KALIUM LAKES

Kalium Lakes Limited | ABN 98 613 656 643

CONSOLIDATED
ANNUAL REPORT
2017/18

CORPORATE DIRECTORY

COMPANY
Kalium Lakes Limited (ABN: 98 613 656 643)

DIRECTORS
Mal Randall - Non-Executive Chairman
Brett Hazelden - Managing Director
Brendan O'Hara - Non-Executive Director
Rudolph van Niekerk - Executive Director

CHIEF FINANCIAL OFFICER
Chris Achurch

JOINT COMPANY SECRETARIES
Chris Achurch and Gareth Widger

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ASX CODE
KLL

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DIESEL
PETRO
INDUSTRIAL

CHAIRMAN'S ADDRESS

Dear Shareholder

On behalf of the Board and Management, as the Chairman of Kalium Lakes Limited (KLL), I am pleased to present the Company's second Annual Report as a public company.

This report covers the first full financial year since listing on the Australian Securities Exchange in December 2016. Established in 2014, our Company is today poised to become Australia's first Sulphate Of Potash (SOP) producer from a sub-surface brine deposit at the Beyondie Sulphate Of Potash Project, located in the Pilbara Region of Western Australia. It is important to note that Australia imports 100% of its potash requirements.

Involving an evaporation and processing operation our aim is to initially produce 82,000 tonnes of SOP per annum, before ramping up to 164,000 tonnes per annum full scale SOP production facility.

Since my previous Chairman's Address, I am pleased to report that Kalium Lakes has recorded many significant achievements, with the team continuing its enviable record of completing each milestone on time and within budget. Simply put, we have done what we said we would do.

Some of the most significant milestones were:

- Completion of the Bankable Feasibility Study in September 2018
- 90% increase in Ore Reserves
- Execution of an Offtake Terms Sheet with K+S for 100% of Phase 1 SOP production
- Successful Large Scale Pilot Pond and Purification Trials
- $14.6 million capital raise via share placement and share purchase plan (led by Macquarie and BurnVoir)
- Successfully completed the Pre-Feasibility Study in October 2017
- Carnegie Joint Venture Scoping Study completed

Our company has remained true to the philosophy of a gated project evaluation and pilot testing focus, to ensure the key project success factors are tested prior to full scale development. As a result, the achievements of the operational team during the past year have been very impressive.

Kalium Lakes continues on its path to become a genuine international "agri-resource" company, preparing to produce the premium agricultural fertiliser SOP from its tenements 160 kilometres south east of Newman in Western Australia.

As a premium potassium fertiliser, SOP is a source of one of 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.

With the demand for premium fertiliser predicted to continually increase as the world population grows and the many developing nations increase consumption of various meat and food crops, forecasts for SOP sales remain positive.

The ability to harness Australia's capacity to deliver a secure agricultural supply chain for domestic and export markets, as well as the close proximity to transport infrastructure (roads and port) of the Beyondie SOP Project, are vital attributes in developing a successful and profitable SOP production business.

Both our Directors and the management team remain focussed on delivering investment returns to Kalium Lakes' shareholders and stakeholders. The achievements during the past 12 months reflect the determination and practical, hands-on involvement of the small and dedicated team at Kalium Lakes.

I congratulate and sincerely thank our employees, led by Managing Director, Brett Hazelden, for once again successfully meeting each significant new target and building on the achievements of the previous year.

Finally, on behalf of the Board, I take this opportunity to express our appreciation to our increasing number of loyal shareholders who clearly recognise the future potential of our company

Yours faithfully

Malcolm Randall

Malcolm Randall
Non-Executive Chairman

MANAGING DIRECTOR'S OVERVIEW

The 2018 Financial Year has undoubtedly been the most significant in the short history of Kalium Lakes Limited (KLL). The Company, which started operations as Kalium Lakes Potash Pty Ltd in October 2014, was incorporated as a public company on 14 July 2016 and listed on the Australian Securities Exchange in December 2016.

The team at KLL has been busy developing a strong, flexible and successful public business based on the foundations carefully put in place during its time as a private company. The corporate and site based activities involved in developing the Beyondie Sulphate Of Potash Project (BSOPP) have now reached the point where Kalium Lakes has completed a Bankable Feasibility Study (BFS) and is reviewing the project financing options prior to a Final Investment Decision.

In summarising the activities undertaken during the financial year, this overview records many important achievements and also demonstrates the effectiveness a small, completely committed team has had in continuing the momentum for the Kalium Lakes business.

July 2017 to September 2018 (including subsequent events)

BANKABLE FEASIBILITY STUDY AND ORE RESERVE

Building on the success of the previous year Kalium Lakes is pleased to be the first Australian based SOP Resource to present a Bankable Feasibility Study and an Ore Reserve.

The announcement of the completion of the Bankable Feasibility Study (full details appear later in this report) in September 2018 represented the culmination of 12 months of intense activity throughout the business. The results of the BFS confirmed that the BSOPP, is technically and financially robust, with production anticipated in 2020.

The Study also delivered a 90% increase in Ore Reserves, based solely within the Stage 1 Approval Footprint, which represents less than a quarter of total lake surface area within the tenement package.

The BSOPP is one of Australia's highest grade SOP brine deposits with a Proved Reserve of 1.65 Mt @ 13,830 mg/l SOP at a cut-off grade of 2,500mg/l K and Probable Reserve of 3.49 Mt @ 11,820 mg/l SOP at a cut-off grade of 2,500mg/l K.

RESOURCE UPGRADE AND DRILLING

Earlier in September 2018 the analysis of additional data compiled from its ongoing, industry leading, hydrogeological data collection program had delivered a 150% increase in the Beyondie SOP Project's Measured and Indicated Resources. This set the Measured Resource as 1.72 Mt @ 11,488 mg/l SOP and the Indicated Resource as 9.17 Mt @ 12,459 mg/l SOP.

Earlier, in May 2018, KLL had announced that the main BFS sonic monitoring bore installation and air-core geological programs had been successfully completed at the BSOPP.

The 8,504m drill program continued to confirm the PFS Resource and Reserve Assumptions, reaffirming the Project's high grade potassium results and indicating new aquifer targets. It delivered Potassium results up to 11,100 mg/L - equivalent to a SOP grade of 24,736 mg/L.

Additional assay results from auger holes located in the eastern tenements Resource Area, which comprise Stage 2 of the Project, were announced in late August 2017. Importantly, the potassium grades are consistent with results obtained from the same locations two years previously.

Throughout this year Kalium Lakes continued to work closely with K-UTEC AG Salt Technologies

(K-UTEC) to prepare Technical Reports 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.

Large Scale Pilot Trials

EVAPORATION PONDS

Commissioning of the Large Scale Pilot Evaporation Ponds commenced in August 2017, with brine being pumped from existing production bores into the pilot ponds.

The Large Scale Pilot Evaporation Pond program reflected KLL's development strategy, where a staged development approach is preceded by a pilot program to verify current assumptions and operational parameters along with production of bulk samples for purification plant purposes. This trial program was based at the Beyondie, 10 Mile and Sunshine areas of the BSOPP.

Kalium Lakes has investigated both on-lake and off-lake pond location options and made the informed decision to move off-lake. One of the key reasons behind this decision is the requirement for the ponds to be tiered to be able to achieve a continuous gravity flow from one pond to the next. Operating heavy earthmoving equipment on the playa lake over a large area was also determined to be impractical, due to the boggy nature of the lake surface along with the high leakage rates observed and associated potassium recovery losses. Finally, on-lake ponds effectively sterilise areas of the lake surface from being able to extract the brine resource via trenching.

At the beginning of September 2017 first salts commenced precipitating in the large scale pilot ponds. The Company also informed the market of the cost of installing lined evaporation ponds and that the total cost of installing lined evaporation ponds at the BSOPP is only about 10-20% of the total capital cost requirement of the Project. This cost is based on the actual costs achieved during the construction of the Large Scale Pilot Ponds.

March 2018 saw the announcement of a comprehensive update on the progress of the Large Scale Pilot Evaporation trials at the BSOPP and included invaluable insight from the representative scale trials. Those trials had, to that point, involved the pumping of 164 million litres of brine since pump testing began, of which 83 million litres of brine have been pumped into the trial ponds. More than 10,000 tonnes of salts had been produced since the first brine entered the system in August 2017, including 3,160 tonnes of mixed potassium salts which, if processed, would generate approximately 520 tonnes of SOP.

PURIFICATION PLANT

Kalium continued to utilise K-UTEC to undertake purification plant works, including multiple phases of bench and pilot scale optimisation tests utilising harvested salts from the BSOPP pilot evaporation ponds.

The Company was also able to provide an update in relation to duplicated testwork optimisation at the Saskatchewan Research Council (SRC) in Canada for the Purification Plant completed during February 2018.

The duplicated laboratory trials at both K-UTEC in Germany and SRC in Canada have continued to optimise process flow sheet design. The testwork program has continued to build on the previous work completed in the PFS, with optimisation works for batch recovery trials within the processing plant using more than one tonne of BSOPP harvested salts to achieve individual recoveries of between 90% to 98%.

Project Financing

FINANCIAL INSTITUTIONS

During April 2018, the Company provided an update on its progress with preparations on project finance advising that it has received Expressions Of Interest (EOIs) from a number of domestic and international financial institutions associated with debt funding for the Project.

KLL has continued evaluating these EOIs and is working with the respective financial institutions to complete relevant due diligence and credit approval process, following the completion of the BFS.

MANAGING DIRECTOR'S OVERVIEW

NAIF

The announcement, in September 2018, that the Australian Government's Northern Australia Infrastructure Facility (NAIF) has indicated it will investigate the potential for it to provide debt finance for the BSOPP and associated infrastructure of benefit to nearby pastoral stations, resource companies and indigenous communities, presents the first milestone in KLL's engagement with NAIF.

NAIF is a major long term initiative of the Australian Government. NAIF provides access to up to A$5 billion of finance which may be on concessional terms to support infrastructure development that generates public benefit for northern Australia. It also seeks to encourage and complement private sector investment to further that objective.

The next step for KLL is the submission of a formal Investment Proposal. NAIF has not made any decision to offer finance or made any commitment to provide any financial accommodation and there is no certainty that an agreement will be reached between the parties. KLL will continue to assist NAIF with its required due diligence investigations regarding participation in the debt facilities that will fund the project capital expenditure necessary to develop the Beyondie SOP Project.

GERMAN EXPORT CREDIT AGENCY

A positive preliminary assessment decision by the German Government Inter-Ministerial Committee regarding its export credit project finance application with Euler Hermes Aktiengesellschaft (Hermes), the appointed export credit agency that administers the German Export Credit Agency (ECA) scheme for the German Government, represented an important milestone in the process to approve Kalium Lakes' ECA application Approximately A$42 million of the Beyondie Sulphate Of Potash Project capital expenditure is expected to qualify under the German ECA cover.

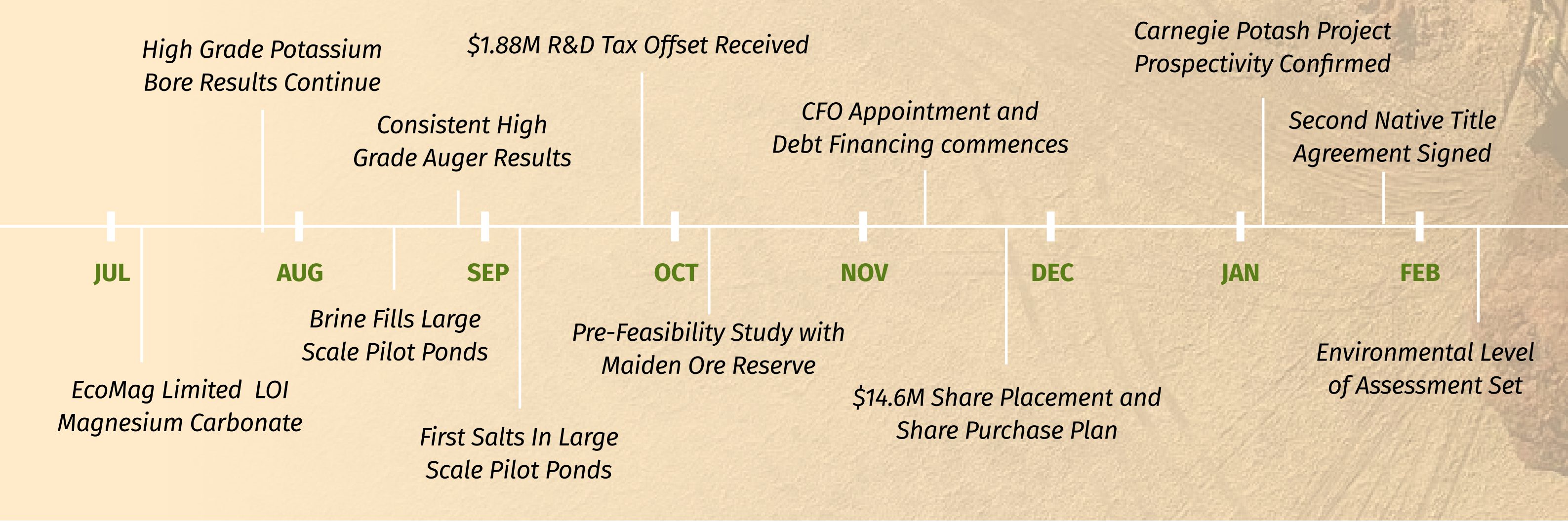
Environmental Approvals

Early in February Kalium Lakes received notifications under the Environmental Protection Act 1986 (WA) from the Environmental Protection Authority of Western Australia (EPA) and the Environment Protection and Biodiversity Conservation Act 1999 (Cth) from the Australian Department of the Environment and Energy (DotEE), for BSOPP.

