ANNUAL REPORT 2018/19

Kalium Lakes Limited
ABN 98 613 656 643

CORPORATE DIRECTORY

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

DIRECTORS

Malcolm Randall	Chairman
Brett Hazelden	Managing Director
Stephen Dennis	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

CONTENTS


KALIUM LAKES SOP MINE
BEYONDIE 78

CHAIRMAN'S ADDRESS

Dear Shareholder,

As the Chairman of Kalium Lakes Limited (KLL) and on behalf of the Board and Management, I am pleased to present the Company's 2019 Annual Report.

This report details the activities of the second full financial year since the Company listed on the Australian Securities Exchange in December 2016.

It is without the slightest hesitation that I am delighted to point out that by any measure, to take a company that was founded in 2014 to the point where it is today poised to become Australia's first Sulphate of Potash producer, is a tribute to the determination, drive and dedication of everyone involved.

In early October 2019 your Directors approved a Final Investment Decision for the Beyondie SOP Project which, less than three years after our IPO listing in December 2016 and given the considerable number of challenges, is an absolutely outstanding achievement.

Following a comprehensive Bankable Feasibility Study and Front End Engineering and Design program which clearly defined the evaporation and processing operation, our aim is to initially produce 90,000 tonnes of SOP per annum, before ramping up to the 180,000 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. Following on from my comments in previous years we have continued to do what we said we would do.

Some of the most significant milestones were:

- Bankable Feasibility Study and FEED Completed
- Offtake Agreement with K+S for 100% of Phase 1 SOP Production
- A$102 Million KfW IPEX-Bank Credit Approval
- A$74 Million Loan Package From NAIF
- Greenstone Resources A$20.8 million Cornerstone Investment
- A$72 Million Capital Raise
- Mining Proposal Approved and Mining Tenure Granted
- EPBC Environmental Approval
- State Environment Minister Approval Project Implementation
- Australian Federal Government Grants Major Project Status
- Final Investment Decision
- 10 Mile Lake West – New Tenement

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.

Kalium Lakes has consolidated its preparations to become a genuine international "agri-resource" company.

The predictions of demand for premium fertiliser are still showing an increase as the world population grows and the many developing nations drive consumption of various meat and food crops, so the forecasts for SOP sales remain positive.

The ability to provide 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.

The efforts of your Directors and the management team have not wavered as we strive to realise investment returns to Kalium Lakes' shareholders and stakeholders. Remarkably, there have been more significant achievements in the past 12 months than were recorded in the previous financial period, which epitomises the laser focussed determination and practical, hands-on involvement of the small and dedicated team.

My congratulations and sincere thanks go to the Kalium Lakes' team, led by Managing Director, Brett Hazelden, and Executive Director, Rudolph van Niekerk, for building on the major achievements of the previous year and successfully completing each significant new milestone.

Finally, on behalf of the Board, I take this opportunity to express our appreciation to our increasing number of dedicated shareholders who continue to invest in the exciting and future potential of our company.

Yours faithfully

Malcolm Randall
Non-Executive Chairman

MANAGING DIRECTOR'S OVERVIEW

The 2019 financial year was again a very busy year dominated by a series of milestone events, with each approval and commitment taking our business closer to a point culminating in the recently announced Final Investment Decision for the Beyondie Sulphate Of Potash Project (BSOPP).

Listed on the Australian Securities Exchange in December 2016 (the Company had started operations as Kalium Lakes Potash Pty Ltd in October 2014), KLL has developed a robust and flexible model which continues to develop as the business grows.

The Company's corporate and project activities are now focused on ensuring that KLL delivers first product late in the 2020 calendar year.

The development of this world class, long life, high margin and low cost SOP project will see Kalium Lakes become one of only a handful of primary SOP producers globally.

In summarising the activities undertaken during this financial year, the following overview provides only an small snapshot of the considerable amount of resources, both human and financial, that have contributed to setting the foundation of an Australian industry that is set to participate on the global stage.

July 2018 to June 2019 (including subsequent events)

IN PRINCIPLE SUPPORT FROM GERMAN GOVERNMENT EXPORT CREDIT GUARANTEE SCHEME

In July 2018, the Company announced that following a meeting with Euler Hermes Aktiengesellchaft (Hermes) in Germany and its preliminary evaluation of the Project, Hermes had issued a Letter of Interest (LOI) confirming in principle support under the export credit guarantee scheme of the Federal Republic of Germany (ECA cover).

Hermes is the appointed export credit agency that administers the ECA scheme for the German Government. ECA cover from Hermes is an instrument for the promotion of German exports. It provides a cover to bank lenders to insure against the risk of an export loan.

Interest rates charged by lenders on debt guaranteed by ECA cover are typically lower than commercial rates, as repayment of the debt is insured, with longer tenor also a feature of ECA supported debt, in accordance with OECD guidelines. The LOI represented the first milestone in the Company's engagement with Hermes.

GERMAN GOVERNMENT PROGRESSES CREDIT GUARANTEE SCHEME

One week later, on 23 July 2018, Kalium Lakes advised the market that its export credit project finance application with Hermes, had received a positive preliminary assessment decision by the German Government Inter-Ministerial Committee (IMC) and Hermes.

The Inter-Ministerial Committee comprises representatives of the German Federal Ministry of Economics and Technology, the Federal Ministry of Finance, the German Foreign Office and the Federal Ministry for Economic Cooperation and Development. It is the decision making body of the Federal Republic of Germany for Hermes ECA cover.

At the time, shareholders were asked to note that the IMC decision did not, of itself, constitute a commitment to provide the Hermes ECA cover and there was no certainty of an agreement being reached between the parties.

MINING PROPOSAL APPROVED AND MINING TENURE GRANTED

On 31 August 2018, the Company announced that the Mining Proposal and Mine Closure Plan had been assessed and approved by the Department of Mines, Industry Regulation and Safety (DMIRS) and determined to provide the information required in the guidelines approved under section 70O of the Mining Act 1978 (the Act). The Mining Proposal related to the Minor and Preliminary Works for the BSOPP.

Earlier in that year, on 28 May 2018, KLL had announced that it had received a notice of decision to Consent to Minor and Preliminary Works under the Environmental Protection Act 1986 (WA) from the Environmental Protection Authority of Western Australia (EPA).

The approvals allowed for the construction, operation and maintenance of:

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

Kalium Lakes also advised that in addition to the recently granted Mining Leases for the BSOPP, all of the key Miscellaneous Licence Applications for the Project had now been granted.

Those Miscellaneous Licences allowed 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.

SIGNIFICANT RESOURCE UPGRADE

In the first week of September 2018, the Company announced that the analysis of additional data compiled from its industry leading hydrogeological data collection program has delivered a 150% increase in the BSOPP's Measured and Indicated Resources.

The analysis delivered a Measured Resource of 1.72 Mt @ 11,488 mg/l SOP; an Indicated Resource of 9.17 Mt @ 12,459 mg/l SOP and an Inferred Resource of 7.79 Mt @ 12,663 mg/l SOP.

FINANCIAL SUPPORT DISCUSSIONS - AUSTRALIAN GOVERNMENT'S NORTHERN AUSTRALIA INFRASTRUCTURE FACILITY

A significant announcement was released on 13 September 2018, advising that the Australian Government's Northern Australia Infrastructure Facility (NAIF) had indicated it was going to investigate the potential for it to provide debt finance for the Beyondie SOP Project and associated infrastructure of benefit to nearby pastoral stations, resource companies and indigenous communities.

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.

After several positive discussions KLL had received written confirmation that the NAIF Board has considered a Strategic Assessment Paper for the Beyondie SOP Project and had consented to the NAIF Executive continuing its investigation of the Project.

That announcement represented the first milestone in KLL's engagement with NAIF. The next step for KLL was the submission of a formal Investment Proposal. KLL continued to assist NAIF with its required due diligence investigations regarding participation in the debt facilities to fund the project capital expenditure necessary to develop the Beyondie SOP Project

MANAGING DIRECTOR'S OVERVIEW

Bankable Feasibility Study Completed

The completion of the Bankable Feasibility Study (BFS) was announced on 18 September 2018. This was the first BFS for any Australian deposit and one which confirmed the Project is technically and financially robust, with first production anticipated in 2020.

After taking into consideration operational, SOP market and financing risk management perspectives, the Company confirmed its strategy to pursue a phased ramp-up development scenario involving commencing with the commercial demonstration scale (82ktpa) SOP operation, then ramping up to a full scale (164ktpa) SOP production facility for domestic and international sale.

Kalium Lakes considered that the implementation of the Project in two phases minimised initial upfront capital costs, managed risk, reduced shareholder dilution and allowed entry to the market in a sustainable, non-disruptive manner. An initial mine life of between 30-50 years was anticipated for a project designed to be a low cost, long life and high margin producer.

Other key points from the BFS included:

- 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
- Improved Financial Outcomes for the Base Case:
  - Pre-tax NPV8 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
- Bankable Staged Development Cost Base:
  - Estimated LOM Operating Cash Cost of A$231/t SOP FOB Fremantle Port. This would place the Beyondie SOP Project among 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 was required to ramp up production to 164ktpa SOP.
  - Pricing had 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.

