke Penndorf have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Thomas Schicht and Anke Penndorf consent to the inclusion in the Report of the matters based on their information in the form and context in which it appears.

Cautionary Statement Regarding Forward Looking Information

Certain information in this document refers to the intentions of Kalium Lakes, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Kalium Lakes' actual results, performance or achievements to differ from those referred to in this document. Accordingly Kalium Lakes and its affiliates and their directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of these events referred to in the document will actually occur as contemplated.

Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, revenue, exchange rates, potential growth of Kalium Lakes, industry growth or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Kalium Lakes. Actual results, performance, actions and developments of Kalium Lakes may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, Kalium Lakes and any of its affiliates and their directors, officers, employees, agents, associates and advisers:

disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumption;

do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and

disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence.

DIRECTORS' REPORT

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2017.

DIRECTORS

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

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

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below:



Malcolm Randall

Non-Executive Chairman

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

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

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



Brett Hazelden

Managing Director and Chief Executive Officer

Brett Hazelden (B.Sc. MBA GAICD) is a Metallurgist who brings more than 19 years' experience in project management, engineering design and operations servicing the Australasian resources industry. His previous responsibilities include project management, feasibility study evaluation, engineering and design, estimating, financial evaluation, cost control, scheduling, contracts and procurement, business risk and strategic development. As well as other roles, he has held senior positions at Rio Tinto, Fluor, Newcrest Mining and Iron Ore Holdings.

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



Rudolph van Niekerk
Executive Director

Rudolph van Niekerk (B.Eng. Mechanical GAICD) is a professional in the mining and resources industry with more than 12 years' experience in project and business management. Previous positions include senior engineering roles for Ausenco, Anglo God Ashanti and BC Iron.

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



Brendan O'Hara
Non-Executive Director

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

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

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



Gareth Widger
Company Secretary

Gareth has more than 28 years' experience managing corporate administration and strategic communication activities for public and private companies. He has held senior roles within the agriculture, industrial chemical, mining, civil engineering, retail and wholesale sectors incorporating a diverse range of corporate support, investor relations, stakeholder engagement, marketing and media liaison responsibilities.

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings Held	9	1	1	-
Number of Meetings Attended:				
Malcolm Randall	9	1	1	-
Brett Hazelden	9	1	1	-
Rudolph van Niekerk	9	1	-	-
Brendan O'Hara	9	1	1	-

All Directors were eligible to attend all Board Meetings held.

SHARE OPTIONS

As at the date of this report, there were 9,000,000 unlisted options for ordinary shares at an exercise price of \$0.25 each (expiring 16 December 2019) and escrowed until 21 December 2018) on issue.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

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

DIRECTORS' INTERESTS AND BENEFITS

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

	Number of Ordinary Shares		Number of Options			
	Directly	Indirectly	Listed		Unlisted	
			Directly	Indirectly	Directly	Indirectly
Malcolm Randall	-	445,375	-	-	4,000,000	-
Brett Hazelden	-	13,609,543	-	-	-	-
Rudolph van Niekerk	-	3,315,600	-	-	-	-
Brendan O'Hara	-	-	-	-	2,000,000	-

REMUNERATION REPORT

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2017. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Parent Entity.

Remuneration Policy

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

Executive Directors and Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for Executive Directors and KMP of the Consolidated Entity was in place for the financial year ended 30 June 2017.

Non-Executive Directors

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

Use of Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. The Board did seek external remuneration advice in 2017.

Remuneration Report Approval at FY2017 AGM

The remuneration report for the year ended 30 June 2017 will be put to shareholders for approval at the Company's AGM.