Those notifications covered the Stage 1 area of the BSOPP which, in turn reflected the development base case as outlined in the PFS.

The EPA advised, in November 2017, that the level of assessment is an "Environmental Review – no public review, with a proponent prepared Environmental Scoping Document (ESD)". Kalium Lakes has provided the draft ESD and has received comments back from the EPA. After the ESD has been finalised and an

2017 / 2018 ASX Significant Announcement and Subsequent Events Timeline



Environmental Review Document submitted the EPA will assess the project and prepare a report and recommendations for the Minister for Environment. When the Minister has considered the EPA's report a Ministerial Approval Statement can then be issued pursuant to s45(5) of the Environmental Protection Act 1986 (WA). This sets out the conditions and procedures that the proponent must adhere to during a project's implementation.

The DotEE has provided a referral decision as a "controlled action, requiring assessment by preliminary documentation". The assessment is limited to direct and/or indirect impacts on potential habitat for two species. The DotEE will provide a request for additional information and when the DotEE is satisfied that KLL has provided sufficient information it will direct KLL to publish the information and commence its assessment of the Project. The Minister will review the DotEE's assessment and may then make the decision to approve the Project.

Also, in May 2018, KLL received a notice of decision to Consent to Minor and Preliminary Works under the Environmental Protection Act 1986 (WA) from the EPA for the BSOPP.

The notice authorised the works associated with an upgrade of the site access road involving construction, operation and maintenance, the upgrade of the accommodation camp (including the waste water treatment plant) , the workshop and the communication towers.

This approval was instrumental in allowing greater ease of access to and from site, better living conditions, a larger workshop and more reliable communication facilities for Kalium Lakes' personnel and contractors.

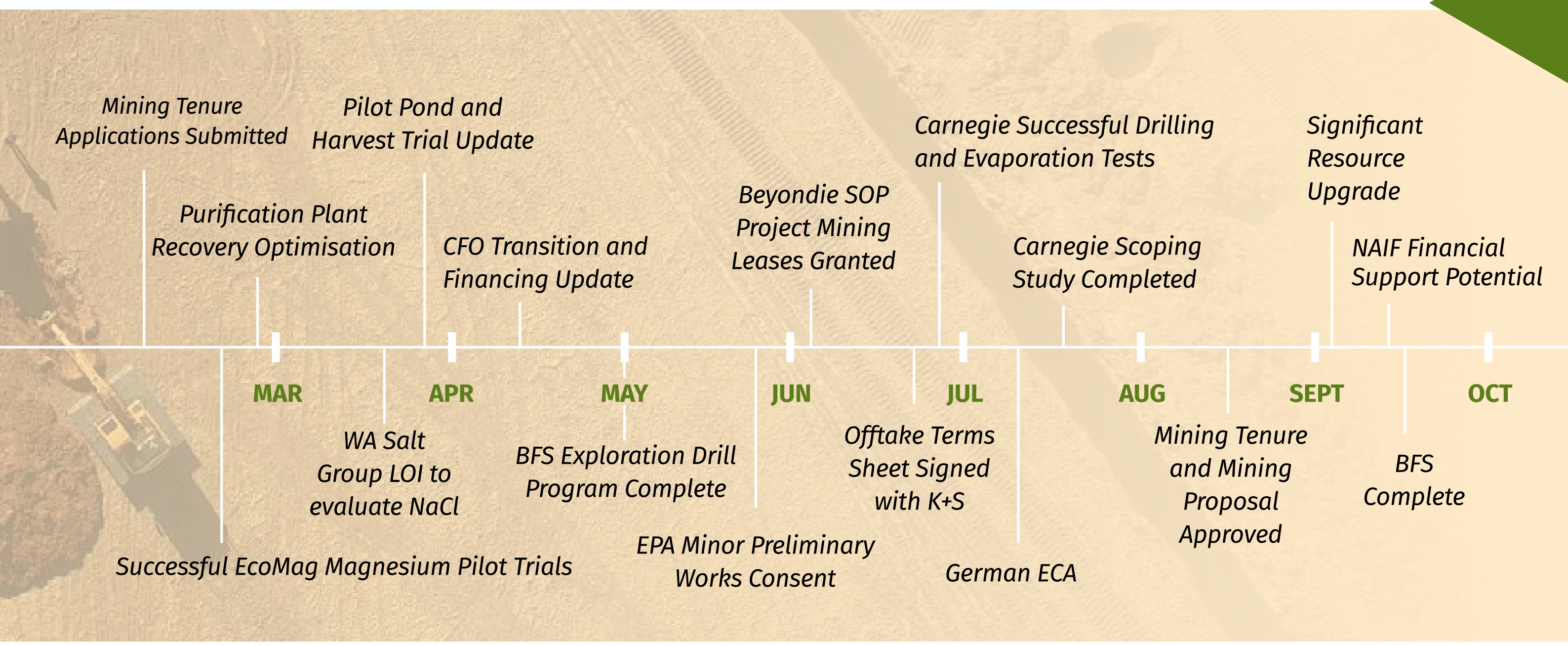
Native Title

Kalium Lakes announced that it had signed a Native Title Agreement with Mungarlu Ngurrarankatja Rirraunkaja (Aboriginal Corporation) RNTBC (MNR) covering the eastern tenements of the BSOPP at the beginning of 2018. MNR is the registered native title body corporate that holds the native title rights and interests the subject of the Birriliburu determination area in trust for the Birriliburu People.

The Company remains committed to building a mutually beneficial relationship with MNR and the Birriliburu People through effective engagement, consultation and communication. The Native Title Agreement also provides opportunities for MNR and the Birriliburu People to participate in the BSOPP, as well as a future royalty stream.

Kalium Lakes signed a Native Title Agreement with the Gingirana People in March 2016 that will also lead to opportunities for all parties involved and provides a firm foundation for a long term relationship.

This second Native Title Agreement provided the certainty that allows the Company to develop both Stage 1 and the subsequent Stage 2 of the Project.



MANAGING DIRECTOR'S OVERVIEW

Mining Leases / Department of Mines, Industry Regulation and Safety

In February 2018, Kalium Lakes submitted applications pursuant to the Mining Act 1978 (WA) for two Mining Leases and a number of ancillary Miscellaneous Licences. The applications covered the Stage 1 area the BSOPP and were a significant milestone for the Company, representing the culmination of more than three years of detailed work, associated with technical and environmental studies, as well as Native Title and government consultation.

Four months later, in June 2018, the Hon. Bill Johnston MLA, Minister for Mines and Petroleum, pursuant to the Mining Act 1978 (WA), granted the two Mining Leases for the BSOPP.

The granting of mining tenure unlocked the next significant steps for the company, including proceeding with Mining Proposal submissions, approvals with the Department of Mines, Industry Regulation and Safety (DMIRS), as well as the Department of Water and Environmental Regulation's (DWER) Part V Works Approval requirements.

In August 2018, Kalium Lakes announced that all of the key Miscellaneous Licence Applications for the Project allowing for the development of the following supporting infrastructure; gas pipeline, water pipeline, power line, bridge/culverts, search for groundwater, taking water, meteorological station, communications facility, drainage channel, pump station, mine site accommodation facility, bore and borefield, water management facility, power generation, storage and transport facility for mine concentrate, mine site administration facility, workshop and storage facility, had been granted.

During the same month the Company also confirmed receipt of Consent to Minor and Preliminary Works by the EPA and the assessment and approval of the Mining Proposal and Mine Closure Plan by the DMIRS. The approvals allow for the construction, operation and maintenance of:

- Site access road upgrade;
- Upgrade of the accommodation camp, including waste water treatment plant;
- Workshop upgrade; and
- Upgrade of communication towers.

Offtake Agreement K+S

Perhaps the most significant announcement of the year occurred on 18 June 2018, when Kalium Lakes announced it had executed an Offtake Terms Sheet with German fertiliser producer and distributor K+S, one of the top potash providers worldwide and the world's largest salt producer, for 100% of Phase 1 production from the BSOPP, representing a major milestone for the Company.

The Offtake Terms Sheet proposed that Kalium Lakes will supply SOP to K+S over an initial 10 year term and K+S intends to provide the Company with expertise and technical support during development.

The offtake arrangement is subject to the parties agreeing and entering into a formal binding offtake agreement with terms consistent with the Terms Sheet and the satisfaction of certain conditions precedent including, but not limited to, completion of due diligence by K+S.

Pre-Feasibility Study

The announcement of the PFS results in the first week of October 2017 confirmed that the Beyondie SOP Project, is both technically and financially robust. At that time, the results set 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 Approval Footprint.

Other Activities

CAPITAL RAISE

Late in November 2017 the Company conducted an institutional placement, together with a share purchase plan, which raised a total of $14.6 million (before costs), which was used to to fund the completion of the Bankable Feasibility Study (BFS) and to provide working capital.

CARNEGIE JOINT VENTURE

In July 2018 the Joint Venture announced the results of the Scoping Study, Maiden Resource and Exploration Target, confirming the Carnegie Potash Project has the potential to be a technically and economically viable project (full details appear later in this Annual Report).

MAGNESIUM BY-PRODUCTS

In July 2017, KLL announced it had signed a Letter of Intent (LOI), on an exclusive basis in relation to Western Australian based potash project developers, with EcoMag Limited (EcoMag) to trial the recovery of Hydrated Magnesium Carbonate (HMC) as part of the large scale pilot pond works.

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.

A successful EcoMag pilot plant trial, processing residual brines to recover high purity HMC, was announced in February 2018. The trials, undertaken at EcoMag's facility in Karratha, confirmed initial laboratory works completed during 2017 and produced 99.5% pure HMC, with overall magnesium recovery exceeding 95%.

WA SALT

March 2018 saw Kalium Lakes announce that it had signed a Letter of Intent with WA Salt Koolyanobbing Pty Ltd, part of the WA Salt Group (WA Salt), to evaluate and assess the recovery of Sodium Chloride (NaCl) salt products from the BSOPP. The WA Salt Group, which produces high quality salt products for domestic and international customers, is now working with Kalium Lakes to determine which types of NaCl products can be recovered from the BSOPP and may be suitable for both local and international markets.

Next Steps

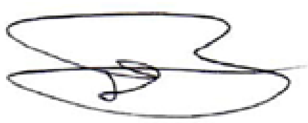
Kalium Lakes is proud to be the first Sulphate Of Potash developer to complete a Bankable Feasibility Study and to present a set of compelling technical and economic outcomes, to both investors and financial institutions. The Project, centred on an Australian deposit with an initial mine life of between 30 to 50 years, has been designed to be a low cost, long life and high margin producer.

Looking forward the key next steps for Kalium Lakes are:

- Commence Early Works Construction Activities
- Commence Front End Engineering and Design (FEED)
- Finalise Binding Offtake Agreements
- Award EPC/M and Lump Sum Contracts
- Primary Project Approvals Anticipated
- Finance Due Diligence Completion
- Project Financing Completion
- Final Investment Decision (FID)
- Full Construction Activities
- Commissioning and Ramp Up to Name Plate Throughput

Founded in October 2014, Kalium Lakes has now invested more than A$30 million in the exploration and development of the Beyondie SOP Project and I wish to thank our key consultants and employees for the quality work undertaken. We now look forward the next challenges of project financing, final approvals , construction and first production.

By continuing to do the detailed pilot trials, engineering design and approvals work, Kalium Lakes is well on track to achieve its goal of assisting Australian farmers through the delivery of an agronomically superior product, while ensuring a satisfactory return to our shareholders for more than three decades.