The BFS aimed 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.

Following the completion of the BFS the Kalium Lakes' Board endorsed the commencement of early works and Front-End Engineering and Design (FEED) prior to a Final Investment Decision (FID).

Research and Development – Tax Offset

On 22 October 2018, Kalium Lakes announced that the company's 2017/18 Research and Development (R&D) Tax Incentive claim had been completed. Under the self-assessment program, KLL had registered eligible Australian R&D activities for the BSOPP.

KLL is also eligible to claim R&D tax offsets for overseas R&D expenditure, on R&D activities described in the approved Overseas Findings application, from the beginning of the 2015/16 income year until the completion of the approved overseas activities.

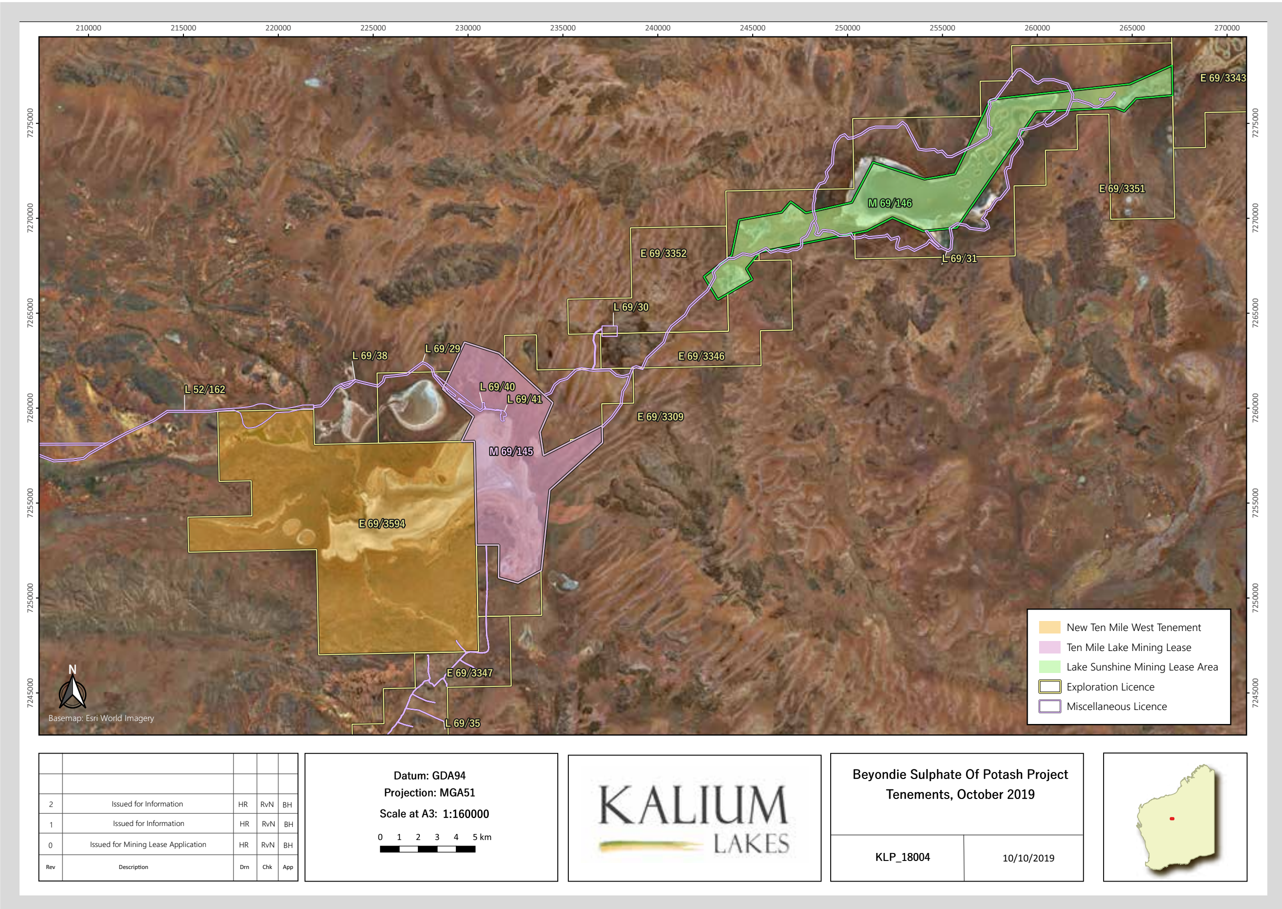
KLL received a total of A$3,863,050 in R&D tax offsets for the 2017/18 income year for both Australian and approved overseas R&D activities in relation to the BSOPP.

10 Mile Lake West – New Tenement

KLL advised on 29 October 2018, that it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenement E69/3247 and had lodged a new tenement application in respect of the land acquired, being the application for 10 Mile Lake West (E69/3594).

The new tenement is contiguous with the already sampled area of 10 Mile Lake that currently has a Resource and Reserve statement, as well as a granted Mining Lease.

The consideration paid to AIC for the new area was 5 million fully paid ordinary shares and 5 million options to acquire shares in KLL. The Shares and Options issued to AIC are subject to a 12 month escrow period from the date of issue. The Options have an exercise price of A$0.50 each and will expire on 30 June 2025.



MANAGING DIRECTOR'S OVERVIEW

K+S Completes Offtake Due Diligence

Early in November 2018, KLL advised, that it has received written confirmation from K+S that it had satisfactorily completed its technical Due Diligence (DD) review on the BSOPP. The offtake arrangement for the entire Phase 1 SOP production from the 100% owned Project remained subject to the parties agreeing and entering into a formal binding offtake agreement and the completion of DD had satisfied the condition precedent required for the execution of the Binding Offtake Agreement.

The DD review, undertaken during the previous five months, was conducted by K+S working in close co-operation with the Kalium Lakes' team. It involved a site visit to the BSOPP site, technical reviews with K-UTEC, DRA Global, Advisian and others in Germany and Australia. The assessment also included a detailed review of the Bankable Feasibility Study, with emphasis on the geology, brine analysis, processing, quality and cost components of the Project.

Beyondie Gas Pipeline Licence Approval

On 13 November 2018 KLL announced it had received confirmation that DMIRS, under delegation from the Minister for Mines and Petroleum (under section 10(1) of the Petroleum Pipelines Act 1969), had granted licence PL117 to construct and operate a pipeline for the conveyance of petroleum and for associated purposes along the authorised route to the Beyondie SOP Project.

The formal grant of a licence allowed KLL, as part of the BSOPP Front End Engineering and Design (FEED) process, to continue its assessment of the option of constructing the pipeline for Stage 1 in place of trucked gas bullets.

Construction of the 78 km lateral gas pipeline, to connect to the Goldfields Gas Pipeline at a cost of A$29 million, would result in a reduction in operating costs.

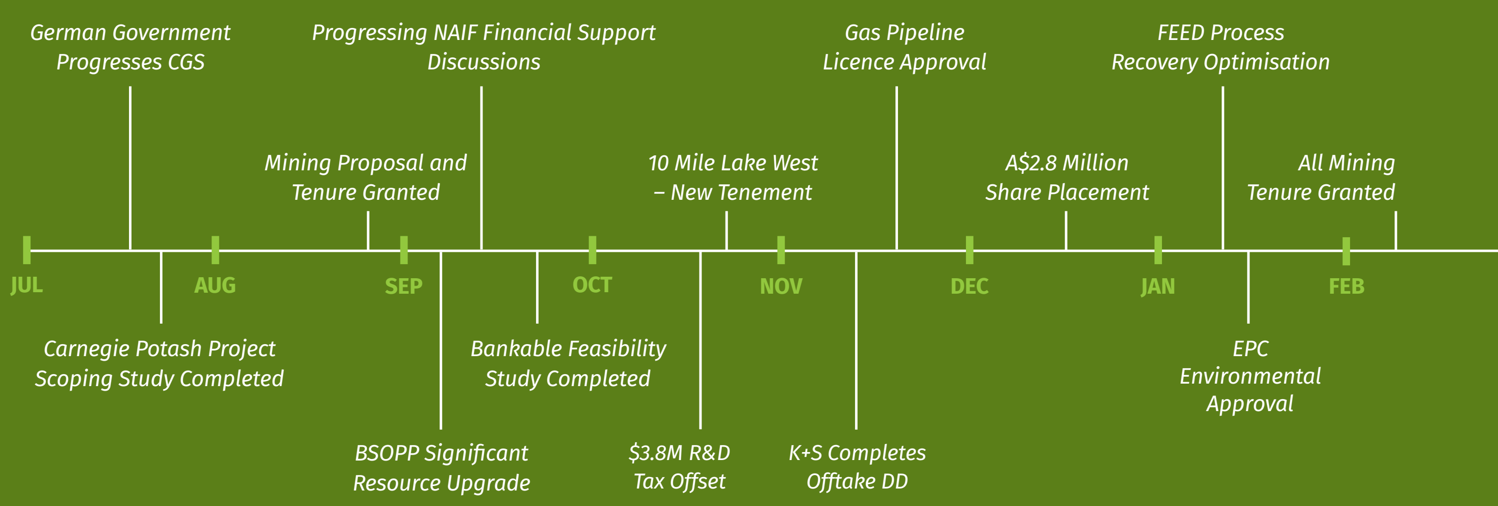
At that time the gas pipeline formed part of the formal Investment Proposal being prepared for submission to NAIF.