Share Trading and Margin Loans by Directors and Executives

Directors, executives and employees are prohibited from:

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

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

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

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

A. Details of Remuneration

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

		Short-term benefits	Post-employment benefits	Share-based payments		
	Year	Cash salary, fees and other benefits \$	Super-annuation ¹ \$	Performance rights \$	Equity-settled options \$	Total \$
Non-Executive Directors						
Malcolm Randall	2017	57,903	5,501	-	356,000	419,404
	2016	-	-	-	-	-
Brendan O'Hara	2017	42,178	4,007	-	178,000	224,185
	2016	-	-	-	-	-
Executive Directors						
Brett Hazelden	2017	265,390	25,212	252,000	-	542,602
	2016	33,000	3,135	-	-	36,135
Rudolph van Niekerk	2017	114,461	7,917	72,000	-	194,378
	2016	-	-	-	-	-
Total	2017	479,932	42,637	324,000	534,000	1,380,569
Total	2016	33,000	3,135	-	-	36,135

B. Service Agreements

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

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

DIRECTORS' REPORT (CONTINUED)

C. Share Based Payments

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

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

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

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

D. Interest in Shares

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

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

Other Director and KMP Transactions

There were no other transactions relating to Directors and KMP's during the FY2017 period.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue	2,519,040	849,748	849,765	-	-
EBITDA	(5,852,392)	(3,645,685)	(1,464,114)	-	-
EBIT	(5,889,309)	(3,647,069)	(1,464,114)	-	-
Loss after income tax	(5,889,309)	(3,647,069)	(1,464,114)	-	-
The factors that are considered to affect total shareholders return ("TSR") are summarised below:					
Share price at financial year end (\$)	\$0.36	#	-	-	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(5.40)	(4.30)	-	-	-

Kalium Lakes Limited ("Company") is a public company which was incorporated in Western Australia on 14 July 2016 as part of the restructure of Kalium Lakes Potash Pty Ltd ("KLP") which has been operating since October 2014. The financial statements represent a continuation of KLP's financial statements and as such the comparatives reflect those of KLP.

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

End of Audited Remuneration Report.

PRINCIPAL ACTIVITIES

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

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2017 was \$5,889,309 (2016: \$3,647,069 loss), primarily as a result of exploration, development of the Beyondie Project and share based payment expenditure.

CORPORATE

On 27 February 2017 KLL announced that Innovation Science Australia had approved the overseas Research and Development (R&D) activities for the Beyondie Sulphate of Potash Project in relation to its previously lodged Overseas Findings application for the 2015/16 income year. KLL received an R&D tax offset of \$536,278 which was in addition to the \$835,459 received in July 2016.

On 1 March 2017 KLL and BC Potash Pty Ltd announced that the companies had entered into a joint operation over Kalium's 100% owned Carnegie Project. The Carnegie Project is a potash exploration project located approximately 220km north-east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres. The Carnegie Project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its exploration activities and mining activities on its existing projects as well as develop the Carnegie Project according to the terms of 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 is made as to payment of dividends.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances that have arisen since the end of the 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:

Since 30 June 2017, KLL announced that it had signed a Letter of Intent (LOI) with EcoMag Limited to trial the recovery of high value Hydrated Magnesium Carbonate (HMC). EcoMag is currently building a transportable pilot plant that will be deployed to the Beyondie SOP Project for the trial.

EcoMag is the developer of a process for recovering magnesium-based materials from brines and bitterns, including HMC, which is used in the manufacture of chemically-toughened glass and fire retardants. It has a current market price of US\$800 – \$1,000 per tonne.

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

NON-AUDIT SERVICES (CONTINUED)

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

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

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

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

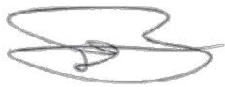
AUDITOR'S DECLARATION OF INDEPENDENCE

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

AUDITOR

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

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



Brett Hazelden
Managing Director and Chief Executive Officer

7 September 2017

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

The Company's corporate governance framework can be viewed on the Company's website: www.kaliumlakes.com.au

AUDITOR'S INDEPENDENCE DECLARATION



RSM Australia Partners

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GPO Box R1253 Perth WA 6844

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F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2017, 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.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'D J Wall'.