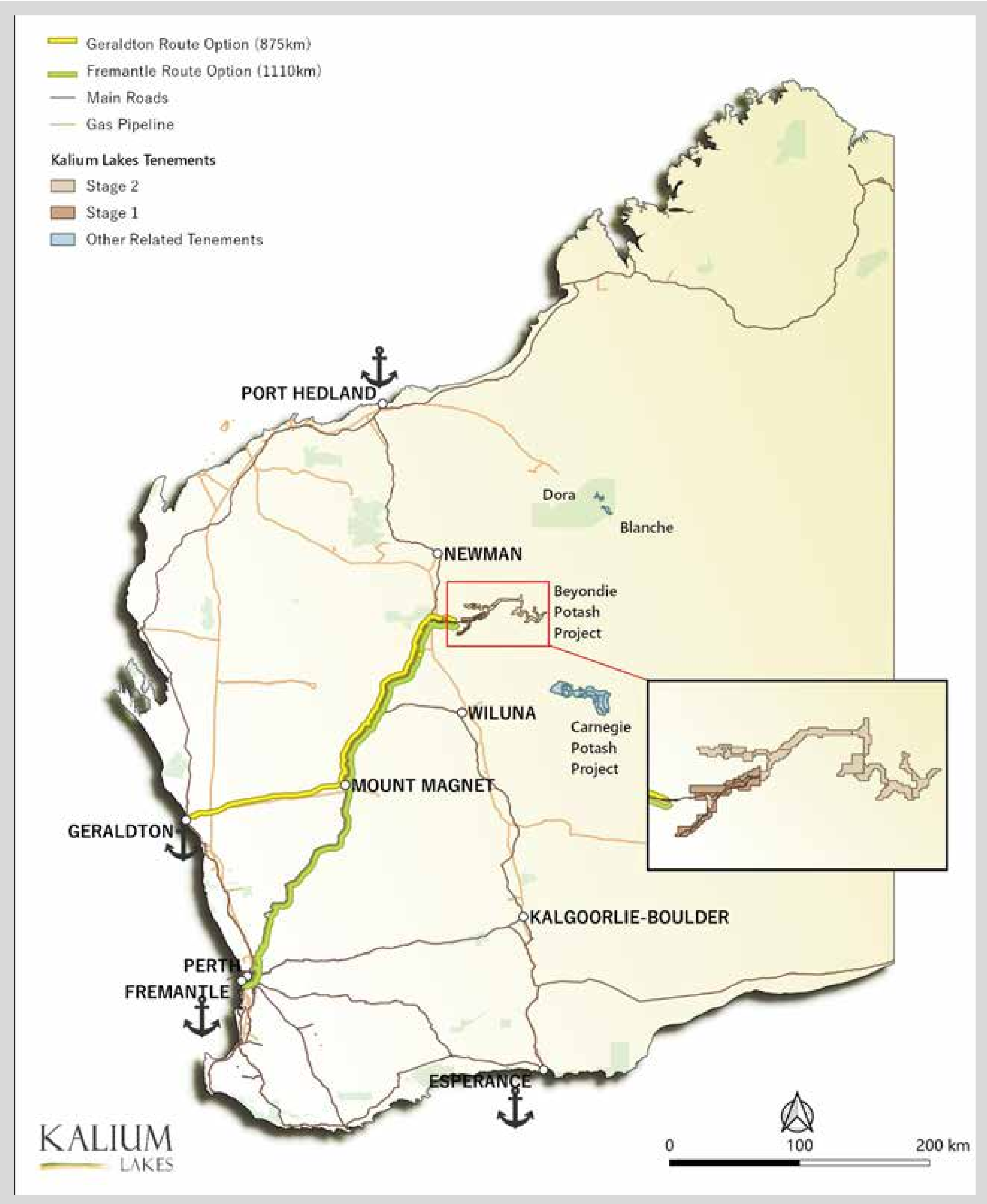


Brett Hazelden
Managing Director and Chief Executive Officer
18 October 2018

PROJECT SUMMARY (CONTINUED)

Review Of Operations

The Company holds rights to granted tenure of more than 3,000 square kilometres, as well as further tenement applications at the eastern margin of the East Pilbara region of Western Australia, as shown in the map below.



► *Kalium Lakes Potash Tenement Portfolio*

Sulphate Of Potash Project Production Process

Sulphate of Potash (SOP) is a widely-used agricultural fertiliser with annual global consumption of 6.6Mtpa. Australia currently imports 100% of its potash requirements from overseas producers.

SOP can be produced by extracting brine (hypersaline water) from underground, then evaporating the water to precipitate mixed potassium salts which are, in turn, purified to produce the SOP fertiliser, as illustrated in the flow diagram below:

(a) **Brine Pumping:** brine is extracted from basal sands (or the lower aquifer) using submersible bores, as well as pumping of trenches from the upper aquifer;

(b) **Brine Solar Evaporation:** brine is pumped to solar evaporation ponds where it sequentially precipitates calcium, sodium, potassium and magnesium mixed salts in separate ponds;

(c) **Salt Harvesting:** the mixed potassium salts that have crystallized from the solar evaporation ponds are mechanically harvested and stockpiled;

(d) **Purification Processing:** the mixed potassium salts are fed into a purification plant facility where the potassium salts are converted into schoenite through a conversion and recycling process and are then separated from halite via flotation. The resultant schoenite slurry undergoes thermal decomposition into SOP; and

(e) **SOP Fertiliser:** after drying and compaction in a purification plant, the SOP is ready to be sold and used as a final product.

Beyondie sulphate of Potash Project

KLL is an exploration and development company focused on developing the 100% Owned Beyondie Sulphate Of Potash Project (BSOPP) in Western Australia with the aim of commencing production at 82ktpa of Sulphate Of Potash (SOP) before ramping up to 164ktpa of SOP for domestic and international sale.

The Project covers an area of approximately 2,400 square kilometres, comprising 15 granted exploration licences, 10 granted miscellaneous licences, two granted mining leases and three miscellaneous licence applications. Kalium Lakes intends to develop a sub-surface Brine deposit to produce a SOP product, by undertaking an evaporation and processing operation 160 kilometres (km) south east of Newman.

KLL has completed a Bankable Feasibility Study (BFS) which confirmed the BSOPP is technically and financially robust, with production anticipated in 2020.

► *SOP Production Process*

BEYONDIE SOP PROJECT

The BFS has been prepared by KLL in conjunction with leading industry specialists including K-UTEC, DRA Global, Advisian, Shawmac, Wyntak and Preston Consulting as the principal technical consultants, as well as RSM, DLA Piper Australia, HopgoodGanim Lawyers and BurnVoir Corporate Finance as accounting, legal, commercial and financial advisors.

Kalium Lakes adheres to the JORC 2012 Code and the Canadian Institute of Mining, Metallurgy and Petroleum Best Practice Guidelines for Resource and Reserve Estimation for Brines (CIM Guideline).

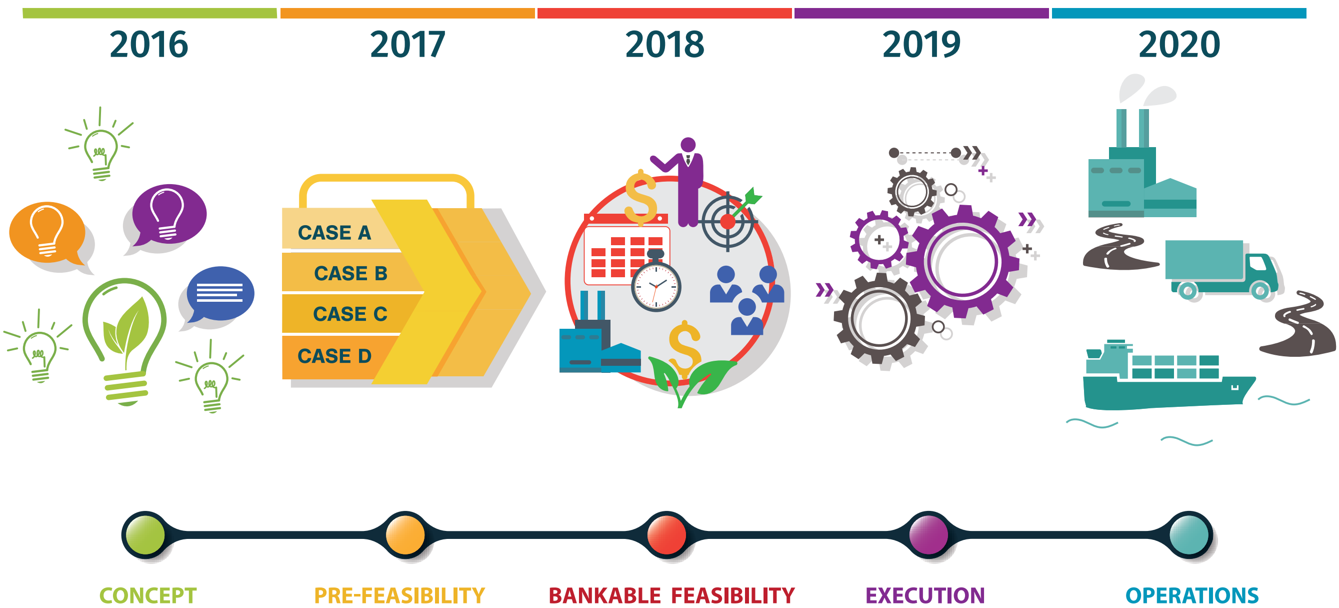
In addition, the Company is part of the Association of Mining and Exploration Companies (AMEC) Potash Working Group which has developed guidelines to define a brine Mineral Resource and Ore Reserve, in order to increase the certainty, clarity and transparency in reporting of these resources.

Kalium Lakes undertakes a gated project investment evaluation process that is accepted as industry best practice as illustrated below. The BFS aims to present information at the necessary level of definition and accuracy in accordance with the JORC Code and the AACE International® guidelines for developing a Class 3 (Bankable / Definitive Feasibility Study) estimate.

There are two separate phases within the Stage 1 Approval Footprint, the first phase containing the construction and operation of a 82 ktpa SOP Demonstration Scale Project Development, with the second phase containing the ramping up to a 164 ktpa SOP Full Scale Project Development, to minimise operational and financial risk.

Phase 1 Demonstration Scale Project Development – 82 ktpa SOP Production:

- Installation of ~445 ha evaporation and crystalliser ponds at the Beyondie-10 Mile area and Lake Sunshine area;
- Installation of 40 production bores and 9 trenches totalling 58 km at 10 Mile and Lake Sunshine;
- Installation of 82 ktpa SOP purification facility;
- 78 km of access road widening, realignment and construction;
- Installation of 60 person accommodation, buildings, services and utilities as required;
- Installation of communications tower for microwave internet and two way radio;
- Construction of power station;
- Installation of freshwater borefields at 10 Mile South;
- Use of the Main Roads WA network from the Kumarina Road house located on the Great Northern Highway to the various WA depots and Fremantle, Kwinana and Geraldton Ports for product delivery;
- Backloaded haulage of product to Perth/Fremantle and Geraldton;
- Use of Fremantle, Kwinana and Geraldton Port Facilities to access export markets to Asia and the Eastern States of Australia; and



► *Kalium Lakes Gated Investment Evaluation Process*

- **Phase 2 Full Scale Project Development – 164 ktpa SOP Production:**
- Installation of additional evaporation and crystalliser ponds at the Beyondie – 10 Mile and Lake Sunshine areas;
- Expansion and duplication of purification plant;
- Installation of additional production bores and trenches at the western and eastern lakes;
- Expansion of site buildings, services and utilities as required;
- Expansion of port export facilities, including bulk export facilities at Geraldton Port;
- Installation of freshwater borefields at Kumarina and Beyondie;
- Installation of a 78 km Natural Gas pipeline to the purification facility at the 10 Mile area.(Phase 1 or Phase 2 TBC).

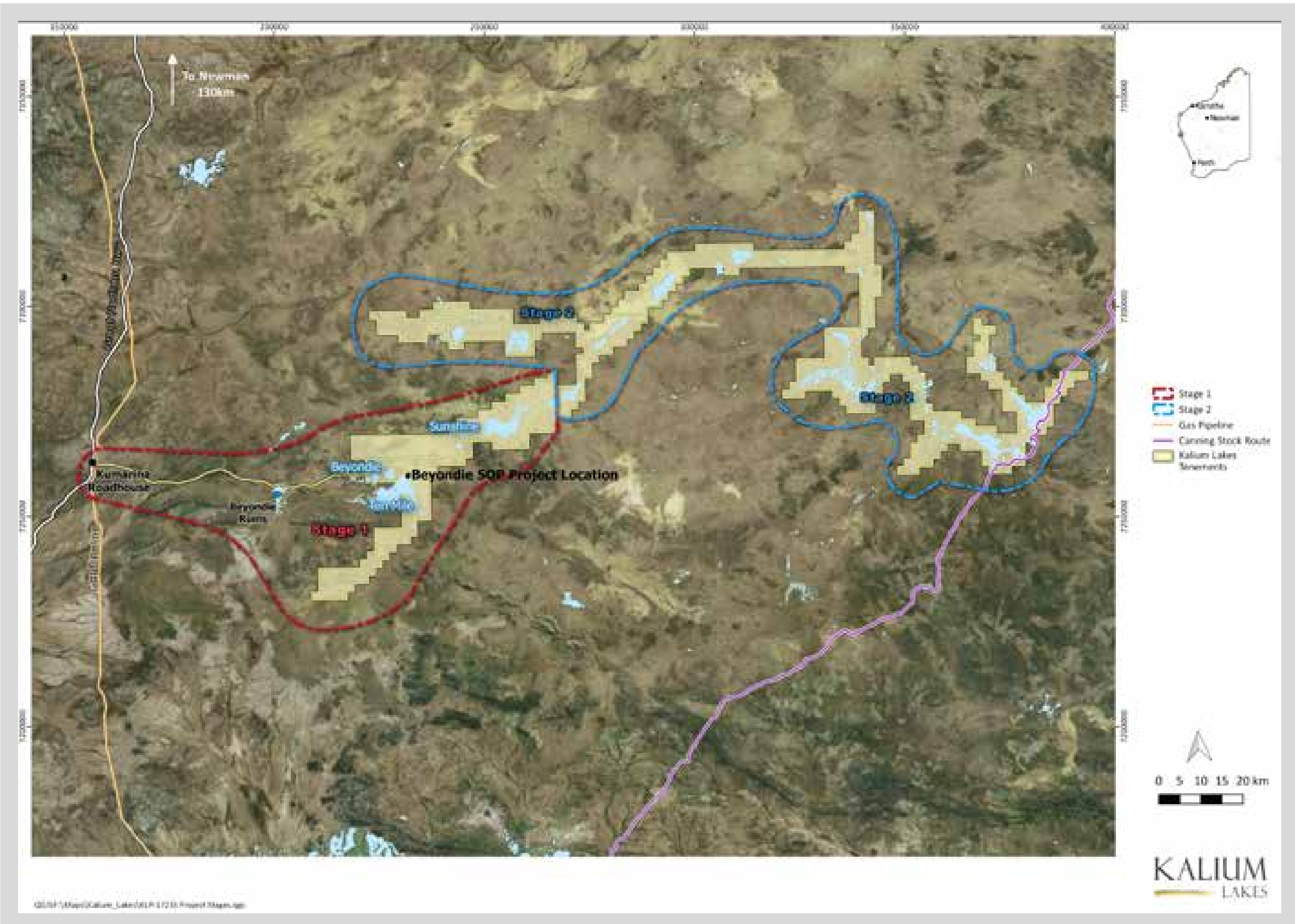
Bankable Feasibility Study – Key Highlights