Early Works and FEED

Early Works had been underway since the third quarter of the 2018 calendar year with the major focus being the upgrade of the access road and communications towers to enable a smooth transition into construction. KLL had also purchased 60 ensuited accommodation rooms, a kitchen that can support in excess of 120 people, administration area, gymnasium, laundries and wet mess facilities.

During the December 2018 quarter Front End Engineering and Design advanced substantially, with works focused on plant optimisation, finalising equipment selection, process plant recovery improvements and debottlenecking of constraints across the process flowsheet. KLL continued to utilise K-UTEC as the principal process engineer and worked with it to finalise process plant guarantees.

2018 / 2019 ASX Significant Announcement Timeline



Environmental Protection Authority of Western Australia Approvals

Senior representatives from the Environmental Protection Authority of Western Australia (EPA) conducted a site visit to the Beyondie Project in late November 2018. The EPA had previously advised, in November 2017, that the level of assessment was an "Environmental Review – no public review, with a proponent prepared Environmental Scoping Document (ESD)". KLL submitted the final ESD and awaited completion of the EPA assessment process and recommendations from the Minister for Environment.

Completion of A$2.8 Million Share Placement

The successful completion of a bookbuild was announced by Kalium Lakes in mid-December 2018. This placement of 9,053,083 new fully paid ordinary shares in the Company, at an issue price of A$0.31 per share to both new and existing, domestic and overseas institutional, sophisticated and professional investors raised A$2,806,456.

Proceeds from the Placement were used to continue to fund early capital works, Front End Engineering & Design, to progress project financing, general overheads and working capital, to advance the BSOPP.

FEED Process Recovery Optimisation

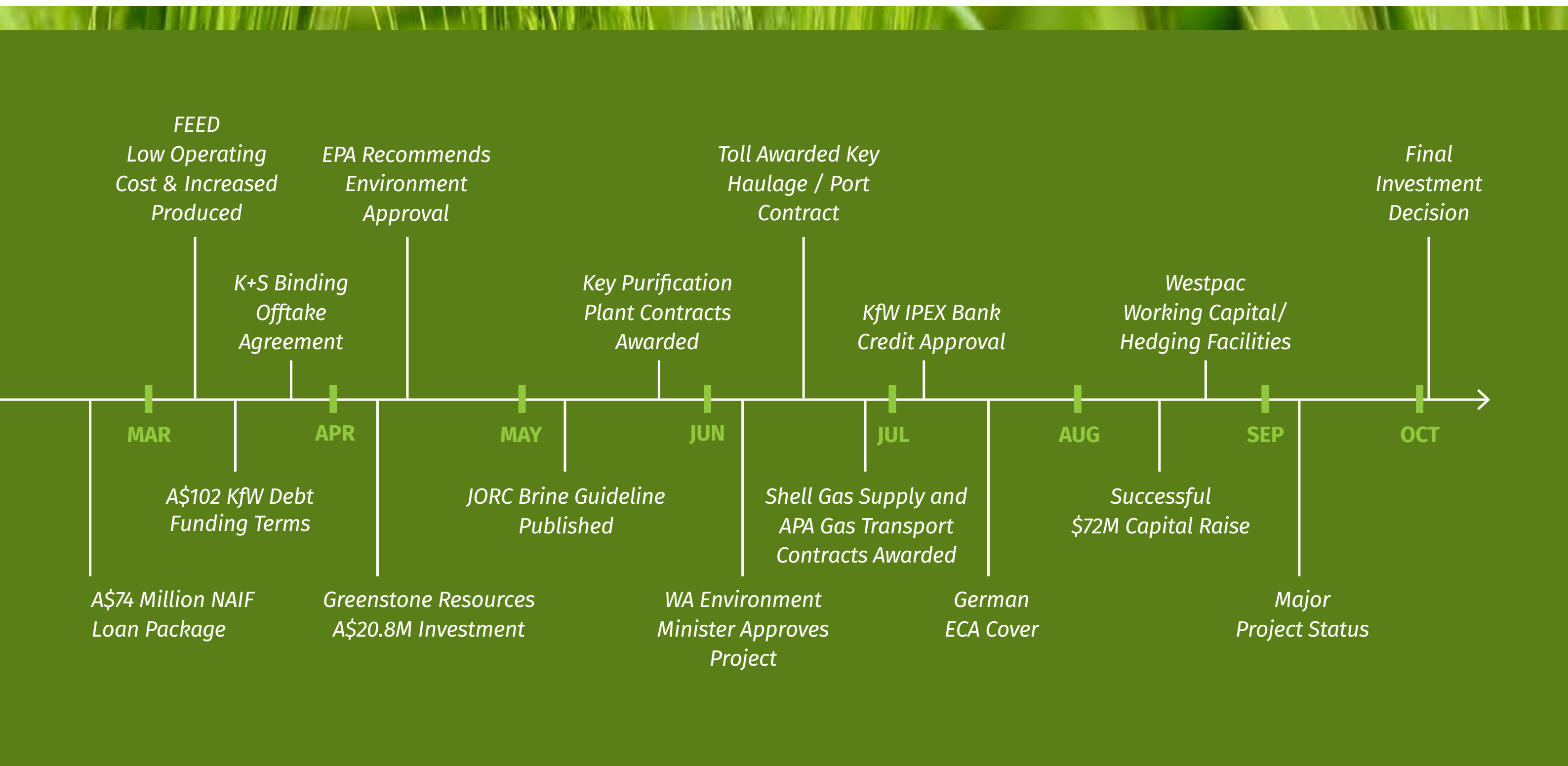
During January 2019, Kalium Lakes provided an update in relation to process optimisation for the Purification Plant and Evaporation Ponds. The optimisation work was identified as part of the BFS outcomes, including the required works to be completed during the Front End Engineering and Design program for the BSOPP.

The FEED optimisation works were completed by K-UTEC, in conjunction with a number of equipment suppliers in Germany, which continued to build on the previous work completed in the BFS. Additional testwork had been performed in order to de-bottleneck the process plant and increase recovery primarily from the flotation tails stream. The work was identified during the BFS but the recovery improvement was not incorporated into the BFS until it could be independently reviewed and confirmed to be of bankable standard.

As a result of the optimisation works, overall potassium recoveries (Brine to SOP product) increased from 72% in the BFS up to 91% during the FEED, including evaporation pond losses associated with entrained brine in harvested waste salts.

SOP product quality remained the same, at a premium 51-52% K2O product, with negligible chloride and minimal insoluble material.

The recovery improvement and debottlenecking resulted in a minor modification to the purification plant and also the evaporation pond layout as well as increasing the potential to improve production rates with little change to the cost of the process plant. This was compiled as part of the FEED works and the associated report which was issued later in the quarter.



MANAGING DIRECTOR'S OVERVIEW

Improved recoveries also meant that less brine is required from the borefields and trenches, potentially reducing the size of the evaporation ponds, requiring less brine extraction and pumping infrastructure.

EPBC Environmental Approval

On 23 January the Company received approval in accordance with Part 9 of the EPBC Act from the Commonwealth Department of the Environment and Energy (DotEE), for the BSOPP.

The official documentation stated that the approval is for: "The abstraction of potassium-rich brine associated with Sunshine and Ten Mile Lakes, approximately 160 km south-east of Newman, in the eastern Pilbara region of WA and production of Sulphate Of Potash by means of solar evaporation."