D J WALL
Partner

Perth, WA
Dated: 7 September 2017

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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

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	30 June 2017 \$	30 June 2016 \$
Revenue			
Other income	3	2,519,040	849,748
Expenditure			
Accounting fees		(145,722)	(106,104)
Compliance fees		(158,150)	(99,576)
Depreciation		(35,917)	(1,384)
Directors' remuneration	21	(522,569)	(36,135)
Employee expenses		(445,607)	(8,007)
Exploration expenditure		(4,591,452)	(3,978,401)
Legal fees		(60,749)	(34,231)
Share based payment expense	5	(1,867,500)	-
Travel expenses		(201,997)	(71,701)
Other expenses	4	(378,686)	(161,278)
Loss before tax		(5,889,309)	(3,647,069)
Income tax expense	6	-	-
Net loss for the year from operations		(5,889,309)	(3,647,069)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(5,889,309)	(3,647,069)
Loss attributable to:			
Owners of the parent		(5,889,309)	(3,647,069)
		(5,889,309)	(3,647,069)
Total comprehensive loss attributable to:			
Owners of the parent		(5,889,309)	(3,647,069)
		(5,889,309)	(3,647,069)
Basic and diluted loss per share (cents)	8	(5.40)	(4.30)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	30 June 2017 \$	30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	6,141,791	621,707
Trade and other receivables	10	2,300,344	879,162
Total Current Assets		8,442,135	1,500,869
Non-Current Assets			
Property, plant and equipment	11	466,544	11,101
Total Non-Current Assets		466,544	11,101
Total Assets		8,908,679	1,511,970
LIABILITIES			
Current Liabilities			
Trade and other payables	12	2,179,799	269,732
Provisions	13	53,421	-
Total Current Liabilities		2,233,220	269,732
Total Liabilities		2,233,220	269,732
Net Assets		6,675,459	1,242,238
EQUITY			
Contributed equity	14	15,667,451	6,353,421
Reserves	15	2,008,500	-
Accumulated losses	16	(11,000,492)	(5,111,183)
Total Equity		6,675,459	1,242,238

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Equity	Reserves \$	Accumulated losses \$	Total
	\$			\$
Balance at 1 July 2015	2,856,201	-	(1,464,114)	1,392,087
Loss for the year	-	-	(3,647,069)	(3,647,069)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,647,069)	(3,647,069)
Transactions with owners in their capacity as owners:				
Shares issued during the year	3,576,875	-	-	3,576,875
Security issue expenses	(79,655)	-	-	(79,655)
Share based payments	-	-	-	-
Balance at 30 June 2016	6,353,421	-	(5,111,183)	1,242,238
Balance at 1 July 2016	6,353,421	-	(5,111,183)	1,242,238
Loss for the year	-	-	(5,889,309)	(5,889,309)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(5,889,309)	(5,889,309)
Transactions with owners in their capacity as owners:				
Shares issued during the year	10,663,200	-	-	10,663,200
Security issue expenses	(1,349,170)	-	-	(1,349,170)
Share based payments	-	2,008,500	-	2,008,500
Balance at 30 June 2017	15,667,451	2,008,500	(11,000,492)	6,675,459

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Receipts from operations		1,371,737	849,766
Payments to suppliers and employees		(2,068,911)	(233,811)
Payment for exploration and evaluation assets		(2,768,160)	(3,378,401)
Net cash (used in) operating activities	18	(3,465,334)	(2,762,446)
Cash flows from investing activities			
Interest received		51,235	13,843
Payments for plant and equipment		(491,360)	(12,485)
Net cash (used in)/provided by investing activities		(440,125)	1,358
Cash flows from financing activities			
Proceeds from equity issues		10,603,000	2,862,894
Payment for costs of equity issues		(1,177,457)	(79,655)
Net cash provided by financing activities		9,425,543	2,783,239
Net increase in cash held		5,520,084	22,151
Cash and cash equivalents at beginning of the financial year		621,707	599,556
Cash and cash equivalents at year end	9	6,141,791	621,707

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. *Corporate information*

Kalium Lakes Limited ("Company") is a public company which was incorporated in Western Australia on 14 July 2016 as part of the restructure of Kalium Lakes Potash Pty Ltd ("KLP") which has been operating since October 2014. As a result of the restructure, KLP is now a wholly owned subsidiary of the Company following a share for share exchange, with each fully paid ordinary share in KLP being exchanged for one fully paid ordinary share in the Company.