The key elements of the BFS are:

- **90% Increase in Ore Reserves:** Based solely within the Stage 1 Approval Footprint which represents less than a quarter of total lake surface area within the tenement package:
  - Proved Reserve of 1.65 Mt @ 13,830 mg/l SOP at a cut-off grade of 2,500mg/l K
  - Probable Reserve of 3.49 Mt @ 11,820 mg/l SOP at a cut-off grade of 2,500mg/l K
  - Measured Resource of 1.72 Mt @ 11,488 mg/l SOP
  - Indicated Resource of 9.17 Mt @ 12,459 mg/l SOP
  - Inferred Resource of 8.75 Mt @ 12,593 mg/l SOP
- **Increased Production Rates:** The base case outcome of the BFS for the Beyondie SOP Project is a 164ktpa SOP operation. This is an increase of 10% on the Pre-Feasibility Study (PFS) based on (amongst other matters) an update to the Company's increased Ore Reserve, detailed brine extraction modelling, pilot scale pond and processing outcomes. After taking into consideration operational, SOP market and financing risk management perspectives, the Company has confirmed a phased ramp-up development scenario, starting with a commercial demonstration scale 82ktpa SOP operation, before ramping up to a 164ktpa full scale SOP production facility.
- **Extended Mine Life In Excess of 30 years:** Based on production of 164ktpa SOP, the extended mine life represents an increase of seven years on the PFS estimated mine life. The Economic Evaluation excludes any production post 30 years from the Base Case Mine Plan.
- **Improved Financial Outcomes for the Base Case:**
  - Pre-tax NPV_8 A$575M, IRR of 20%
  - Average EBITDA of A$116Mpa, EBITDA margin of 61%
  - A payback period of 7 years and Life of Mine (LOM) 30 years
  - Free cash flows of more than +A$2B
  - Based on CRU forecast US$606/t nominal average LOM SOP @ $A/$US exchange rate of 0.73.
- Strong Market Fundamentals:
  - CRU estimates that average CFR Australian prices in the first year of full production (FY2022) will be US$530/t with prices rising to US$961-997/t in 2040. CRU forecasts a 2.8%pa growth in SOP.
  - Kalium Lakes to produce a premium Standard, Granular and Soluble suite of products at >51%K_2O and <0.5% Chloride. Each product will attract a different price and premium.
  - Offtake Terms Sheet executed with German fertiliser producer and distributor K+S for 100% of Phase 1 production. The Offtake arrangement is subject to the execution of a formal binding offtake agreement and satisfaction of certain conditions precedent, including completion of due diligence by K+S.
- **Bankable Staged Development Cost Base**
  - Estimated LOM Operating Cash Cost of A$231/t SOP FOB Fremantle Port. This will place the Beyondie SOP Project amongst the lowest cost global SOP production.
  - Pre-production Capital Cost of A$159 million for the initial 82ktpa phase. A deferred capital cost of A$125 million is required to ramp up production to 164ktpa SOP.
  - Pricing has been received from contractors and suppliers for more than 80% of Capex Costs.
  - Option to install a gas pipeline at a capital cost of A$29 million which would result in an operating costs reduction of A$31-34 per tonne.

BEYONDIE SOP PROJECT

- **Confirmed Approvals Pathway:**
  - Early works approvals are in place from the Environmental Protection Authority of Western Australia (EPA) and Department of Mines, Industry Regulation and Safety (DMIRS), with formal approval for the full-scale project anticipated to be in place during Q4 2018.
  - Two Native Title Land Access Agreements have been executed allowing for the consent to the grant of mining leases, ancillary tenure and approvals required for the BSOPP.
  - Two Mining Leases and 10 Miscellaneous Licences have been granted for the Beyondie SOP Project.
- **Low Cost Financing Identified:**
  - The Company is proposing to fund the project capital expenditure by a combination of up to 60% debt and the residual equity.
  - The Company has progressed the process for debt financing with initial due diligence completed and Expression of Interest (EOI) term sheets received.
  - The Company estimates that approximately A$42 million of the project capital expenditure is expected to qualify under the German Export Credit Agency (ECA) scheme which has received a positive preliminary assessment decision by the German Government Inter-Ministerial Committee (IMC) and Euler Hermes Aktiengesellschaft (Hermes), the appointed export credit agency that administers the German ECA scheme for the German Government.
  - Australian Government's Northern Australia Infrastructure Facility (NAIF) has provided written confirmation that the NAIF Board has considered a Strategic Assessment Paper for the BSOPP and has consented to the NAIF Executive continuing its investigation.



► *Beyondie SOP Project Footprint*

Beyondie Sulphate of Potash Project - Tenement Interests

Tenement	Name	Holder	State	Status	Grant Date	Interest
			Exploration Licences			
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%
			Miscellaneous Licences			
L52/162	Access Road	KLP	WA	Granted	30-3-2016	100%
L52/186	G N Hwy Access Road	KLP	WA	Granted	30-5-2018	100%
L52/187	Comms Tower 2	KLP	WA	Granted	30-5-2018	100%
L52/190	Kumarina FW 1	KLP	WA	Withdrawn		
L52/193	Kumarina FW 2	KLP	WA	Granted	13-8-2018	100%
L69/28	Access Road Diversion	KLP	WA	Granted	7-8-2018	100%
L69/29	Access Road Village	KLP	WA	Granted	7-8-2018	100%
L69/30	Comms Tower 1	KLP	WA	Granted	30-5-2018	100%
L69/31	Sunshine Access Road	KLP	WA	Granted	7-8-2018	100%
L69/32	10MS FW A	KLP	WA	Granted	14-8-2018	100%
L69/34	10MS FW B	KLP	WA	Granted	14-8-2018	100%
L69/35	10MS FW C	KLP	WA	Application	-	100%
L69/36	10MS FW D	KLP	WA	Application	-	100%
L69/38	Access Road “S” Bend	KLP	WA	Application	-	100%
			Mining Leases			
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%
M69/146	Sunshine	KLP	WA	Granted	6-6-2018	100%

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

Annual Mineral Resources and Ore Reserves Statement - Resources Tables as at 18 October 2018

MEASURED MINERAL RESOURCES

Aquifer Type	Volume (10^6 m³)	Total Porosity (-)	Brine Volume (10^6 m³)	Specific Yield (-)	Drainable Brine Volume (10^6 m³)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m³)	K_2SO_4 Mass (Mt)
Lake Surface Sediments	118	0.47	56	0.17	20	7,116	0.14	19,292	0.38	6,488	0.13	15.87	0.31
Alluvium	96	0.33	32	0.12	11	2,940	0.03	7,959	0.09	3,195	0.04	6.56	0.07
Palaeovalley Clay	799	0.35	282	0.06	47	4,609	0.22	14,475	0.68	4,088	0.19	10.28	0.49
Sand and Silcrete	228	0.33	75	0.21	48	5,643	0.27	17,282	0.83	5,062	0.24	12.58	0.60
Fractured / Weathered Bedrock	304	0.24	72	0.08	23	4,648	0.11	14,995	0.34	4,668	0.11	10.37	0.24
Total Resources	**1,546**		**516**		**149**	**5,155**	**0.77**	**15,606**	**2.33**	**4,742**	**0.71**	**11.50**	**1.72**

INDICATED MINERAL RESOURCES

Aquifer Type	Volume (10^6 m³)	Total Porosity (-)	Brine Volume (10^6 m³)	Specific Yield (-)	Drainable Brine Volume (10^6 m³)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m³)	K_2SO_4 Mass (Mt)
Lake Surface Sediments	477	0.45	215	0.11	53	5,993	0.32	18,526	0.99	6,705	0.36	13.36	0.71
Alluvium	1,380	0.36	494	0.13	186	5,090	0.95	14,151	2.63	4,197	0.78	11.35	2.11
Palaeovalley Clay	1,478	0.33	494	0.07	101	6,000	0.61	16,876	1.71	5,451	0.55	13.38	1.36
Sand and Silcrete	332	0.31	104	0.21	69	4,833	0.34	13,841	0.96	4,311	0.30	10.78	0.75
Fractured / Weathered Bedrock	5,505	0.23	1,243	0.06	325	5,846	1.90	17,277	5.61	5,318	1.73	13.04	4.24
Total Resources	**9,173**		**2,550**		**735**	**5,591**	**4.11**	**16,197**	**11.91**	**5,058**	**3.72**	**12.47**	**9.17**

INFERRED MINERAL RESOURCES

Aquifer Type	Volume (10^6 m³)	Total Porosity (-)	Brine Volume (10^6 m³)	Specific Yield (-)	Drainable Brine Volume (10^6 m³)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m³)	K_2SO_4 Mass (Mt)
Lake Surface Sediments	N/A	N/A	N/A	N/A	80	5,373	0.43	16,986	1.36	3,632	0.29	11.98	0.96
Alluvium	2,064	0.45	929	0.11	98	6,239	0.61	18,663	1.82	6,872	0.67	13.91	1.36
Palaeovalley Clay	22,929	0.35	8,025	0.05	401	5,724	2.30	17,185	6.90	6,230	2.50	12.76	5.12
Sand and Silcrete	1,785	0.31	553	0.21	116	5,073	0.59	15,384	1.79	5,391	0.63	11.31	1.31
Total Resources	**26,777**		**9,507**		**695**	**5,647**	**3.92**	**17,068**	**11.86**	**5,881**	**4.09**	**12.59**	**8.75**

EXPLORATION TARGET *

Aquifer Type	Maximum Thickness (m)	Coverage (km²)	Sediment Volume (10^6 m³)	Porosity (-)	Total Stored Brine (10^6 m³)	Specific Yield (-)	Drainable Brine (10^6 m³)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (Mt)	K_2SO_4 Mass (Mt)
Alluvium	6	157	942	0.4	377	0.10	94	2,000	0.2	6,100	0.5	2,300	0.2	0.4
Clays	20	1,148	22,960	0.45	10,332	0.03	689	1,800	1.2	5,500	3.8	2,100	1.4	2.8
Basal Sands	7	108	756	0.35	265	0.18	136	1,600	0.2	5,000	0.7	1,900	0.3	0.5
Total					**11,000**		**920**	**1,800**	**1.6**		**5.0**		**1.9**	**3.7**
Alluvium	12	157	1,884	0.5	942	0.18	170	3,500	0.6	9,600	1.6	3,900	0.7	1.3
Clays	50	1148	57,400	0.55	31,570	0.08	2,500	3,300	8.3	9,100	22.8	3,700	9.3	18.4
Basal Sands	10	108	1,080	0.45	486	0.28	140	3,200	0.4	8,700	1.2	3,500	0.5	1.0
Total					**33,000**		**2,810**	**3,300**	**9.3**		**25.6**		**10.4**	**20.7**

Note: Errors are due to rounding.

* The Kalium Lakes Beyondie SOP 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 (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource or that the Exploration Target will add to the economics of the BSOPP.

PROVED ORE RESERVES

Aquifer Type	Brine Volume (10^6 m^3)	K (mg/L)	K Mass (Mt)	SO_4 (mg/L)	SO_4 Mass (Mt)	SOP Grade (kg/m^3)	K_2SO_4 Mass (Mt)
Production Bores	119	6,207	0.74	17,945	2.14	13.83	1.65
Total Proved Reserve	**119**	**6,207**	**0.74**	**17,945**	**2.14**	**13.83**	**1.65**

Note: Errors are due to rounding.

PROBABLE ORE RESERVES

Aquifer Type	Brine Volume (10^6 m^3)	K (mg/L)	K Mass (Mt)	SO_4 (mg/L)	SO_4 Mass (Mt)	SOP Grade (kg/m^3)	K_2SO_4 Mass (Mt)
Lake Surface Sediments	212	4,755	1.01	13,669	2.90	10.60	2.25
Production Bores	83	6,713	0.56	18,867	1.56	14.96	1.24
Total Probable Reserve	**295**	**5,306**	**1.57**	**15,129**	**4.46**	**11.82**	**3.49**

Note: Errors are due to rounding.

ORE RESERVES SUMMARY

Level	Drainable Brine Volume (10^6 m^3)	K Grade (mg/l)	K (Mt)	SO_4 (Mt)	K_2SO_4 Mass (Mt)
Proved Ore Reserve	119	6,207	0.74	2.14	1.65
Probable Ore Reserve	295	5,306	1.57	4.46	3.49
Total Ore Reserve	**414**	**5,565**	**2.30**	**6.60**	**5.13**

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.