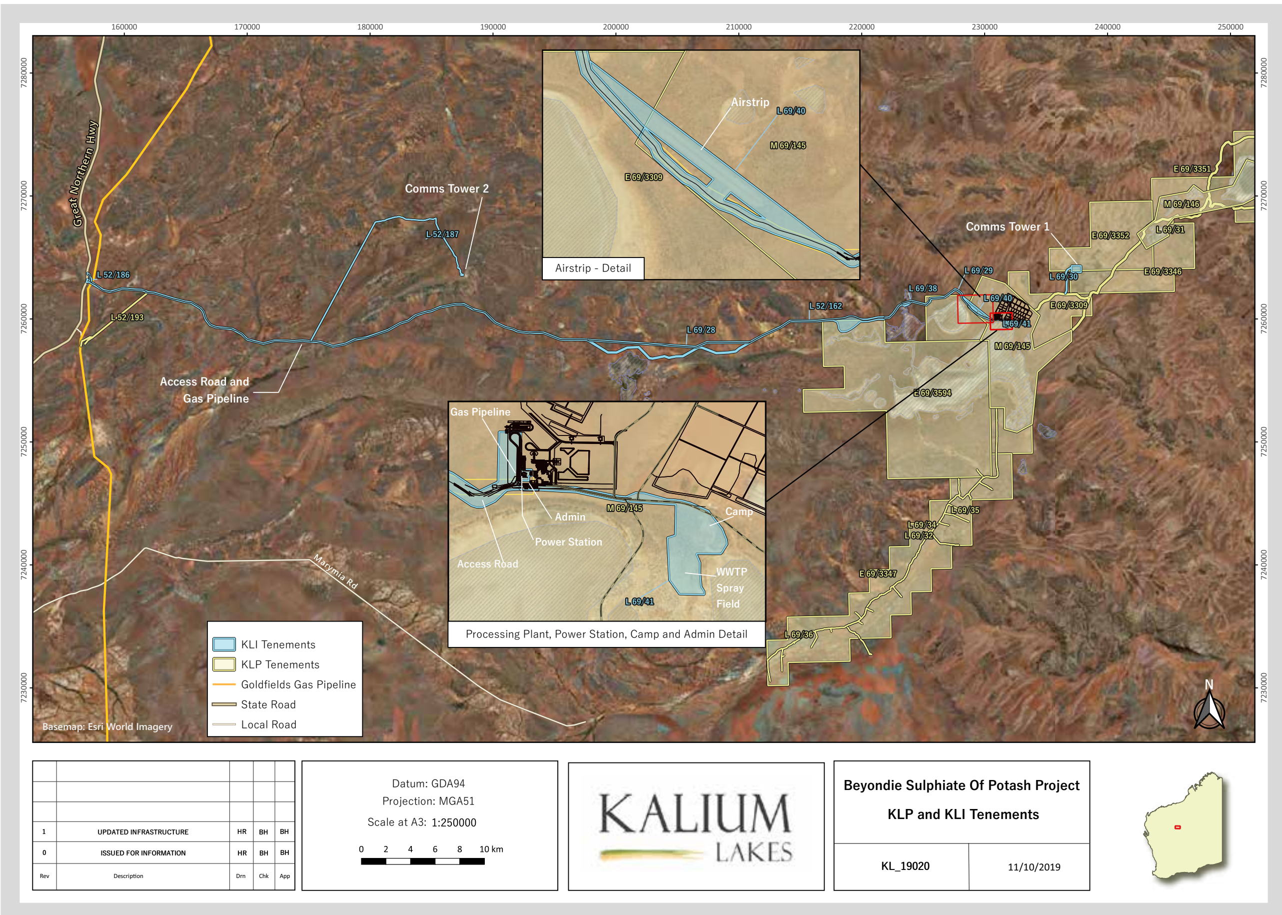
The decision covered the Stage 1 area of the BSOPP (see map below) which reflected the development base case as set out in the BFS.

All Mining Tenure Granted

Kalium Lakes announced that it had been granted all of the required Mining Tenure for the Beyondie Sulphate Of Potash Project by the Department of Mines, Industry Regulation and Safety on 18 February 2019. The Tenure includes two Mining Leases, 15 Miscellaneous Licences and a gas pipeline licence, in addition to the 15 granted exploration Licences.

The tenure covers all required project activities, including:

- Mining (Brine Extraction)
- Evaporation Ponds
- SOP Purification
- All Roads including Product Haul Road Connecting to the Great Northern Highway
- Water Supply Borefield and Pipelines
- Communications
- Gas Pipeline
- Power Generation
- Accommodation Facilities
- Supporting Infrastructure



Importantly, all Mining Tenure had been granted with the consent of the Determined Native Title holders, the Gingirana People and the Birriliburu People, in accordance with the signed Mining Land Access Agreements. Also, all of the Exploration Licences had been granted in accordance with the Land Access and Mineral Exploration Agreements.

A$74 Million Loan Package from NAIF

Two days later, on 20 February 2019, the Company announced that the Board of the Northern Australia Infrastructure Facility had made an Investment Decision to support the development of the Beyondie SOP Project by providing long-term debt facilities.

The NAIF Facilities are subject to final documentation and conditions precedent to drawdown, including final approval from the Western Australian Government as outlined in the NAIF Act 2016.

NAIF and Kalium agreed non-binding term sheets for the provision of a $48 million Infrastructure Development Facility and up to A$26 million for a Project Development Facility.

The long tenor and concessional terms of the Infrastructure Development Facility allowed Kalium to bring forward the construction of a A$29 million, 78 km lateral gas pipeline to connect to the Goldfields Gas Pipeline and an on-site gas fuelled power station into Phase 1 of the Project. This results in operating cost reductions of approximately A$62-65 per tonne from the base case in the BFS released in September 2018 as the BFS contemplated outsourcing the gas supply and power generation to a third party provider via Build-Own-Operate arrangements.

The Infrastructure Development Facility will also fund upgrades to the 78 kilometre unsealed road connecting the Beyondie SOP Project site to the Great Northern Highway, new communication infrastructure, an airstrip and an accommodation village that can support in excess of 120 people.

FEED Report Results - Lower Operating Cost and Increased Production For BSOPP

During the first week of March 2019 Kalium Lakes confirmed the completion of the Front-End Engineering and Design works. The FEED optimisation works were completed by German experts K-UTEC in conjunction with a number of equipment suppliers in Germany which had continued to build on the previous work completed in the BFS.

Key FEED works and outcomes included:

- **Recovery Improvement:** Overall system potassium recovery improvement from 72% to 91% as a result of de-bottlenecking of the process plant and an increase in the potassium recovery from the flotation tails stream.
- **Increased Production Rate:** As a result of the recovery improvement, production rates have increased by 10% to a 90ktpa SOP Stage 1 facility ramping up to 180ktpa SOP Full Scale Facility.
- **Initial Mine Life in excess of 30 years (up to 50 years):** Mine plans have been updated to reflect the recovery improvement.
- **Reduction in Pond Size:** Total evaporation pond size has reduced from 445 ha to 399 ha.
- **Less Brine Extraction:** Improved recoveries also mean that less brine is required to be extracted from the borefields and trenches, reducing brine extraction and pumping infrastructure.
- **SOP product quality:** Remains the same, at a premium 51-52% K2O product, with negligible chloride and minimal insoluble material.
- **NAIF Infrastructure Funding:** As a result of the recently announced A$74 million NAIF loan package, the base case project now includes installing key infrastructure at the commencement of the project including a gas pipeline and gas fired power station. These items were included in the BFS as an alternative outcome with capital and operating costs highlighted.
- **Decreased Life of Mine (LOM) Operating Cost:** As a result of Kalium Lakes owning and operating the power station and gas pipeline (in place of trucked LNG bullets and third party operated power station), plus savings associated with recovery improvements, LOM Operating costs have decreased significantly to ~US$178-207/t FOB AISC (previously ~US$226-263/t).
- **Kalium Lakes to become the 2nd or 3rd lowest cost producer in the world.**
- **Pre-production Capital Cost of ~A$216M:** Capital costs are reduced through less brine extraction infrastructure and condensed pond size. Capital costs increase as a result of the nett additional NAIF-funded infrastructure (A$39M), a slightly augmented back end of the process plant to boost the production rate and a larger 15.6% contingency (now A$29M, previously A$15M) to enhance certainty of delivering to budget.

MANAGING DIRECTOR'S OVERVIEW

- **Material Contracts Advanced:** The Company's contracting strategy has been endorsed by proposed funding groups and independent reviewers. Key material contracts including process design and equipment supply; EPC/M, power station, gas supply and product haulage contracts are materially advanced which continue to confirm the BFS/FEED capital and operating cost outcomes.
- **Capital Cost estimate meets AACE Class 2:** The FEED capital cost estimate complies with the AACE International® guidelines for developing a Class 2 estimate.
- **Independent Technical Reviews:** Independent technical reviews initiated by the banks have been completed confirming both the BFS and FEED outcomes.
- **No change to Ore Reserves or Mineral Resources.**
- **Improved Financial Outcomes:**
  - Pre-tax NPV8 $606M, IRR of 20.3% (previously $575M and 20.4%).
  - Average EBITDA of $126Mpa, EBITDA margin of 61% (previously $116Mpa and 61%).
  - No changes have been made to the material assumptions utilised in the financial model, other than as detailed in this announcement.

Low Cost Financing Identified: NAIF, German Government Export Credit Agency (ECA) Scheme (Euler Hermes).

$102 Million debt funding for Beyondie Project with KfW IPEX-Bank

On 19 March 2019 the Company announced that it had agreed a non-binding term sheet with German KfW IPEX-Bank to provide approximately $102 million of senior debt funding for the development of the Beyondie SOP Project. On the basis of these terms, KfW IPEX-Bank was finalising its due diligence and nearing the completion of its credit approval process.

The KfW IPEX-Bank funding is on attractive terms compared to traditional project financing, including a long tenor of 10 years and complements the low cost, long tenor funding approved by NAIF.

With KfW IPEX-Bank's assistance, Kalium Lakes continues to progress the export credit finance application with Euler Hermes, having received a positive preliminary assessment decision by the German Government Inter-Ministerial Committee.

Historic Binding Offtake Agreement with Global Potash Producer K+S

Kalium Lakes announced on 26 March 2019 the next in what is a series of global associations, by entering into a Binding Offtake Agreement with K+S, for SOP production with initial revenues estimated to be ~A$650M.