This annual reports covers Kalium Lakes Limited (the "Company"), a company incorporated in Australia, and the entities it controlled at the end of, or during, the year ended 30 June 2017 (the "Consolidated Entity"). The financial statements represent a continuation of KLP's financial statements and as such the comparatives reflect those of KLP. The presentation currency of the Consolidated Entity is Australian Dollars ("\$"). A description of the Consolidated Entity's operations is included in the review and results of operations in the Directors' report. The Directors' report is not part of the financial statements. The Company is a for-profit entity limited by shares and incorporated in Australia whose shares are traded under the ASX code "KLL".

2. *Accounting policies*

Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

The consolidated general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost base. It is recommended that the annual financial report be considered together with any public announcements made by the Company during the year ended 30 June 2017 and up to the issue date of this report, which the Consolidated Entity has made in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at the end of the reporting period. The 30 June 2016 financial statements were not consolidated on the basis that Kalium Lakes Limited acquired Kalium Lakes Potash Pty Ltd during the current financial year. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. The Company and its controlled entities together are referred to as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Current and non-current classification

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

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

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

Joint operations

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

Exploration, evaluation and development expenditure

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

- **AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity has made an assessment and determined that this standard will have little to no impact on the entity as it does not have any financial instruments.

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

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

- **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity has made an assessment and determined that this standard will have little to no impact on the entity as it does not have any material leases.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

Share-based payment transactions

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

Research & Development tax rebate

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

	30 June 2017 \$	30 June 2016 \$
3. Other income		
Foreign exchange gain	-	446
Other income	37,745	-
Interest received	63,617	13,843
Research and development tax offset - International	655,577	-
Research and development tax offset - Domestic	1,762,101	835,459
	2,519,040	849,748

Accounting policy:

Research and development tax offset

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

Interest

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

4. Other expenses

Administration	31,696	46,800
Bank charges	1,635	1,053
Couriers and freight	55,396	9,190
Insurance	23,411	4,575
Interest paid	-	6,118
Subscriptions	21,607	38,088
Other administrative expenses	244,941	55,454
	378,686	161,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	30 June 2017 \$	30 June 2016 \$
5. Share based payment expense		
Unlisted director, officers & advisor options (i)	667,500	-
Performance rights (ii)	1,200,000	-
	1,867,500	-

On 16 December 2016, the entity issued 9,000,000 Options at a fair value of \$808,500. \$141,000 of this was for options issued to advisors.

(i) Set out below are summaries of options granted

Options	Grant Date	Expiry Date	Balance at the start of the period	Granted	Exercised	Expired	Balance at the end of the period
Director	16-12-16	16-12-19	-	6,000,000	-	-	6,000,000
Officers	16-12-16	16-12-19	-	1,500,000	-	-	1,500,000
Advisors	16-12-16	16-12-19	-	1,500,000	-	-	1,500,000
			-	9,000,000	-	-	9,000,000

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

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

5. *Share based payment expense (continued)*

(ii) Set out below are performance rights granted

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

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

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

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

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

Accounting policy:

Equity settled compensation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

5. *Share based payment expense (continued)*

- i) The extent to which the vesting period has expired; and
- ii) The number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

	30 June 2017	30 June 2016
	\$	\$

6. *Income tax expense*

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

Prima facie benefit on operationg loss at 27.5% (2016: 28.5%)	(1,619,560)	(1,039,415)
Tax losses not brought to account	1,619,560	1,039,415
Income tax benefit attributable to operating loss	-	-

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately \$1,926,213 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.