Compliance Statement

The information in this document is extracted from the report titled "TECHNICAL REPORT FOR THE BEYONDIE POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 Technical Report – Bankable Feasibility Study" and dated 17 September 2018 (Report), that relates to Exploration Targets, Exploration Results, Mineral Resources and Ore 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 Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves, 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.

CARNEGIE POTASH PROJECT

CARNEGIE POTASH PROJECT – JOINT VENTURE

The Carnegie Joint Venture (CJV) is focussed on the exploration and development of the Carnegie Potash Project (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna. The CJV comprises one granted exploration licence (E38/2995) and five (5) exploration licence applications (E38/2973, E38/2928, E38/3297, E38/5296 and E38/3295) covering a total area of approximately 3,040 square kilometres.

The CJV is a Joint Venture between Kalium Lakes (KLL, 70% Interest) and BCI Minerals (BCI, 30% interest). Under the terms of the agreement BCI can earn up to a 50% interest in the CJV by predominantly sole-funding exploration and development expenditure across several stages. KLL is the manager of the CJV and will leverage its existing Intellectual Property to fast track work.

- Stage 1 Completed - BCI has earned a 30% interest by sole funding the $1.5M Scoping Study Phase,
- Stage 2 - BCI can elect to earn a further 10% interest by sole funding a further $3.5M Pre-Feasibility Study Phase,
- Stage 3 - BCI can elect to earn a further 10% interest by sole-funding a further $5.5M Feasibility Study Phase,
- By end of the Feasibility Study the CJV would have an ownership of 50% KLL and 50% BCI

This Project is 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 (SOP). The Carnegie Project tenements are located directly north of Salt Lake Potash Limited's (ASX:SO4) – Lake Wells tenements and Australian Potash Limited's (ASX:APC) – Lake Wells tenements.

On 27 July 2018, Kalium Lakes and BCI Minerals announced the results of the Scoping Study, Maiden Resource and Exploration Target, confirming the CPP has potential to be a technically and economically viable project.

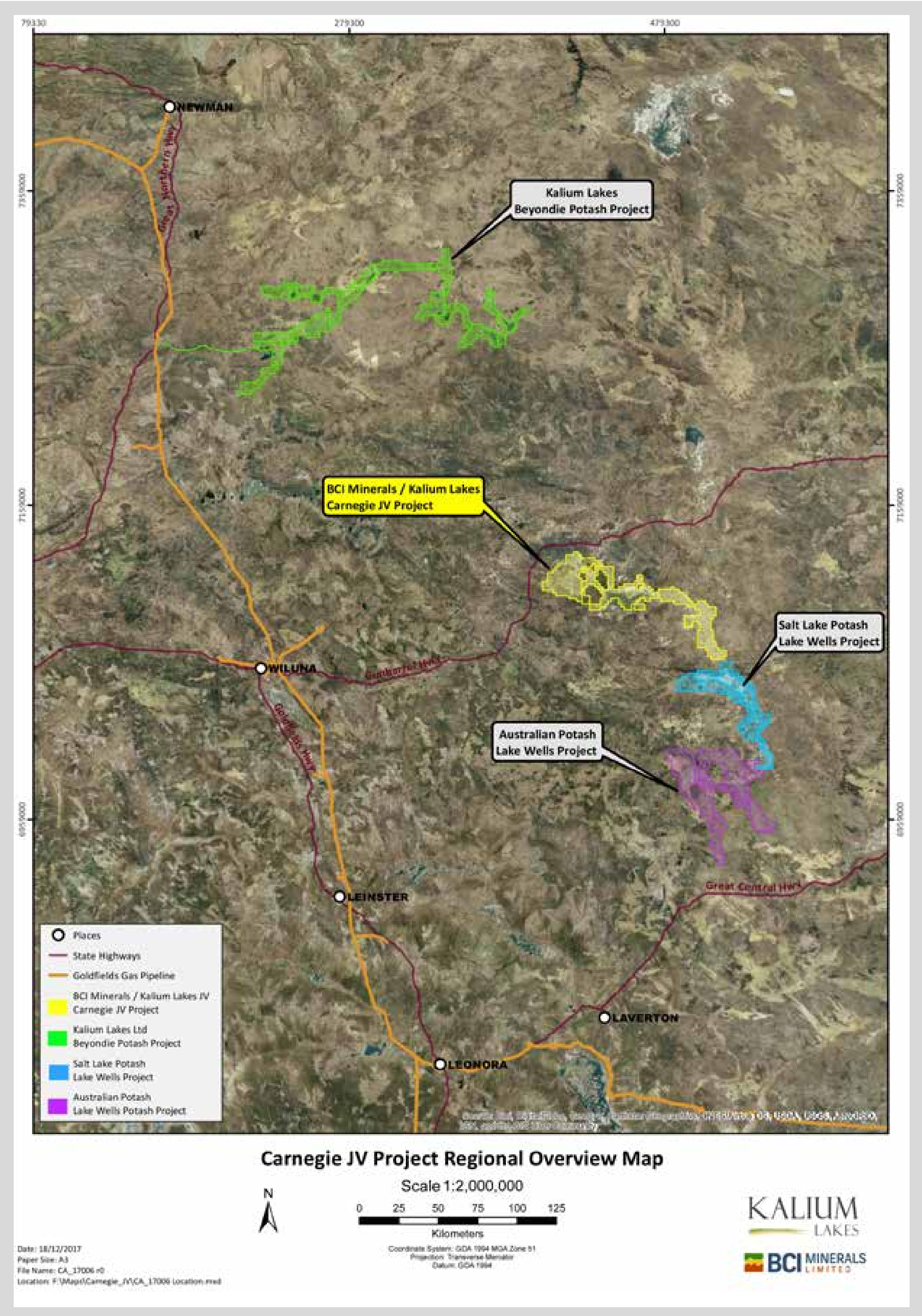
The announcement included the following key points:

- Scoping Study leveraged the significant technical knowledge, experience and intellectual property developed by Kalium Lakes in advancing their Beyondie Sulphate Of Potash Project.
- Inferred Resource of 0.88 Mt SOP @ 3,466 mg/l K (equivalent to 7,729 mg/l SOP) based only on the top 1.7 metres of the 27,874 hectare surficial aquifer on granted tenement E38/2995 plus an Exploration Target for material below the top 1.7 metres.
- Exploration Target of 3.46 Mt – 7.33 Mt SOP @ 3,410 mg/l K – 3,420 mg/l K within the deeper aquifers on granted tenement E38/2995.
- A further 82,000 hectares of lake surface on pending tenements is not included in the current Inferred Resource or Exploration Target, providing further resource upside potential.
- BCI Minerals earned a 30% CJV interest and Kalium Lakes now holds a 70% interest.
- The JV Companies endorsed proceeding to a staged Pre-Feasibility Study, with an initial focus on securing tenure and access to all required tenements.

The Joint Venture Project will progress PFS activities during the next 12-18 months. The initial focus will be on securing tenure and access to all CPP tenements, followed by various approvals to undertake site based exploration activities, including drilling, trenching and test pumping, with the aim of expanding the Resource (including from conversion of the Exploration Target).

The key future PFS activities include:

- Native Title agreements and Section 18 heritage approvals;
- Various stakeholder discussions, approvals and permits to allow PFS field works to be undertaken including, Programme of Work approvals, Native Vegetation Clearing Permits, 26D licences and 5C water bore approvals;
- Secure the grant of the exploration tenement applications, to facilitate a PFS on the full extent of the Carnegie lake system;
- Drilling, trenching and test pumping to expand the current Resource;
- Pond, purification plant and infrastructure design; and
- Completion of the PFS.



► *Carnegie JV Project Regional Overview Map*

CARNEGIE POTASH PROJECT

Carnegie Potash Project – Tenement Interests

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E38/2995	Carnegie East	KLP	WA	Granted	31-7-2015	70%*
E38/2973	Carnegie Central	Rachlan	WA	Application	-	70%*
E38/2982	Carnegie West	Rachlan	WA	Application	-	70%*
E38/3295	Carnegie South West	KLP	WA	Application	-	70%*
E38/3296	Carnegie South East	KLP	WA	Application	-	70%*
E38/3297	Carnegie North	KLP	WA	Application	-	70%*

** Interest decreased from 85% to 70% on 27 July 2018 (i.e. subsequent to end of the financial year).*

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).

Carnegie Potash Project - Mineral Resources Summary

INFERRED MINERAL RESOURCES

Geological Layer	Maximum Thickness (m)	Coverage (km^2)	Sediment Volume (10^6 m^3)	Porosity (P)	Total Stored Brine (10^6 m^3)	Specific Yield (Sy)	Drainable Brine (10^6 m^3)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	K_2SO_4 (Mt)
Lake Sediments	1.7	278.3	473.13	40%	189	0.24	113.55	3,466	0.39	11,715	1.33	0.88

EXPLORATION TARGET *

Geological Layer	Maximum Thickness (m)	Coverage (km^2)	Sediment Volume (10^6 m^3)	Porosity (P)	Total Stored Brine (10^6 m^3)	Specific Yield (Sy)	Drainable Brine (10^6 m^3)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	K_2SO_4 (Mt)
Alluvium	7	278	1,948	0.35	682	0.05	88	3,500	0.31	12,963	1.14	0.68
Clays	40	287	11,471	0.40	4,589	0.03	287	3,400	0.98	12,593	3.61	2.17
Basal Sands	7	80	557	0.28	156	0.15	84	3,300	0.28	12,222	1.02	0.61
Total					**5,427**		**459**	**3,410**	**1.57**		**5.77**	**3.46**
Alluvium	12	561	6,727	0.40	2,691	0.14	377	3,500	1.32	12,963	5.00	2.94
Clays	60	287	17,207	0.45	7,743	0.06	465	3,400	1.58	12,593	5.85	3.52
Basal Sands	17	80	1,353	0.35	474	0.25	118	3,300	0.39	12,222	1.45	0.87
Total					**10,908**		**960**	**3,420**	**3.29**		**12.30**	**7.33**

** The Carnegie Potash 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 (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource or that the Exploration Target will add to the economics of the Carnegie Potash Project.*

Forward-Looking Information

Certain information in this document refers to the intentions of Kalium Lakes and BCI Minerals , 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' and/or BCI Minerals actual results, performance or achievements to differ from those referred to in this document. Accordingly Kalium Lakes, BCI Minerals and their 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 and BCI Minerals, 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 and BCI Minerals . Actual results, performance, actions and developments of Kalium Lakes and BCI Minerals 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, BCI Minerals and any of their 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.

Compliance Statement

The information in this document is extracted from the report titled "CARNEGIE POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 TECHNICAL REPORT" and dated 30 June 2018 (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 and BCI Minerals confirm they are 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 and BCI Minerals confirm 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, BCI Minerals or any of their 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 Kalium Lakes, BCI Minerals and Carnegie 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, BCI Minerals or the Carnegie Potash Project and consequently considers itself to be independent of Kalium Lakes and BCI Minerals.

POTASH PROSPECTS – DORA AND BLANCHE

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.

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.

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).

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 Health and Safety activities.

During the financial year to 30 June 2018 a total of 33,634 hours were worked at the Beyondie SOP Project site with no Lost Time Injuries and two(2) Medical Treatment Injuries.

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 build trust and respect, as well as ensuring 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 that are endorsed by local community representatives and establish mutually beneficial long term relationships, employment and contracting opportunities as part of a culturally aware workplace.

Corporate

BOARD AND MANAGEMENT

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

At the Annual General Meeting held on 10 November 2017, Mr Brendan O'Hara, in accordance with the Company's Constitution retired and being eligible, was re-elected as a Director.

On 13 November 2017 Mr Frederick Kotzee, was appointed Chief Financial Officer (CFO) and then stepped down from the role on 17 May 2018. Mr Christopher Achurch transitioned into the Company as CFO from that time.

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.

FINANCIAL POSITION

The Company had $7.7 million cash on hand as at 30 June 2018.

SHARES ON ISSUE

As at 30 June 2018 the Company had 169,793,465 Ordinary Shares on Issue.

As at 30 June 2018 the Company had issued the following Options:

- 330,882 Options exercisable at $0.425 each, expiring on 29 September 2020;
- 843,936 Options exercisable at $0.525 each, expiring on 19 January 2020; and
- 1,000,000 Options exercisable at $0.525 each, expiring on 17 May 2021.

The following is a list detailing the ASX Restricted Securities:

- 57,769,847 fully paid ordinary shares, 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 and escrowed for a period of 24 months from the date of official quotation on the ASX; and
- 20,000,000 performance rights, expiring 16 December 2021 and escrowed for a period of 24 months from the date of official quotation.

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 comprehensive 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 the true spirit of 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 (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**

Key Risks

The Shares are considered highly speculative. An investment in the Company is not risk free. 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.

DEVELOPMENT OF THE BEYONDIE SOP PROJECT

The Company has prepared estimates of future production targets, revenue profiles, operating cash costs and capital costs for its operations. No assurance can be given that such estimates will be achieved or that the Company will have access to sufficient capital to develop the Beyondie SOP Project.

Production targets and operating costs may be affected by a variety of factors, including the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services. Other risks impacting production and operating cost estimates include increases in labour costs, general inflationary pressures, currency exchange rates and other unforeseen circumstances such as health and safety outcomes.

The success of the Company will also depend upon the Company having access to sufficient capital, being able to maintain permits and obtaining all required approvals for its activities.

Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

FINANCING

The Company will require significant financing for capital expenditure to develop the Beyondie Potash Project and to fund its operating costs. The Company will require financing from external sources to meet such requirements. There can be no assurance that such financing, whether equity or debt, will be available to the Company, and if it is, whether the terms of such equity or debt financing will be commercially acceptable. The ability of the Company to arrange financing will depend, in part, on prevailing market conditions as well as the business performance of the Company.

If the Company obtains additional financing through the issuance of equity or convertible securities, the interests of shareholders in the Company may be diluted. Additional debt financing may involve restrictions on the Company's future financing and operating activities. Any failure of the Company to obtain required financing on acceptable terms could have a material adverse effect on the Company's financial condition, results of operations and its liquidity and may require the Company to postpone, reduce or terminate the development.

ENVIRONMENTAL AND OTHER STATUTORY APPROVALS

The Company's project and operations are subject to Commonwealth and State laws, regulations and specific conditions regarding approvals to explore, construct and operate. There is a risk that such laws, regulations and specific conditions may impact the profitability of the project and the ability for the project to be satisfactorily permitted. Key approvals from the Environmental Protection Authority (EPA), Department of Mines, Industry Regulation and Safety (DMIRS), Department of Water and Environmental Regulation's (DWER) plus many other agencies may take longer to be obtained or may not be obtainable at all. The Company has identified that the process will have disturbances associated with ponds, purification facility, pipelines, bores, trenches, roads, waste NaCl, residue bitterns which may be subject to specific disposal conditions.

OFFTAKE

To date, the Company has entered into a non-binding terms sheet with German fertiliser producer and distributor K+S. The Company may experience delays in converting, or may be unable to negotiate a binding offtake agreement on acceptable terms. The Company may have difficulty in finding additional offtake partners who are prepared to enter into long-term offtake agreements. If the Company is unable to negotiate long-term offtake agreements, then the expansion of the project may be delayed or prevented. Assuming the Company is able to secure sales or offtake agreements in the future, it may depend upon its customers, the loss of any of which or the inability to collect payment from could adversely affect the results of the Company's financial condition.

RESOURCE AND RESERVE ESTIMATES AND CLASSIFICATION

The Mineral Resource and Ore Reserve estimates for the Beyondie Potash Project are estimates only and are expressions of judgement based on knowledge, experience and industry practice. In addition, by their very nature, Mineral Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. No assurances can be given that any particular level of recovery of potash will in fact be realised.

PURIFICATION FACILITY DESIGN, OPERATION, RECOVERY AND PRODUCT SPECIFICATION

The Company is using internationally recognised consultants in the design of the process and selection of suitable equipment to achieve production capacity and specification to market requirements. However, project development remains inherently risky due to the number of variables that need to be managed. This could lead to equipment not performing as required or expected, resulting in difficulty maintaining product specification, not achieving name plate design capacity, not achieving expected potassium recoveries, increased maintenance and overall operating costs.

This risk also applies to non-process plant equipment and facilities, recognising that the Beyondie Potash Project by its nature is operating with corrosive fluids and subject to environmental impacts of salinity which may result in premature or otherwise unexpected failure of critical equipment such as bore pumps.

PROJECT DELAYS AND COST OVERRUNS

The Company's ability to successfully develop and potentially commercialise its Beyondie Potash Project on schedule may be affected by factors including project delays and costs overruns.

If the Company experiences project delays or cost overruns, this could result in the Company not realising its operational or development plans or result in such plans costing more than expected or taking longer to realise than expected.

INABILITY TO ABSTRACT BRINE VOLUME

The Company has utilised a number of specialist consultants in determining its ability to abstract brine consistently from the deposits but there is a risk that the Company will be unable to abstract the brine in volumes required to meet project timetables and production. This can occur due to low permeability of aquifer material, variability in the deposit and continuity of the various aquifer layers. As a result pumping rates may be lower than expected, or require additional bores and/or trenches. Each bore and trench is likely to have a specific life expectancy and will eventually run dry as brine is extracted. This life expectancy maybe be variable and shorter than expected.

VARIABILITY IN BRINE

The brine deposit may be variable due to the geological layering of the host rock, the location within the palaeochannel, inflows of other waters carrying other impurities or fresh water all of which will affect the brine chemistry across the deposit. Added to this there is also the potential for dilution after rainfall which may influence changes in the chemistry of brine recovery. The variability may cause different evaporation rates, alternative salt evaporites being formed in the evaporation ponds, require additional pumping volumes due to lower grades.

KEY RISKS

EVAPORATION POND DESIGN

The Company will need to confirm the construction methodology, evaporation rates, leakage rates and other potential performance parameters of the brine. There is a scale up risk that, in the construction and operation of the evaporation ponds, these performance parameters could vary to the current pond and pump testing findings and therefore may impact the basis of design and operation, and potentially the capital and operation costs, of the full size project. There is also a risk of structural failures or leakage.

COMMODITY PRICE VOLATILITY

If the Company achieves success leading to mineral production, the revenue the Company will derive through the sale of commodities exposes the Company to commodity price and exchange rate risk. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. Such factors include the supply and demand for commodities such as potash, forward selling activities, technological advancements and other macro-economic factors.

CURRENCY VOLATILITY

International prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken in account in Australian Dollars, consequently exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

DEPENDENCE ON KEY PERSONNEL

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the efforts of senior management and its key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The loss of key personnel could cause a significant disruption to the business and could adversely affect our operations.

NEW OPERATIONAL COMMODITY AND LACK OF EXPERIENCE

The Company recognises that as a potential leader in the Australian production of potash products there may initially be a lack of suitably trained operators for the overall project which has been explicitly designed for the extraction and treatment of brine to produce this group of products to market specifications.

Furthermore, this risk could manifest itself during the commissioning stage for the same reasons expressed above which could lead to increased capital costs and delays in achieving operational ramp up.

INCLEMENT WEATHER AND NATURAL DISASTERS

The Company's operational activities are subject to a variety of risks and hazards which are beyond its control, including hazardous weather conditions such as excessive rain, flooding and fires.

Severe storms and high rainfall leading to flooding and associated damage may result in disruption to the evaporation process in the ponds, scouring damage to trenches, roadways and pond walls. Flood waters within the pond areas will increase the total evaporation time and impact the production schedule.

Additionally, as some of the brine production is from surface trenches, these trenches may become flooded during severe weather. This may impact the quality and consistency of the brine and the ability to continue surface extraction by trenches within the lakes areas, until the flood waters subside. Any of the above occurrences will impact profitability.

TITLE RISK

The Company's granted tenements permit the Company to undertake exploration. Each tenement carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in a tenement if the conditions are not met or if there are insufficient funds available to meet expenditure commitments.

Exploration tenements are subject to periodic renewal. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Various conditions may also be imposed as a condition of renewal. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of the tenements comprising the Company's projects. The Company makes no assurance that the renewal applications will be granted or applications approved.

EXPLOITATION, EXPLORATION AND MINING LICENCES

The tenements that have been granted only permit the Company to undertake exploration on the tenements. In the event that the Company successfully delineates economic deposits on any of the tenements, it will need to apply for a mining lease to undertake development and mining on the tenement. There is no guarantee that the Company will be granted a mining lease if one is applied for.

Potential investors should understand that mineral exploration is a high-risk undertaking. There can be no assurance that exploration of the Beyondie Potash Project exploration tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

CHANGE IN REGULATIONS

Adverse changes in Federal or Western Australia government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in Western Australia may change resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation. Increased royalties or any other changes to the royalty regime could result in higher operating costs for the Company's operations and may have an adverse effect on the Company's business, results, financial condition and prospects.

ENVIRONMENTAL RISK

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects, the Company's activities including the Beyondie Potash Project are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the required standard of environmental obligation, including compliance with all environmental laws.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidents or other unforeseen circumstances, which could subject the Company to extensive liability.

INSURANCE

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be available or of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. In addition, there is a risk that an insurer defaults in the payment of a legitimate claim by the Company.

CONTRACTUAL DISPUTES

As with any contract, there is a risk that the business could be disrupted in situations where there is a disagreement or dispute in relation to a term of the contract. Should such a disagreement or dispute occur, this may have an adverse impact on the Company's operations and performance generally. It is not possible for the Company to predict or protect itself against all such risks.

THIRD PARTY RISK

The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and clients.

Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect the Company against all such risks.

COMPETITION

Although there is currently no Australian production of SOP, there are other mining exploration companies in Australia that are currently seeking to explore, develop and produce SOP. The Company will have no influence or control over the activities or actions of its competitors and other industry participants, whose activities or actions may positively or negatively affect the operating and financial performance of the Company's projects and business. Competitors may have significant additional experience and / or resources to explore, develop and product competing products, which may adversely affect the Company's financial position or prospects.

DIRECTORS' REPORT

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2018.

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
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

Brett Hazelden (B.Sc. MBA GAICD) is a Metallurgist who brings more than 20 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.

Brett Hazelden has studied, managed and executed projects from small scale works up to multibillion 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 14 years' experience in project and business management.

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

Brendan O'Hara
NON-EXECUTIVE DIRECTOR

Brendan O'Hara (BJuris, LLB) holds a Bachelor of Jurisprudence (Hons) and Bachelor of Laws. He is a former 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.

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**	**3**	**3**	**2**
Number of Meetings Attended:				
Malcolm Randall	9	3	3	2
Brett Hazelden	9	3	3	2
Rudolph van Niekerk	9	3	3	2
Brendan O'Hara	9	3	3	2

All Directors were eligible to attend all Board Meetings held.

SHARE OPTIONS

As at the date of this report the following unlisted options were on issue:

- 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)
- 330,882 unlisted options for ordinary shares at an exercise price of $0.425 each (expiring 29 September 2020)
- 843,936 unlisted options for ordinary shares at an exercise price of $0.525 each (expiring 19 January 2020)
- 1,000,000 unlisted options for ordinary shares at an exercise price of $0.525 (expiring 17 May 2021)

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			
			Listed		Unlisted	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Malcolm Randall	-	479,184	-	-	4,000,000	-
Brett Hazelden	-	13,669,066	-	-	-	-
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 2018. 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 2018.

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 2018.

Remuneration Report Approval at FY2018 AGM

The remuneration report for the year ended 30 June 2018 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:

	Year	Short-term benefits	Post-employment benefits	Share-based payments		
		Cash salary, fees and other benefits $	Super-annuation[1] $	Performance rights $	Equity-settled options $	Total $
Non-Executive Directors						
Malcolm Randall	**2018**	**75,000**	**5,700**	**-**	**-**	**80,700**
	2017	57,903	5,501	-	356,000	419,404
Brendan O'Hara	**2018**	**56,249**	**4,394**	**-**	**-**	**60,643**
	2017	42,178	4,007	-	178,000	224,185
Executive Directors						
Brett Hazelden	**2018**	**306,125**	**25,000**	**-**	**-**	**331,125**
	2017	265,390	25,212	252,000	-	542,602
Rudolph van Niekerk	**2018**	**275,000**	**23,750**	**-**	**-**	**298,750**
	2017	114,461	7,917	72,000	-	194,378
KMP						
Frederick Kotzee	**2018***	**132,196**	**12,001**	**-**	**-**	**144,197**
Chris Achurch	**2018****	**20,731**	**1,969**	**-**	**13,942**	**36,642**
Total	**2018**	**865,301**	**72,814**	**-**	**13,942**	**952,057**
Total	2017	479,932	42,637	324,000	534,000	1,380,569

(*) Chief Financial Officer - Appointed on 13 November 2017 resigned 17 May 2018.
(**) Chief Financial Officer - Appointed on 17 May 2018. On 17 May 2018 1,000,000 options with an 18 month vesting period and a total value of $173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

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

C. Share Based Payments

The following table sets out the details of unlisted share option movements during the year

	Balance at 30 June 2017	Grant Date	Exercise Price	Expiry Date	Granted as Remuneration	Fair Value per Option at Grant Date	Exercised	Expired	Balance at 30 June 2018
Non-Executive Directors									
Malcolm Randall	**4,000,000**	16-Dec-16	$0.25	16-Dec-19	-	$0.089	-	-	**4,000,000**
Brendan O'Hara	**2,000,000**	16-Dec-16	$0.25	16-Dec-19	-	$0.089	-	-	**2,000,000**
Executive Directors									
Brett Hazelden	-	-	-	-	-	-	-	-	-
Rudolph van Niekerk	-	-	-	-	-	-	-	-	-
KMP									
Chris Achurch (CFO)	-	17-May-18	$0.525	17-May-21	1,000,000	$0.173	-	-	1,000,000
Total	**6,000,000**				**1,000,000**				**7,000,000**

(*) On 17 May 2018 1,000,000 options with an 18 month vesting period and a total value of $173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

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 2018.