The Agreement includes the following key elements:

- An initial 10-year term to provide K+S with 90,000tpa of SOP products, representing 100% of the anticipated production from Phase 1 of the Beyondie Sulphate of Potash Project.
- Pricing is linked to the sales price realised by K+S, which will also receive a marketing fee for selling and distributing the SOP product.
- K+S offers Kalium Lakes unparalleled expertise and technical support in relation to design, construction and commissioning.

K+S is a customer-focused, independent minerals company for the Agriculture, Industry, Consumers, and Communities segments and wants to grow the EBITDA to €3 billion by 2030. The Company has approximately 15,000 employees working to enable farmers to provide nutrition for the world, develop solutions that sustain different industries and improves daily life for consumers.

Greenstone Resources - A$20.8 million cornerstone investment

On 3 April 2019, the Company announced it had secured a conditional cornerstone equity investment of A$20.8 million from Greenstone which is part of the Greenstone Resources II LP group (Greenstone) for Beyondie SOP Project.

The equity investment was undertaken via a two tranche placement of 47,305,588 fully paid ordinary shares at a price of A$0.44 per share, representing an equity investment by Greenstone of approximately A$20.8 million or 19.99% of the shares on issue in Kalium Lakes, based on the capital structure at the time. The Company and Greenstone had also entered into certain other strategic support arrangements to assist in the development of the Company's projects, which together with the Placement, had been agreed pursuant to a subscription and co-operation agreement.

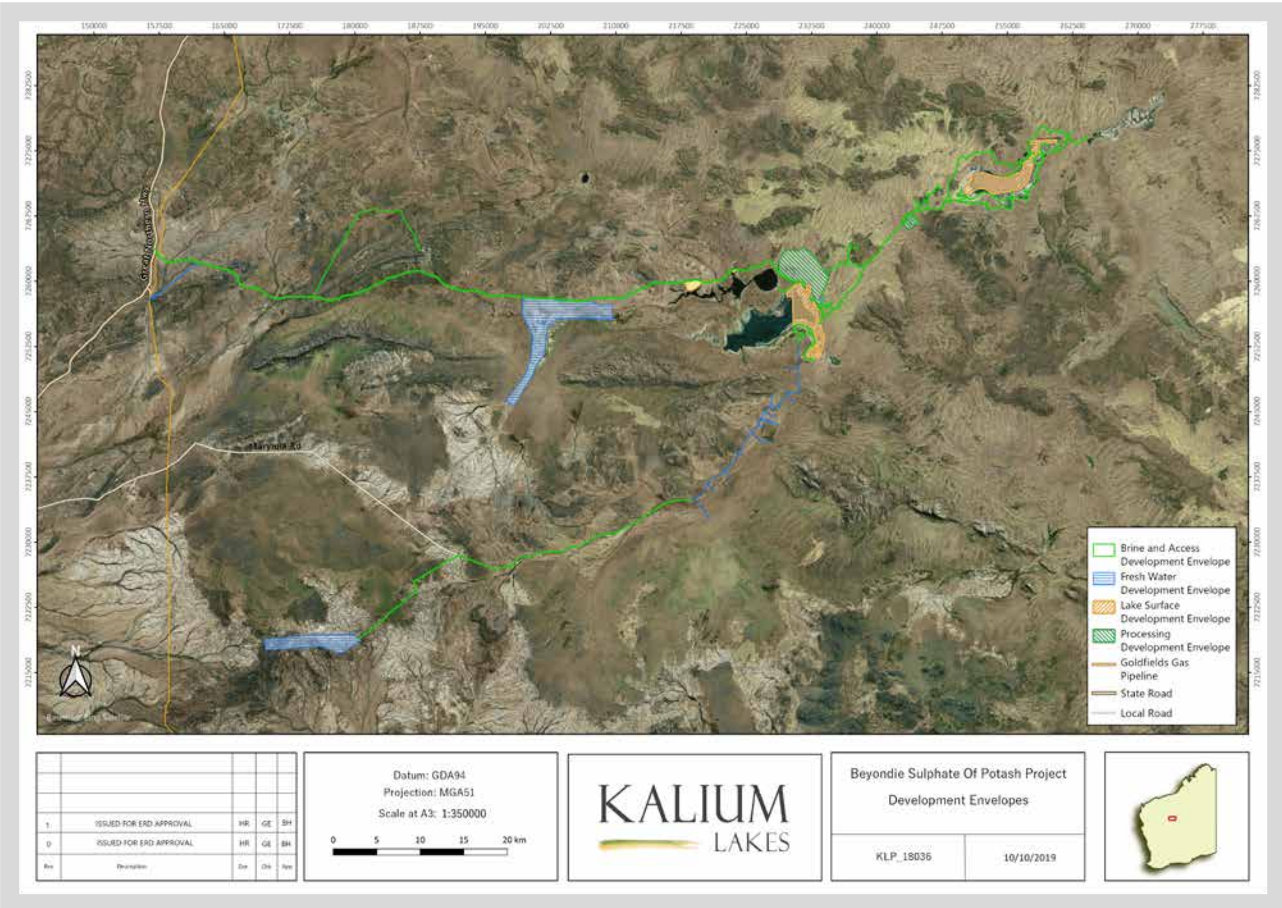
The proposed use of funds included the purchase of long lead items, pond construction, bores, trenches, pumping equipment, accommodation village installation, RFDS airstrip, administration and work-shops.

EPA Board Recommends and Minister Approves Environmental Approval

The company announced that the Beyondie Sulphate Of Potash Project had been recommended for approval by the Western Australian Environmental Protection Authority (EPA) on 8 April 2019 and that its report was with the Hon Minister for Environment for a final decision.

Kalium Lakes had worked closely with the officers at the EPA during the past four years, with project referral in October 2017, followed by the completion of the Environmental Scoping Document and the Environmental Review Document during 2018 and culminating in the EPA Board recommending approval in April 2019.

Then, on 11 June 2019, Kalium Lakes was able to advise the market that consistent with section 45(1) of the Environmental Protection Act 1986, the Minister for Environment, the Hon. Stephen Dawson MLC, had consulted with other decision-making authorities and reached agreement that EPA Report 1631, relating to the BSOPP, may be implemented subject to the conditions set out in Statement Number 1098.



AMEC JORC Brine Guidelines

In the first week of May (2 May 2019), Kalium Lakes acknowledged that the Joint Ore Reserve Committee (JORC) had adopted the "Guidelines for the Resource and Reserve Estimation for Brines that had been jointly developed by the Australian SOP Brine Industry and its specialist hydrogeologists in conjunction with the Association of Mining and Exploration Companies (AMEC).

The Guidelines were developed to assist the industry to describe the technical considerations required to report brine mineralisation, Resources and Reserves in relation to the JORC Code 2012 which, unlike solid minerals, requires an understanding and definition, of the aquifer characteristics (hydrogeology) plus the host geology.

Kalium Lakes also confirmed that the Project's Ore Reserves and Mineral Resources are compliant with JORC's newly adopted Guidelines.

MANAGING DIRECTOR'S OVERVIEW

Key Contracts Awarded – Purification Plant

On 23 May 2019, Kalium Lakes announced that it had awarded the key contracts for the engineering, procurement, construction management and commissioning associated with the development of the Purification Plant facilities for the BSOPP. The total value across the four key contracts awarded is in excess of A$60 million. The contracts allowed commencement of early works with the full scope subject to a Final Investment Decision (FID).

Importantly, all the contracts awarded are within the budget outlined in the BFS and FEED. The contracts confirmed the 15-month construction schedule post a FID, followed by a commissioning and ramp up period.

The consortium Ebtec GbR (Ebtec) is an arrangement between K-UTEC AG Salt Technologies(K-UTEC) and Ebner GmbR (Ebner) to provide Engineering, Procurement and Supervision (EPS) services for the BSOPP. Both parties have worked together recently to provide similar services for a SOP plant in Austria that has been successfully running for a number of years. Ebtec will supply the process plant and provide equipment installation supervision, followed by the commissioning of the plant.

Ebtec's contract includes performance guarantees to ensure the quality of SOP production is in line with the requirements of the K+S Offtake Agreement and includes liquidated damages for performance and schedule. The contract also includes a bonus arrangement.

An Engineering, Procurement and Construction Management (EPCM) contract has been executed with DRA, with that company taking the lead on overall BSOPP development and commissioning. DRA brings significant global and Western Australia specific project development experience, combined with SOP specific knowledge and experience that was developed with the involvement of DRA, since the Pre-Feasibility Study stage of the BSOPP. DRA have developed the basis for the overall project scope, budget and schedule.

Maschinenfabrik Köppern GmbH & Co. KG has been awarded the engineering and supply of key equipment associated with the compaction plant for the production of granular SOP. Köppern brings SOP specific compaction experience and have successfully delivered these plants for other SOP projects, including K+S.

A construction contract with Firm Construction Pty Ltd (Firm) was also awarded various construction services for the BSOPP. Firm is accredited under the WHS Scheme with the Office of the Federal Safety Commissioner, a requirement of Northern Australia Infrastructure Facility (NAIF) financing.