6. *Income tax expense (continued)*

Accounting policy:

Income tax

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

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

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

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

Goods and services and sales tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	30 June 2017 \$	30 June 2016 \$
7. Auditor's remuneration		
Audit and review of the financial report	42,450	18,000
Research and development tax	18,796	51,131
Other financial services	45,296	46,973
	106,542	116,104

8. Earnings/(loss) per share

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

Basic loss per share (cents per share)	(5.40)	(4.30)
Diluted loss per share (cents per share)	(5.40)	(4.30)
Net loss attributable to ordinary shareholders (\$)	(5,889,309)	(3,647,069)

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	109,115,547	84,890,894
Weighted average number of ordinary shares used in the calculation of diluted loss per share	109,115,547	84,890,894

Accounting policy:

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

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

	30 June 2017 \$	30 June 2016 \$
9. Cash and cash equivalents		
Cash at bank	6,141,791	621,707
	6,141,791	621,707

Accounting policy:

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

	30 June 2017 \$	30 June 2016 \$
10. Trade and other receivables		
Current		
GST refundable	386,683	43,705
Prepayments	19,878	-
Research and development tax offset	1,881,400	835,457
Accrued interest	12,383	-
	2,300,344	879,162

Accounting policy:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

11. *Property, plant and equipment*

	Exploration Equipment \$	Office Equipment \$	Motor Vehicles \$	Total \$
Carrying value at 30 June 2015	-	-	-	-
Additions	11,350	1,135	-	12,485
Depreciation	(1,351)	(33)	-	(1,384)
Carrying value at 30 June 2016	9,999	1,102	-	11,101
Additions	370,498	15,425	105,437	491,360
Depreciation	(29,699)	(2,387)	(3,831)	(35,917)
Carrying value at 30 June 2017	350,798	14,140	101,606	466,544

Accounting policy:

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

Exploration equipment:	20%
Office equipment:	33%
Motor vehicles:	20%

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.

Impairment

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

30 June 2017 \$	30 June 2016 \$
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12. Trade and other payables

Current

Accounts payable	2,061,056	257,484
Other payables	88,643	12,248
Accrued expenses	30,100	-
	<u>2,179,799</u>	<u>269,732</u>

Accounting policy:

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

13. Provisions

Current

Employee entitlements	53,421	-
	<u>53,421</u>	<u>-</u>

Accounting policy:

Short-term employee benefits

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

13. Provisions (continued)

Provisions

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

	30 June 2017	
	No.	\$
14. Contributed equity		
Balance at beginning of year	126,631,507	6,353,421
Reconstruction of KLP capital**	(35,823,432)	-
Share issue: 04-Aug-16	686,665	103,000
Share issue: 02-Nov-16 (Advisor shares)	300,000	60,000
Share issue: 16-Dec-16 (Pursuant to the IPO)	30,000,000	6,000,000
Share issue: 23-May-17	13,235,295	4,500,000
Share issue costs	-	(1,349,170)
	135,030,035	15,667,251
Balance at end of year		

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

Ordinary shares

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

Capital management

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

14. Contributed equity (continued)

Accounting Policy:

Share capital

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

	30 June 2017 \$	30 June 2016 \$
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15. Reserves

Options reserve (i)	808,500	-
Performance rights reserve (ii)	1,200,000	-
	2,008,500	-

Movements in reserves

(i) Options reserve	No of Options	Value \$
Balance at 1 July 2016	-	-
<i>New options issued and vested</i>		
Unlisted director & officers options	7,500,000	667,500
Unlisted advisor options – security issue expenses	1,500,000	141,000
Balance at 30 June 2017	9,000,000	808,500

(i) Performance rights reserve

	Value \$
Balance at 1 July 2016	-
Performance rights issued	1,200,000
Balance at 30 June 2017	1,200,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	30 June 2017 \$	30 June 2016 \$
16. Accumulated losses		
Balance at beginning of year	(5,111,183)	(1,464,114)
Loss after tax attributable to the equity holders of the parent entity during the year	(5,889,309)	(3,647,069)
Balance at end of year	(11,000,492)	(5,111,183)

17. Operating segments

The Consolidated Entity has determined operating segments based on the information provided to the Board of Directors. The Consolidated Entity operates predominantly in one business segment, being the exploration for minerals in Australia. There is no material difference between the financial information presented to the Board of Directors and the financial information presented in this report.