	Balance at 30 June 2017	Grant Date	Expiry Date	Granted as Remuneration	Fair Value of Performance Right at Grant Date	Exercised	Balance at 30 June 2018
Non-Executive Directors							
Malcolm Randall	-	-	-	-	-	-	-
Brendan O'Hara	-	-	-	-	-	-	-
Executive Directors							
Brett Hazelden	**4,200,000**	02-Sep-16	02-Sep-21	-	$0.15	-	**4,200,000**
Rudolph van Niekerk	**1,200,000**	02-Sep-16	02-Sep-21	-	$0.15	-	**1,200,000**
KMP							
Frederick Kotzee	-	-	-	-	-	-	-
Chris Achurch	-	-	-	-	-	-	-
Total	**5,400,000**	**-**	**-**	**-**	**-**	**-**	**5,400,000**

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. <u>Interest in Shares</u>

The following table sets out the details of ordinary share movements during the year ended: **30 June 2018.**

	Balance at 30 June 2017 (No. of Shares)	Additions	Disposals	Performance Rights/Options Exercised (No. of Shares)	Received Remuneration (No. of Shares)	Balance at 30 June 2018 (No. of Shares)
Malcolm Randall	**445,375**	33,809	-	-	-	**479,184**
Brendan O'Hara	**-**	-	-	-	-	**-**
Brett Hazelden	**13,609,543**	59,523	-	-	-	**13,669,066**
Rudolph van Niekerk	**3,315,600**	-	-	-	-	**3,315,600**
Total	**17,370,518**	**93,332**	**-**	**-**	**-**	**17,463,850**

The following table sets out the details of ordinary share movements during the year ended: **30 June 2017.**

	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 FY2018 period.

Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Revenue	4,261,759	2,519,040	849,748	849,765	-
EBITDA	**(10,696,683)**	(5,917,009)	(3,645,685)	(1,464,114)	-
EBIT	**(10,900,473)**	(5,952,926)	(3,647,069)	(1,464,114)	-
Loss after income tax	**(10,757,324)**	(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 ($)	**$0.54**	**$0.36**	**#**	**-**	**-**
Total dividends declared (cents per share)	**-**	**-**	**-**	**-**	**-**
Basic and diluted earnings per share (cents per share)	**(6.95)**	**(5.40)**	(4.30)	**-**	**-**

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 2018 was $10,757,324 (2017: $5,889,309 loss), primarily as a result of exploration, development of the Beyondie Project.

CORPORATE

The results of the Pre-Feasibility Study (PFS) with maiden Ore Reserve were released on 3 October 2017, confirming low cost, long life and high margin Beyondie Sulphate of Potash Project (BSOPP).

During November 2017, $14.6M Placement and Share Placement Plan complete, resulting in Kalium Lakes being fully funded through to completion of the Beyondie Bankable Feasibility Study.

KLL released its Annual Report to shareholders in October 2017 and then held its first Annual General Meeting on 10 November 2017.

On 9 January 2018, shareholder approval for the ratification of Prior Placement Shares, the issue of Further Placement Shares and issue of Advisor Options was received at a General Meeting held at the Company's office in Balcatta.

Later that month, the Company signed the second and final Native Title Agreement, covering the eastern tenements required for the development of the BSOPP, with the Mungarlu Ngurrarankatja Rirraunkaja (Aboriginal Corporation) RNTBC.

Early in June 2018, the Hon. Bill Johnston MLA, Minister of Mines and Petroleum, pursuant to the Mining Act 1978 (WA), granted two Mining Leases for the (BSOPP).

As announced on 18 June 2018, an Offtake Terms Sheet was executed with German fertiliser producer and distributor K+S for 100% of Stage 1 BSOPP production. The Offtake arrangement is subject to the execution of a formal binding offtake agreement and satisfaction of certain conditions precedent, including completion of due diligence by K+S.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs.

LIKELY DEVELOPMENTS AND EXPECTECTED 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 the joint venture agreement.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

DIVIDENDS

No dividends were paid during the financial year and no recommendation has been made as to payment of dividends.

EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

As per ASX announcement on the 27 July 2018 and subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Venture (CJV). As at that date, BC Potash hold a 30% interest in the CJV, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

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.

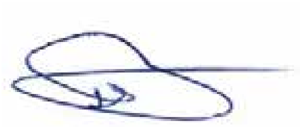
AUDITOR’S DECLARATION OF INDEPENDENCE

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

10 September 2018

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of Kalium Lakes Limited (the Company). The Board of Directors has established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council's Principles and Recommendations 3rd edition ("Principles and Recommendations").

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

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

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kalium Lakes Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, Western Australia
10 September 2018

D J WALL
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Revenue			
Other income	3	**4,261,759**	2,519,040
Expenditure			
Accounting fees		**(134,321)**	(145,722)
Compliance fees		**(73,173)**	(158,150)
Depreciation		**(203,790)**	(35,917)
Directors and executive remuneration	21	**(938,115)**	(522,569)
Employee expenses		**(1,402,405)**	(445,607)
Exploration expenditure		**(10,589,212)**	(4,591,452)
Legal fees		**(83,008)**	(60,749)
Share based payment expense	5	**(13,942)**	(1,867,500)
Travel expenses		**(702,561)**	(201,997)
Other expenses	4	**(878,556)**	(378,686)
Loss before tax		**(10,757,324)**	(5,889,309)
Income tax expense	6	**-**	-
Net loss for the year from operations		**(10,757,324)**	(5,889,309)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive loss for the year		**(10,757,324)**	(5,889,309)
Loss attributable to:			
Owners of the parent		**(10,757,324)**	(5,889,309)
		(10,757,324)	(5,889,309)
Total comprehensive loss attributable to:			
Owners of the parent		**(10,757,324)**	(5,889,309)
		(10,757,324)	(5,889,309)
Basic and diluted loss per share (cents)	8	**(6.95)**	(5.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**7,671,286**	6,141,791
Trade and other receivables	10	**4,230,158**	2,300,344
Total Current Assets		**11,901,444**	8,442,135
Non-Current Assets			
Property, plant and equipment	11	**1,865,404**	466,544
Total Non-Current Assets		**1,865,404**	466,544
Total Assets		**13,766,848**	8,908,679
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**3,751,621**	2,179,799
Provisions	13	**337,438**	53,421
Total Current Liabilities		**4,089,059**	2,233,220
Total Liabilities		**4,089,059**	2,233,220
Net Assets		**9,677,789**	6,675,459
EQUITY			
Contributed equity	14	**29,265,527**	15,667,451
Reserves	15	**2,170,078**	2,008,500
Accumulated losses	16	**(21,757,816)**	(11,000,492)
Total Equity		**9,677,789**	**6,675,459**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Contributed Equity $	Reserves $	Accumulated losses $	Total $
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**
Balance at 1 July 2017	**15,667,451**	**2,008,500**	**(11,000,492)**	**6,675,459**
Loss for the year	-	-	(10,757,324)	(10,757,324)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(10,757,324)	(10,757,324)
Transactions with owners in their capacity as owners:				
Shares issued during the year	14,600,654	-	-	14,600,654
Security issue expenses	(1,002,578)	-	-	(1,002,578)
Share based payments	-	161,578	-	161,578
Balance at 30 June 2018	**29,265,527**	**2,170,078**	**(21,757,816)**	**9,677,789**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Receipts from operations		**2,201,604**	1,371,737
Payments to suppliers and employees		**(4,170,410)**	(2,068,911)
Payment for exploration and evaluation assets		**(9,019,369)**	(2,768,160)
Net cash (used in) operating activities	18	**(10,988,175)**	(3,465,334)
Cash flows from investing activities			
Interest received		**130,341**	51,235
Payments for plant and equipment		**(1,358,383)**	(491,360)
Net cash (used in) investing activities		**(1,228,042)**	(440,125)
Cash flows from financing activities			
Proceeds from equity issues		**14,600,654**	10,603,000
Payment for costs of equity issues		**(854,942)**	(1,177,457)
Net cash provided by financing activities		**13,745,712**	9,425,543
Net increase in cash held		**1,529,495**	5,520,084
Cash and cash equivalents at beginning of the financial year		**6,141,791**	621,707
Cash and cash equivalents at year end	9	**7,671,286**	6,141,791

The accompanying notes form part of these financial statements.

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 became 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 2018 (the "Consolidated Entity"). The presentation currency of the Consolidated Entity is Australian Dollars ("$"). A description of the Consolidated Entity's operations is included in the review and results of operations in the Directors' report. The Directors' report is not part of the financial statements. The Company is a for-profit entity limited by shares and incorporated in Australia whose shares are traded under the ASX code "KLL".

2. *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 2018 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.*

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. 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 2018. 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.

- 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 will adopt this standard from 1 July 2019 and the impact of its adoption is being assessed by the consolidated entity.

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.

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.

Rehabilitation provision

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The Consolidated Entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Consolidated Entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations could affect the carrying amount of this provision.

	30 June 2018 $	30 June 2017 $
3. *Other income*		
Foreign exchange gain	**68,425**	-
Other income	**182,176**	37,745
Interest income	**143,149**	63,617
Research and development tax offset - International	**1,660,634**	655,577
Research and development tax offset - Domestic	**2,207,375**	1,762,101
	4,261,759	2,519,040

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*

Bank charges	**3,978**	1,635
Insurance	**33,826**	23,411
Subscriptions	**62,813**	21,607
Other consultants	**350,803**	-
Head office and administration	**427,136**	332,033
	878,556	378,686

	30 June 2018 $	30 June 2017 $
5. *Share based payment expense*		
Unlisted director, officers & advisor options **(i)**	**13,942**	667,500
Performance rights **(ii)**	**-**	1,200,000
	13,942	1,867,500

Year ended 30 June 2018: Entity issued the following Options:

- 29 September 2017: 330,882 Options issued to advisors with a fair value of $57,276.
- 9 January 2018: 843,936 Options issued to advisors with a fair value of $90,360.
- 17 May 2018: 1,000,000 Options issued to KMP (CFO) with a fair value of $173,488 and a vesting period of 18 months. Amount recognised as an expense during the financial year ended 30 June 2018 was $13,942. The total fair value will be recognised over the remaining vesting period.

Prior year ended 30 June 2017: Entity issued the following Options:

- 16 December 2016: 9,000,000 Options with a fair value of $808,500.

(i) Set out below are summaries of options granted and outstanding at 30 June 2018:

Options

	Grant Date	Expiry Date	Granted	Exercised	Expired	Balance at the end of the period
1 July 2016						**-**
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
30 June 2017			**9,000,000**			**9,000,000**
Advisors	29-09-17	29-09-20	330,882	-	-	330,882
Advisors	09-01-18	09-01-20	843,936	-	-	843,936
KMP	17-05-18	17-05-21	1,000,000	-	-	1,000,000
30 June 2018			**11,174,818**	**-**	**-**	**11,174,818**

5. *Share based payment expense (continued)*

Options issued 1 July 2017 to 30 June 2018:

	Advisors	Advisors	KMP
Stock Price	$0.420	$0.410	$0.460
Exercise Price	$0.425	$0.525	$0.525
Expiry Period	3 Years	2 Years	3 Years
Expected future volatility	60%	60%	60%
Risk free rate	2.12%	1.94%	2.24%
Dividend yield	0%	0%	0%
Amount of Options	330,882	843,936	1,000,000
Fair value of Options	$57,276*	$90,360*	$173,488

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

Options issued 1 July 2016 to 30 June 2017:

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) Prior year ended 30 June 2017: Performance Rights granted

A total of 20,000,000 Performance Rights were granted to the founding shareholders of KLP during the year ended 30 June 2017. 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%

	Performance rights granted to directors	*Performance rights granted to a consultant*
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:

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 conditional upon a market condition. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. Where shares are issued at a discount to fair value either by reference to the current market price or by virtue of the Consolidated Entity providing financing for the share purchase on favourable terms, the value of the discount is considered a share based payment. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

	30 June 2018 $	**30 June 2017 $**

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:

Loss before Income tax	**(10,757,324)**	(5,889,309)
Prima facie benefit on operating loss at 27.5% (2017: 27.5%)	**2,958,264**	1,619,560
Non allowable expenditure	**(1,257,604)**	(1,089,851)
Unrecognised deferred tax assets attributable to tax losses	**(1,700,660)**	(529,709)
Income tax expenses	**-**	-
Tax losses available	**8,110,433**	1,926,213

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately $2,230,369 (2017: $529,709) 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;

6. ***Income tax expense (continued)***

• the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
• no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the loss incurred.

Accounting policy:

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

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

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

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

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

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

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

	30 June 2018 $	30 June 2017 $
7. *Auditor's remuneration*		
Audit and review of the financial report	**38,000**	42,450
Research and development tax	**29,464**	18,796
Taxation and technical advice services	**61,067**	45,296
	128,531	106,542

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)	**(6.95)**	(5.40)
Diluted loss per share (cents per share)	**(6.95)**	(5.40)
Net loss attributable to ordinary shareholders ($)	**(10,757,324)**	(5,889,309)
		Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	**154,695,310**	109,115,547
Weighted average number of ordinary shares used in the calculation of diluted loss per share	**154,695,310**	109,115,547

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 dividend 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 2018 $	30 June 2017 $
9. *Cash and cash equivalents*		
Cash at bank	**4,157,744***	1,592,744
Cash on deposit	**3,513,542**	4,549,047
	7,671,286	6,141,791

(*) Includes EURO 671,450 (AUD $1,061,632).

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 2018 $	30 June 2017 $
10. *Trade and other receivables*		
Current		
GST refundable	**306,434**	386,683
Prepayments	**16,382**	19,878
Research and development tax offset	**3,868,009**	1,881,400
Accrued interest	**25,671**	12,383
Fuel rebate	**13,662**	-
	4,230,158	2,300,344

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.