Toll Awarded Key Haulage and Port Contract

Thursday 20 June 2019 saw Kalium Lakes announce that it had awarded the SOP product haulage and port contract for the Project to Toll Mining Services. The contract includes the full logistics chain of product transport from mine site to shipping, including:

- Collection of various SOP products at the BSOPP site;
- Product haulage via existing road trains returning from Newman to Perth;
- Receipt, storage & inventory control of SOP products at a Toll provided depot in Perth; and
- Loading in containers, despatch, delivery and shipping documentation for SOP products from the depot to Fremantle or Kwinana Ports, ready for shipping on a Free Carrier (FCA) basis.

The contract was subject to a Final Investment Decision (FID) and subsequent notice from Kalium Lakes that it is ready to commence haulage operations.

Shell Gas Supply and APA Gas Transport Contracts Awarded

On the final business day of the financial year, 28 June 2019, Kalium Lakes announced it had secured key contracts with well known, reputable organisations for the transportation and supply of gas to meet the requirements of the BSOPP. These contracts will provide 1Tj of gas per day to produce 90ktpa of SOP per annum and the contracts also allow for expansion to support increased production and production of magnesium by-products.

Shell Energy Australia Pty Ltd (Shell) has been awarded the contract for supply of gas to the Project site, which will be utilised for power generation, steam generation and product drying during operations.

APA Group's (ASX: APA) 88.2% owned Goldfields Gas Pipeline (GGP) will transport and deliver gas via a new, purpose-built metering and connection facility. Early works had commenced with APA on the design of the new metering facility.

These contracts are also subject to a Final Investment Decision (FID) and subsequent notice from Kalium Lakes that it is ready to commence commissioning and production operations.

Subsequent Events

KFW IPEX-BANK CREDIT APPROVAL MAJOR MILESTONE

On 2 July 2019, Kalium Lakes announced that it had received a credit-approved offer of finance from German KfW IPEX-Bank for the US / Euro dollar equivalent of A$102 million of senior debt funding (KfW IPEX-Bank Debt Facilities) for the development of the Beyondie Sulphate of Potash Project (BSOPP).

The KfW IPEX-Bank Debt Facilities were subject to securing a positive decision from the German Government Inter-Ministerial Committee for the export credit agency Euler Hermes, which was expected in July 2019, together with the execution of formal documentation. Other customary conditions precedent were to apply to the debt facilities including, completion of the residual equity requirement and a Final Investment Decision by the Kalium Lakes' Board.

These facilities form part of the overall funding package for the BSOPP, which includes the previously announced A$74M funding package provided by the Northern Australia Infrastructure Facility (NAIF)

The KfW IPEX-Bank Debt Facilities will comprise of two parts:

- Part A - US$ equivalent of €33 million facility guaranteed by the German Government export credit agency Euler Hermes, with a final maturity of approximately 10 years after completion of construction; and
- Part B - US$37 million facility, secured against the BSOPP, with a final maturity of approximately 10 years after completion of construction.

JAYLON AWARDED LINER SUPPLY AND INSTALLATION CONTRACT

On 9 July 2019, Kalium Lakes awarded the evaporation pond liner, supply and install contract to Jaylon Environmental Systems Pty Ltd (Jaylon) for its Beyondie Sulphate of Potash Project (BSOPP). The contract includes the installation, management of delivery and installation of 1mm HDPE liner for a total of approximately 400ha of evaporation area for the Stage 1 BSOPP 90ktpa SOP facility.

In 2017 Jaylon successfully completed the supply and installation of the liner for the Project's 10ha pilot scale ponds (see images below). Jaylon had submitted the most competitive and compliant offer for the full project works, resulting in this A$15 million major contract award.

MANAGING DIRECTOR'S OVERVIEW

GERMAN GOVERNMENT EULER HERMES EXPORT CREDIT COVER POSITIVE DECISION

Friday 19 July 2019 saw Kalium Lakes announce that it had been advised that the German government inter-ministerial committee (IMC) had reached a positive decision on its application for the Euro / US dollar equivalent of approximately A$50 million of project finance export cover.

EQUITY RAISE FOR THE DEVELOPMENT OF THE BEYONDIE SOP PROJECT

The Company announced, on 24 July 2019, that it was undertaking A$17.5 million Institutional Placement and A$54.6 million 1 for 2.19 Entitlement Offer to raise approximately A$72 million to fund (in conjunction with the Loan Facilities) the construction of the BSOPP and to provide anticipated working capital until first production.

The new shares were to be issued at A$0.50 per share and major shareholder Greenstone (19.8%) had committed to subscribe for approximately A$14 million under the Placement and the Entitlement Offer and to sub-underwrite up to A$5 million of any retail shortfall.

A number of existing founding shareholders had committed to take up A$8 million in the equity raise.

10 MILE LAKE WEST TENEMENT GRANTED

On 1 August 2019, KLL advised the market the grant of 10 Mile Lake West Exploration Licence hand been completed and that it now formed part of the BSOPP. Kalium had previously announced (29 October 2018) that it had entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenements which now forms the newly granted E69/3594.

The new tenement is strategically located adjacent to the Company's current BSOPP Mining Leases, processing facilities and infrastructure, allowing future potential to extend trench and bore network for brine extraction, as well as being contiguous with the current delineated lake surface and paleochannel.

Importantly the tenement has been granted with the consent of the Traditional Owners of the area, the Gingirana People.

SUCCESSFUL COMPLETION OF RETAIL ENTITLEMENT OFFER

The announcement of the successful completion of the retail component of its 1 for 2.19 accelerated, non-renounceable, pro-rata entitlement offer occurred on Monday 19 August 2019.

The Retail Entitlement Offer had closed on Wednesday 14 August 2019 and raised a total of A$16.4 million at $0.50 per share. Together with the institutional placement and institutional component of the Entitlement Offer, the total amount raised equated to approximately A$72 million.

WESTPAC TO PROVIDE WORKING CAPITAL AND HEDGING FACILITIES

The Company announced, on 27 August 2019, that it had received a credit-approved offer from Westpac Banking Corporation for a A$15 million working capital facility and a hedging facility. Together, these facilities will support prudent capital and risk management during construction, commissioning and operations of the Beyondie SOP Project.

The working capital facility is an 18 month revolving facility with a A$15 million limit that becomes available from Practical Completion of the Beyondie SOP Project. The hedging facility will be used to hedge risk in accordance with the hedging policy of the Beyondie SOP Project. Both facilities are senior secured.

The working capital and hedging facilities are both subject to the execution of formal documentation and other customary conditions precedent.

AUSTRALIAN FEDERAL GOVERNMENT GRANTS MAJOR PROJECT STATUS

On 6 September 2019, Kalium Lakes advised the market that the Australian Federal Government had recognised the Beyondie Sulphate of Potash Project's strategic significance to Australia by granting it Major Project Status.

Major Project Status is the Australian Government's formal recognition of the national strategic significance of a project, through its contribution to economic growth, employment, or contribution to regional Australia. In addition, Major Project Status provides coordination and facilitation support, as well as a single entry point to a coordinated approvals process.

The Major Projects Facilitation Agency assessed the BSOPP against the required eligibility criteria and made the recommendation to the Minister for Industry, Science and Technology, the Hon. Karen Andrews MP.

FINAL INVESTMENT DECISION

The most recent announcement, just prior to publication of this report, occurred on 3 October 2019 and advised that the Company's Board had approved the full development of the Beyondie Sulphate of Potash Project.

A Final Investment Decision (FID) allows the acceleration of activities from the current approved Early Works program to Full Scale Construction. As a result, the Company commenced the finalisation of the remaining key construction contracts and the Company advised that it will keep shareholders updated on the progress of those contracts through ASX announcements.

The decision followed the successful completion of the Company's A$72 million capital raise in August in conjunction with the loan facilities to be provided by KfW IPEX-Bank (approximately A$102 million) and Northern Australia Infrastructure Facility (A$74 million) plus a working capital facility from Westpac Banking Corporation (A$15 million).

Next Steps

Kalium Lakes is now poised to become the first commercial Sulphate Of Potash producer in Australia. 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:

- Ongoing award of construction contracts
- Full scale construction activities
- Operational readiness activities
- Commissioning and ramp up to name plate throughput

Founded in October 2014, Kalium Lakes has now invested more than A$50 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 to the next challenges of construction and first production.

Everyone at Kalium Lakes is now preparing to achieve the Company's goal of assisting Australian and New Zealand farmers through the delivery of an agronomically superior product, while ensuring a satisfactory return to our shareholders for a number of decades into the future.