Geographic information

Revenue

Australia	2,519,040	849,748
Total revenue	2,519,040	849,748

Non-current assets

Australia	466,544	11,101
Total non-current assets	466,544	11,101

Accounting policy:

Operating segments are identified based on the internal reports that are regularly reviewed by the Board of Director's, the entities' Chief Operation Decision Maker, for the purpose of allocating resources and assessing performance. The adoption of this "management approach" has resulted in the identification of one reportable segment.

	30 June 2017 \$	30 June 2016 \$
18. Reconciliation of cashflows from operating activities		
Loss before tax	(5,889,309)	(3,647,069)
Depreciation	35,917	1,384
Share based payment expense	1,867,500	-
Interest income	(51,235)	(13,843)
Invoices paid via issue of securities	-	904,309
Movement in trade & other receivables	(1,421,182)	155,307
Movement in trade & other payables	1,992,975	(162,534)
Net cash used in operating activities	(3,465,334)	(2,762,446)
19. Parent company information		
Current assets	8,907,876	*
Total assets	8,908,333	*
Current liabilities	106,619	*
Total liabilities	106,619	*
Net Assets	8,801,714	*
Total shareholders' equity	11,686,872	*
Loss of the parent entity	(2,885,158)	*
Total comprehensive loss of the parent entity	(2,885,158)	*

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

Guarantees

Kalium Lakes Limited has not entered into any guarantees.

Other Commitments and Contingencies

Kalium Lakes Limited had \$241,561 worth of rental and rates expenditure commitments as at 30 June 2017 relating to its tenements.

Plant and Equipment Commitments

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

Significant Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

20. Events after the end of the reporting period

There are no matters or circumstances have arisen since the end of the 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:

Since 30 June 2017, KLL announced that it had signed a Letter of Intent (LOI) with EcoMag Limited to trial the recovery of high value Hydrated Magnesium Carbonate (HMC). EcoMag is currently building a transportable pilot plant that will be deployed to the Beyondie SOP Project for the trial. EcoMag is the developer of a process for recovering magnesium-based materials from brines and bitterns, including HMC, which is used in the manufacture of chemically-toughened glass and fire retardants. It has a current market price of US\$800 – \$1,000 per tonne.

21. Related party transactions

Parent Entity

Kalium Lakes Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in Note 22.

Key Management Personnel

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

	30 June 2017 \$	30 June 2016 \$
Short term employee benefits	479,932	33,000
Post-employment benefits	42,637	3,135
Directors' remuneration	522,569	36,135
Equity based payments	858,000	-
	1,380,569	36,135

Transactions with Related Parties

There were project engineering, support, surveying, bookkeeping and equipment hire fees incurred from Inceptioneer Pty Ltd of \$194,371 during the period. Mr Brett Hazelden (executive director) is a director of Inceptioneer Pty Ltd.

There were consulting fees incurred from SimplyBusi Pty Ltd of \$31,128 during the period. Mr Rudolph van Niekerk (executive director) is a director of SimplyBusi Pty Ltd.

Receivables from and Payables to Related Parties

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

21. *Related party transactions (continued)*

Loans to/from Related Parties

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

22. *Controlled Entities*

Subsidiary	Country of Incorporation	% of Equity Interest	
		30 June 2017	30 June 2016
Kalium Lakes Potash Pty Ltd *	Australia	100%	Nil%

* Kalium Lakes Limited ("Company") is a public company which was incorporated in Western Australia on 14 July 2016 as part of the restructure of Kalium Lakes Potash Pty Ltd ("KLP") which has been operating since October 2014. As a result of the restructure, KLP is now a wholly owned subsidiary of the Company following a share for share exchange, with each fully paid ordinary share in KLP being exchanged for one fully paid ordinary share in the Company.