11. *Property, plant and equipment*

	Exploration Equipment $	Office Equipment $	Motor Vehicles $	Leasehold Improve-ments	Rehab-ilitation asset	Total $
Carrying value 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 30 June 2017	350,798	14,140	101,606	-	-	466,544
Additions	1,300,726	7,037	43,677	6,832	244,378	1,602,650
Depreciation	(169,298)	(6,856)	(27,636)	-	-	(203,790)
Carrying value 30 June 2018	**1,482,226**	**14,321**	**117,647**	**6,832**	**244,378**	**1,865,404**

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%
Leasehold Improvements:	50%
Rehabilitation asset:	*

(*) Rehabilitation asset and the corresponding provision (Note 13), is undiscounted and has not been depreciated. Depreciation and corresponding finance charges incurred in the unwinding of the provision will be recognised from the commencement of production.

Subsequent expenditure relating to an item of property, plant and equipment, that has already been recognised, is added to the carrying amount of the asset if the recognition criteria are met. All assets are depreciated over their anticipated useful lives (or period of the lease term if the shorter there-of), 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.

11. *Property, plant and equipment (continued)*

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 2018 $	30 June 2017 $
12. *Trade and other payables*		
Current		
Accounts payable	**3,285,903**	2,061,056
Other payables	**117,683**	88,643
Accrued expenses	**348,035**	30,100
	3,751,621	2,179,799

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	**93,060**	53,421
Rehabilitation	**244,378**	-
	337,438	53,421

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.

13. *Provisions (continued)*

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.

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.

14. *Contributed equity*

	30 June 2017/2018 No.	$
Balance at 1 July 2016	**126,631,507**	**6,353,421**
Reconstruction of KLP capital**	(35,823,432)	-
Share issue: 04-Aug-16	686,665	103,200
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)
Balance at 30 June 2017	**135,030,035**	**15,667,451**
Share Issue: 29-Nov-17	29,471,793	12,378,154
Share Issue: 01-Dec-17	476,191	200,000
Share Issue: 19-Dec-17	1,005,922	422,500
Share Issue: 22-Jan-18	3,809,524	1,600,000
Share Issue Costs		(1,002,578)
Balance at 30 June 2018	**169,793,465**	**29,265,527**

** 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.

14. *Contributed equity (continued)*

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.

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 2018 $	30 June 2017 $
15. *Reserves*		
Options reserve **(i)**	**970,078**	808,500
Performance rights reserve **(ii)**	**1,200,000**	1,200,000
	2,170,078	2,008,500

Movements in reserves

(i) Options reserve	**No of Options**	**Value $**
Balance at 1 July 2016	-	-
New options issued and vested		
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
New options issued and vested		
Unlisted advisor options – security issue expenses	**330,882**	**57,276**

15. *Reserves (continued)*

Unlisted advisor options – security issue expenses	**843,936**	**90,360**
New options issued and vesting over 18 months		
Unlisted KMP options	**1,000,000**	**13,942***
Balance at 30 June 2018	**11,174,818**	**970,078**

(*) On 17 May 2018, 1,000,000 options with an 18 month vesting period and a total value of $173,488 were issued to the incoming Chief Financial Officer. The amount recognised is a representation of the vesting period elapsed as at the reporting date.

(ii) Performance rights

Balance at 1 July 2016	-
Performance rights issued	1,200,000
Balance at 30 June 2017	1,200,000
Performance rights issued	**-**
Balance at 30 June 2018	**1,200,000**

	30 June 2018 $	30 June 2017 $
16. *Accumulated losses*		
Balance at beginning of year	**(11,000,492)**	(5,111,183)
Loss after tax attributable to the equity holders of the parent entity during the year	**(10,757,324)**	(5,889,309)
Balance at end of year	**(21,757,816)**	(11,000,492)

17. *Operating segments*

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

The Consolidated Entity operates as a single segment being the exploration for minerals in Australia.

The Consolidated Entity is domiciled in Australia. All revenue from external parties is generated from Australia only and all assets are located in Australia only.

18. *Reconciliation of cashflows from operating activities*

	30 June 2018 $	30 June 2017 $
Loss before tax	**(10,757,324)**	(5,889,309)
Depreciation	**203,790**	35,917
Share based payment expense	**13,942**	1,867,500
Interest income	**(130,341)**	(51,235)
Movement in trade & other receivables	**(1,929,813)**	(1,421,182)
Movement in trade & other payables	**1,611,571**	1,992,975
Net cash used in operating activities	**(10,988,175)**	(3,465,334)

19. *Parent company information*

Current assets	**3,738,924**	8,907,876*
Total assets	**9,964,064**	8,908,333*
Current liabilities	**296,275**	106,619*
Total liabilities	**296,275**	106,619*
Net Assets	**9,677,789**	8,801,714*
Loss of the parent entity	**(876,075)**	(2,885,158)*
Total comprehensive loss of the parent entity	**(876,075)**	(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 has no commitments and contingencies.

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

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

20. *Events after the end of the reporting period*

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

As per ASX announcement on the 27 July 2018 and subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Venture (CJV). As at that date, BC Potash hold a 30% interest in the CJV, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

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

	30 June 2018 $	**30 June 2017 $**
Short term employee benefits	**865,301**	479,932
Post-employment benefits	**72,814**	42,637
Directors' and KMP remuneration	**938,115**	522,569
Equity based payments	**13,942**	858,000
	952,057	1,380,569

Transactions with Related Parties
Purchase of exploration equipment from Inceptioneer Pty Ltd totalled $45,100 during the period. Mr Brett Hazelden (executive director) is a director of Inceptioneer 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.

Loans to/from Related Parties
There were no loans payable to or receivable from related parties at the current and previous reporting date.

22. *Controlled Entities*

Subsidiary	Country of Incorporation	% of Equity Interest 30 June 2018	30 June 2017
Kalium Lakes Potash Pty Ltd *	Australia	**100%**	**100%**

* 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 2018 and 30 June 2017 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.

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 $
As at 30 June 2018				
Trade and other payables	3,449,461	302,160	-	3,751,621
Total liabilities	**3,449,461**	**302,160**	**-**	**3,751,621**
As at 30 June 2017				
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**

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 movements through the term deposits at a fixed rate of between 1.75% and 2.42% per annum, dependant on days invested. The following table sets out the variable interest bearing and fixed interest bearing financial instruments of the Consolidated Entity:

	Variable interest $	Fixed interest $
2018		
Financial assets		
Cash and cash equivalents	4,157,744	3,513,542
Total	**4,157,744**	**3,513,542**
2017		
Financial assets		
Cash and cash equivalents	1,592,744	4,549,047
Total	**1,592,744**	**4,549,047**

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 2018 $	30 June 2017 $
Interest rates + 1%	**41,577**	15,927
Interest rates – 1%	**(41,577)**	(15,927)

d) *Foreign currency risk*
The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity periodically transfers amounts held in its functional currency, into foreign currency, based on committed expenditures payable, in order to effectively mitigate against fluctuations in foreign exchange rates.

The Group has cash and cash equivalents and trade and other payables denominated in EUR of AUD$1,061,632 and AUD$1,896,923 respectively (2017: AUD$Nil and AUD$148,284). At 30 June 2018, if EUR/AUD rates had changed by 10% with all other variables held constant, the consolidated entity's loss before tax for the year would have been AUD$83,529 lower/higher (30 June 2017: AUD$14,828 lower/higher).

A sensitivity of 10% (10%: 2017) has been selected as this is considered reasonable given the current level of volatility in the EUR/AUD rate.

Accounting policy:

Financial assets
Initial recognition and measurement
Financial assets are categorised as financial assets at fair value through profit or 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 or loss immediately.

23. *Financial risk management (continued)*

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.

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.

23. *Financial risk management (continued)*

Subsequent measurement

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

i. At fair value through profit or 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.

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 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 liabiltiies*

The Consolidated Entity has no contingent liabilities as at 30 June 2018.

25. *Commitments*

Kalium Lakes Limited had $2,490,163 worth of rental, rates and expenditure commitments relating to its tenements as at 30 June 2018 and other commitments of $380,000 relating to Engineering work for the Consolidated Entity's Bankable Feasibility Study.

26. *Interests in joint operations*

On 1 March 2017 The Consolidated Entity and BC Potash Pty Ltd announced that the companies had entered into a joint operation over Kalium's 100% owned Carnegie Project.

The Carnegie Joint Operation (CJO) is focussed on the exploration and development of the Carnegie Potash Project (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna. The CJO comprises one granted exploration licence and five exploration licence applications, covering a total area of approximately 3,081 square kilometres.

As announced to the market, the Scoping Study, Maiden Resource and Exploration Target confirmed that the CPP has potential to be a technically and economically viable project, with an Inferred Resource of 0.88 Mt SOP @ 3,466 mg/l K (equivalent to 7,724 mg/l SOP) based only on the top 1.7 metres of the 27,874 hectare surficial aquifer on granted tenement E38/2995 plus an Exploration Target for material below the top 1.7 metres.

Under the terms of the agreement BC Potash Pty Ltd can earn up to a 50% interest in the CJO by predominantly sole-funding exploration and development expenditure across several stages.

Kalium Lakes Potash Pty Ltd is the manager of the CJO and will leverage its existing Intellectual Property to fast track work. The JO Companies have endorsed proceeding to a staged Pre-Feasibility Study, with an initial focus on securing tenure and access to all required tenements.

The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. 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 2018**	**30 June 2017**
Carnegie Joint Operation	Australia	**85%***	**85%***

* Kalium Lakes Pty Ltd ownership interest

As per Note 20, subsequent to the reporting date, BC Potash Pty Ltd earned an additional 15% interest into the Carnegie Joint Operation (CJO). As a result, BC Potash Pty Ltd post year end hold a 30% interest in the CJO, with Kalium Lakes Potash Pty Ltd holding the remaining 70%.

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 2018 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

The Managing Director 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

10 September 2018

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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 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 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.

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
Exploration and evaluation expenditure	
As reported in the consolidated statement of profit or loss and other comprehensive income, the Group expensed total exploration and evaluation expenditure of $10,589,212. This expenditure has been expensed as incurred in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's accounting policy. Exploration and evaluation expenditure was considered to be a key audit matter as it is material and constituted 71% of the Group's total expenses for the year. The Group must also correctly classify the expenditure in accordance with AASB 6. In addition, the results of exploration and evaluation work determines to what extent the mineral reserves and resources may or may not be commercially viable for extraction.	Our audit procedures in relation to exploration and evaluation expenditure included: • Understanding how the expenditure is incurred and agreeing a sample of the expenditure to supporting documentation to ensure the expenditure has been properly authorised, recorded in the correct period and appropriately classified in accordance with AASB 6 and the Group's accounting policy; • Obtaining evidence that the Group has valid rights to explore in each specific area for which the expenditure is recorded; • Considering the Group's assessment of the commercial viability of results relating to exploration and evaluation activities carried out in each specific area; and • Assessing the appropriateness of the Group'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 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

D J WALL
Partner
RSM AUSTRALIA PARTNERS

Perth, Western Australia
11 September 2018

As at 30 June 2018

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	112,023,618	57,769,847	169,793,465
$0.25 unlisted options expiring 16-Dec-19	-	9,000,000	9,000,000
$0.425 unlisted options expiring 29-Sep-20	-	330,882	330,882
$0.525 unlisted options expiring 19-Jan-20		843,936	843,936
$0.525 unlisted options expiring 17-May-21		1,000,000	1,000,000
Performance rights	-	20,000,000	20,000,000
Total	**112,023,618**	**88,944,665**	**200,968,283**

Distribution of Listed Ordinary Fully Paid Shares

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	91	5,638	-%
1,001	-	5,000	149	413,359	-%
5,001	-	10,000	172	1,567,993	1%
10,001	-	100,000	446	16,354,313	10%
100,001	-	and over	134	151,452,162	89%
Total			**992**	**169,793,465**	**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	24%
2.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	15,865,283	9%
3.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	6,629,414	4%
4.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	6,232,493	4%
5.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	5,854,797	3%
6.	THOMAS ELLIS + SALLY ELLIS <COOLA STATION S/F 1982 A/C>	5,000,000	3%
7.	UBS NOMINEES PTY LTD	4,374,001	3%
8.	CITICORP NOMINEES PTY LIMITED	3,774,928	2%
9.	COOLA STATION PTY LTD <THE COOLA A/C>	3,315,600	2%
10.	PARKRANGE NOMINEES PTY LTD	2,933,553	2%
11.	MR DALE JAMES CHAMPION + MRS ANITA MARIA CHAMPION <CHAMPION INVESTMENT A/C>	2,837,325	2%
12.	P GOYDER SUPERANNUATION PTY LTD <P GOYDER SUPER FUND A/C>	2,715,854	2%
13.	MR STACEY RADFORD	2,247,966	1%
14.	NOWHERETOGO PTY LTD <THE R&J INVESTMENT S/F A/C>	2,157,800	1%
15.	MR DANIEL GEORGE CLARK + MISS JOHANNE GILLINGHAM <CLARGILLY SUPERFUND A/C>	2,150,443	1%
16.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	2,014,068	1%
17.	BLUEBAY ASSET PTY LTD <E GOYDER SUPERANNUATION A/C>	1,881,500	1%
18.	NATIONAL NOMINEES LIMITED	1,878,720	1%
19.	MR EDWARD EARL MARSHALL	1,385,854	1%
20.	PATINA RESOURCES PTY LTD	1,352,600	1%
Total		**114,941,999**	**68%**

NOTES

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