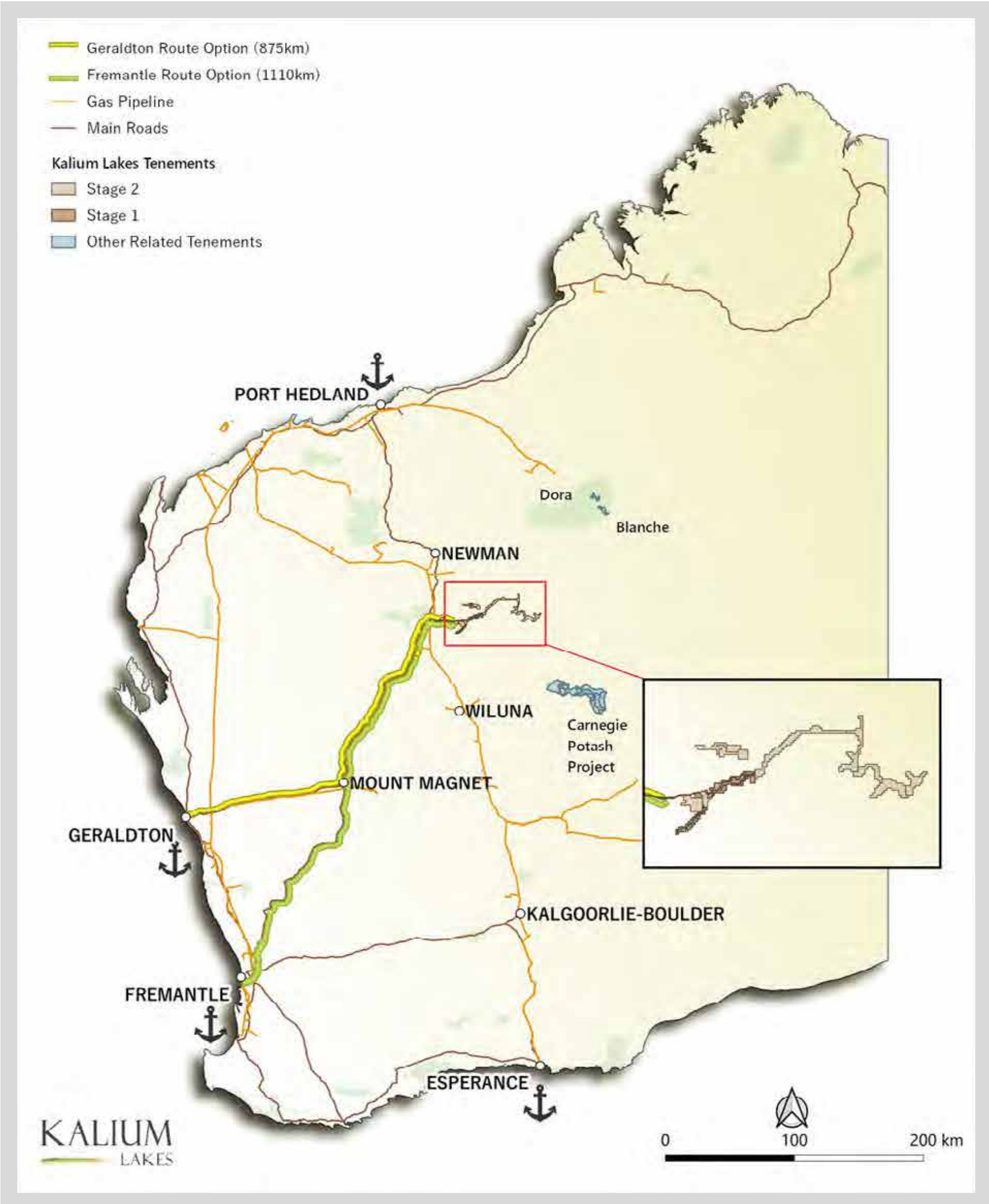
Brett Hazelden
Managing Director and Chief Executive Officer
4 October 2019

COMPANY SUMMARY

Review Of Operations

The Company holds rights to granted tenure of approximately 2,300 square kilometres, as well as further tenement applications covering approximately 2,700 square kilometres at the eastern margin of the East Pilbara region of Western Australia, as shown in the map below.

KALIUM LAKES POTASH TENEMENT PORTFOLIO



Kalium Lakes Group Structure

Kalium Lakes LTD

Australian Pubic Company
ACN: 613 656 643
ABN: 98 613 656 643
TFN: 987 747 173

100%

Kalium Lakes Infrastructure Pty Ltd

ACN: 631 042 450
ABN: 22 631 042 450

100%

Kalium Lakes Potash Pty Ltd

ACN: 601 436 060
ABN: 92 601 436 060

100%

Carnegie Potash Pty Ltd

ACN: 627 461 278
ABN: 51 627 461 278

70%

BC Potash Pty Ltd

ABN: 19 165 728 745

30%

Carnegie Unincorporated Joint Venture

COMPANY SUMMARY

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.

SOP PRODUCTION PROCESS

AUSTRALIA'S LARGEST SCALE PILOT PROGRAM

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 90ktpa of Sulphate Of Potash (SOP) before ramping up to 180ktpa of SOP for domestic and international sale.

The Project covers an area of approximately 1,760 square kilometres, comprising 16 granted exploration licences, 15 granted miscellaneous licences, two granted mining leases and a gas pipeline licence. Kalium Lakes is developing a sub-surface Brine deposit to produce a SOP product, by undertaking an evaporation and processing operation 160 kilometres south east of Newman.

KLL announced a Final Investment Decision on 3 October 2019 and is now proceeding with full construction activities, with production anticipated in 2020.

In achieving FID the Company acknowledges the contribution of leading industry specialists including K-UTEC, DRA Global, Advisian, Shawmac, Wyntak, SRK, Ebner GmbR and Preston Consulting as the principal technical consultants, as well as RSM, DLA Piper Australia, HopgoodGanim Lawyers, Macquarie Capital (Australia) Limited and also BurnVoir Corporate Finance as legal, commercial and financial advisors.

Kalium Lakes has entered into a Binding Offtake Agreement with pre-eminent international SOP producer and distributor, K+S. The Agreement includes the following key elements:

- An initial 10-year term to provide K+S with 90,000tpa of SOP products, representing 100% of the anticipated production from Phase 1 of the Beyondie Sulphate of Potash Project.
- Pricing is linked to the sales price realised by K+S, which will also receive a marketing fee for selling and distributing the SOP product.
- K+S offers Kalium Lakes unparalleled expertise and technical support in relation to design, construction and commissioning.

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 and recognises that the Joint Ore Reserve Committee (JORC) has adopted the "Guidelines for the Resource and Reserve Estimation for Brines" that had been jointly developed by the Australian SOP Brine Industry and its specialist hydrogeologists in conjunction with AMEC.

COMPANY SUMMARY

KALIUM LAKES GATED INVESTMENT EVALUATION PROCESS

Kalium Lakes undertakes a gated project investment evaluation process that is accepted as industry best practice. The illustration below confirms that the BSOPP has completed all gates from Concept Study to FEED and is now in execution and development, prior to commencing operations.

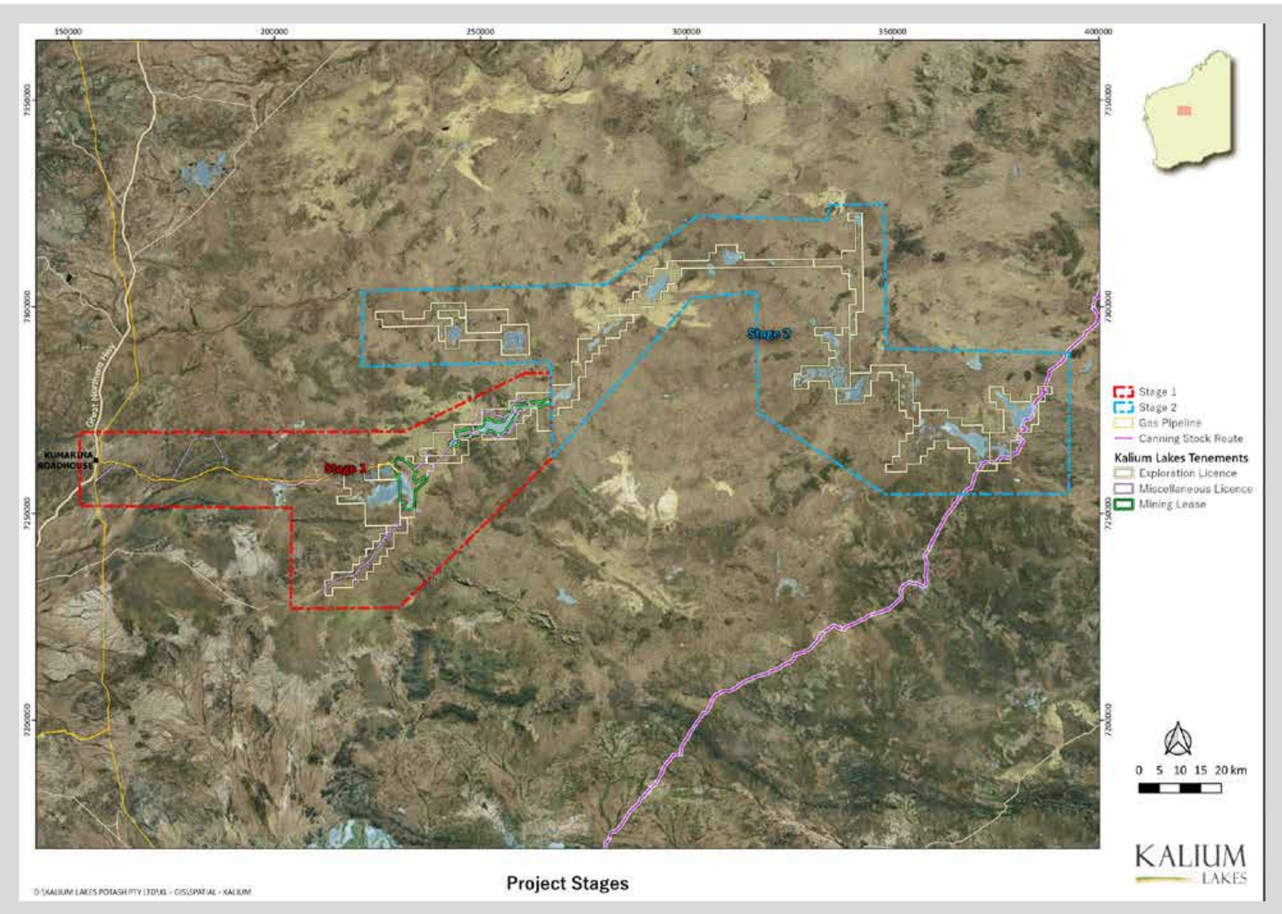
BSOPP STAGES AND PHASES

The BSOPP covers an area of more than 200 kilometres in length and includes a 19.6 Mt SOP Resource. Due to the size and longevity of the Project, the Company has identified a development pathway that includes Stage 1 and Stage 2 as displayed in the map below.