23. *Financial risk management*

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

Financial assets and liabilities

The financial assets and liabilities for financial years ended 30 June 2017 and 30 June 2016 are reflected at amortised cost, and are not fair valued through the Statement of comprehensive income.

Specific financial risk exposures and management

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

a) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

23. Financial risk management (continued)

b) Liquidity Risk

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

Consolidated	30 days \$	1-3 months \$	3-12 months \$	Total \$
<u>As at 30 June 2017</u>				
Trade and other payables	1,771,683	410,316	(2,200)	2,179,799
Total liabilities	1,771,683	410,316	(2,200)	2,179,799
<u>As at 30 June 2016</u>				
Trade and other payables	-	269,732	-	269,732
Total liabilities	-	269,732	-	269,732

c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Consolidated Entity is exposed to interest rate movement through the term deposits at a fixed rate or 1.5% per annum. The following table sets out the variable interest bearing and fixed interest bearing financial instruments of the Consolidated Entity:

	Variable interest \$	Fixed interest \$
2017		
Financial assets		
Cash and cash equivalents	1,592,744	4,549,047
Total	1,592,744	4,549,047
2016		
Financial assets		
Cash and cash equivalents	621,707	-
Total	621,707	-

23. Financial risk management (continued)

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

Impact on pre-tax profit	30 June 2017 \$	30 June 2016 \$
Interest rates + 1%	15,927	6,217
Interest rates – 1%	(15,927)	(6,217)

Accounting policy:

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

De-recognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

23. *Financial risk management (continued)*

Impairment of financial assets

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

Financial liabilities

Initial recognition

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

Subsequent measurement

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

i. At fair value through profit and loss

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

23. Financial risk management (continued)

De-recognition

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

24. Contingent liabilities

The Consolidated Entity has no contingent liabilities as at 30 June 2017.

25. Commitments

Kalium Lakes Limited had \$241,561 worth of rental and rates expenditure commitments as at 30 June 2017 relating to its tenements.

26. Interests in joint operations

On 1 March 2017 KLL and BC Potash Pty Ltd announced that the companies had entered into a joint operation over Kalium's 100% owned Carnegie Project. The Carnegie Project is a potash exploration project located approximately 220km north-east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres. The Carnegie Project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash.

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

		% of Ownership Interest	
Name	Country of Incorporation	30 June 2017	30 June 2016
Carnegie Joint Operation	Australia	85%*	Nil%

* Kalium Lakes Limited Pty Ltd ownership interest

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 1 to the financial statements; and
- d. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

The Chief Executive Officer and Chief Financial Officer have each declared that:

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

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

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



Brett Hazelden
Managing Director and Chief Executive Officer

7 September 2017

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KALIUM LAKES LIMITED

Opinion

We have audited the financial report of Kalium Lakes Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and 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 2017 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)



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
Joint operation with BC Potash Pty Ltd Refer to Note 26	
<p>During the financial year, the Company entered into an agreement to form an unincorporated joint operation with BC Potash Pty Ltd (BCP). Under the terms of the agreement, BCP has the ability to earn up to a 50% interest in the Carnegie Potash Project by funding exploration and development expenses.</p> <p>The joint agreement has been accounted for as a joint operation in accordance with AASB 11 <i>Joint Arrangements</i>. The accounting for the joint operation with BCP is significant to our audit due to the initial assessment of how to treat the project under AASB 11, in accordance with the terms of the agreement and the subsequent varying interest the Company has in the joint operation.</p> <p>In addition, the Company considered its obligations for liabilities relating to the arrangement and made an assessment of whether there were any indicators of potential impairment to the carrying value of the rights to the assets.</p>	<p>Our audit procedures included, among other things:</p> <ul style="list-style-type: none"> • Reading the agreement in order to gain an understanding of the key terms of the joint arrangement; • Evaluating management's considerations of the accounting treatment for the joint operation. In such considerations, we discussed the assessment of the requirements of AASB 11 as well as the significant matters relied upon to determine that the parties have joint control of the arrangement; • Recalculating the relative share of the project held by each party based on the amount spent to date by BCP in order to validate their subsequent earn in into the project; and • We also assessed the adequacy of the Company's disclosure in Note 26 Interests in joint operations.
Share-based payment Refer to Note 5	
<p>On the 2nd September 2016, the Company issued performance rights to various directors and a consultant. The performance rights did not impose any service conditions that required the counterparties to complete a specified period of service with the Company and, in accordance with AASB 2 Share-based Payment, they vested immediately on the grant date. The Company used judgement in estimating the most likely outcome of the performance conditions being met at grant date. In addition, the Company referred to the value of the shares immediately prior to the issue of the performance rights to estimate the value of the share-based payment.</p> <p>We have determined this to be a key audit matter due to the significant judgement involved in assessing the fair value of the share-based payment expense.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Challenging the reasonableness of key assumptions used by management relative to the valuation on grant date including the probabilities of the performance conditions being met; • Checking the mathematical accuracy of the computation; and • Assessing the appropriateness of the Company's disclosures in the financial report.

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 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2017, 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.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'D J Wall'.

Perth, WA
Dated: 7 September 2017

D J WALL
Partner

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

As at 30 June 2017

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	77,130,189	57,899,846	135,030,035
\$0.25 unlisted options expiring 16-Dec-19	-	9,000,000	9,000,000
Performance rights	-	20,000,000	20,000,000
Total	77,130,189	86,899,846	164,030,035

Distribution of Listed Ordinary Fully Paid Shares

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	74	2,383	-%
1,001	-	5,000	67	191,719	-%
5,001	-	10,000	160	1,500,392	1%
10,001	-	100,000	289	11,297,793	8%
100,001	-	and over	110	122,037,748	91%
Total			700	135,030,035	100%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	VINCE SMOOTHY SUPER PTY LTD <VINCE SMOOTHY S/FUND A/C>	40,339,800	30%
2.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	12,055,759	9%
3.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	6,629,414	5%
4.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	5,854,797	4%
5.	THOMAS ELLIS + SALLY ELLIS <COOLA STATION S/F 1982 A/C>	5,000,000	4%
6.	COOLA STATION PTY LTD <THE COOLA A/C>	3,315,600	2%
7.	P GOYDER SUPERANNUATION PTY LTD <P GOYDER SUPER FUND A/C>	2,730,140	2%
8.	MR DANIEL GEORGE CLARK + MISS JOHANNE GILLINGHAM <CLARGILLY SUPERFUND A/C>	2,265,660	2%
9.	NOWHERETO GO PTY LTD <THE R&J INVESTMENT S/F A/C>	2,157,800	2%
10.	MR DALE JAMES CHAMPION + MRS ANITA MARIA CHAMPION <CHAMPION INVESTMENT A/C>	2,019,825	2%
11.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,997,250	1%
12.	BLUEBAY ASSET PTY LTD <E GOYDER SUPERANNUATION A/C>	1,881,500	1%
13.	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	1,500,000	1%
14.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	1,470,588	1%
15.	MR STACEY RADFORD	1,423,680	1%
16.	MR EDWARD EARL MARSHALL	1,385,854	1%
17.	PATINA RESOURCES PTY LTD	1,352,600	1%
18.	ANDIUM PTY LIMITED	1,200,000	1%
19.	ANDIUM PTY LTD	1,176,471	1%
20.	MR PHILIPPUS RUDOLPH VAN NIEKERK + MS JEAN-MARIE VAN NIEKERK <R&J VAN NIEKER A/C>	1,157,800	1%
Total		96,914,538	72%

NOTES



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