There are two separate phases within the Stage 1 Approval Footprint, the first phase containing the construction and operation of a 90 ktpa SOP Demonstration Scale Project Development, with the second phase containing the ramping up to a 180 ktpa SOP Full Scale Project Development, to minimise operational and financial risk. Indicative Phase 1 infrastructure is shown in the respective 10 Mile and Sunshine maps on the following page.

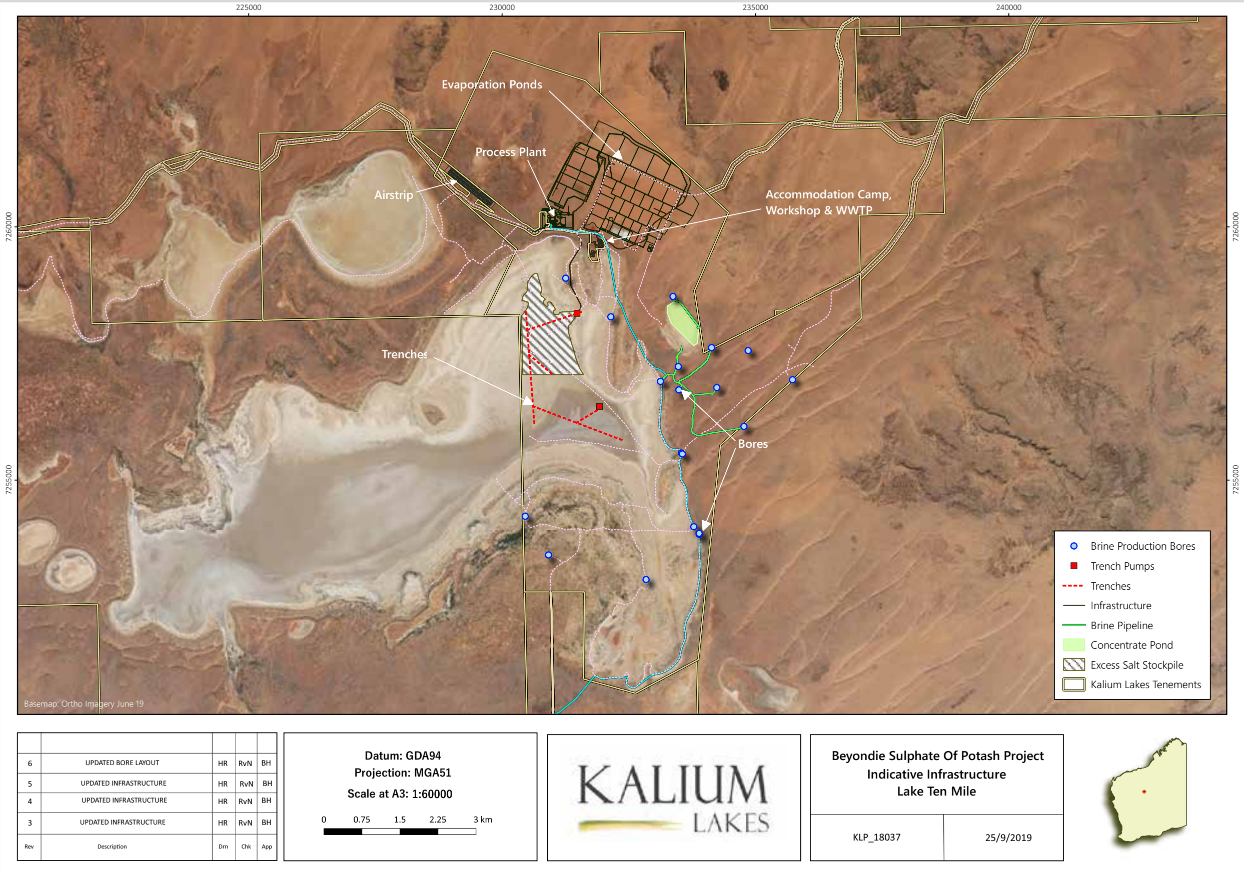
The 5.1Mt SOP Ore Reserve is related to Stage 1 only, with that stage covering 35 kilometres in length and including only two of the 14 lakes located within the tenement package.

Stage 2 is 180 kilometres in length and includes 12 lakes, with similar high grades to the lakes also found in the Stage 1.

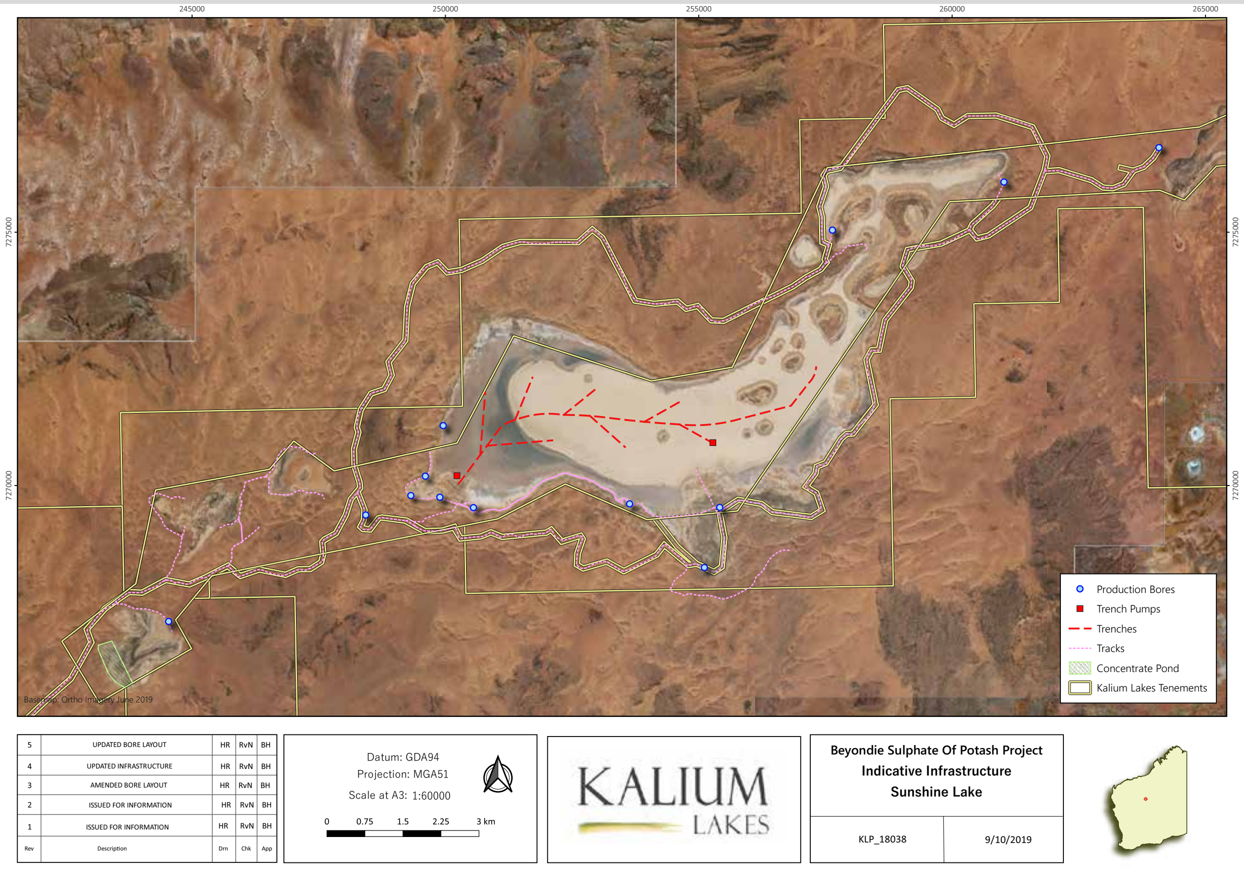


Project Stages

INDICATIVE INFRASTRUCTURE – 10 MILE



INDICATIVE INFRASTRUCTURE – SUNSHINE



COMPANY SUMMARY

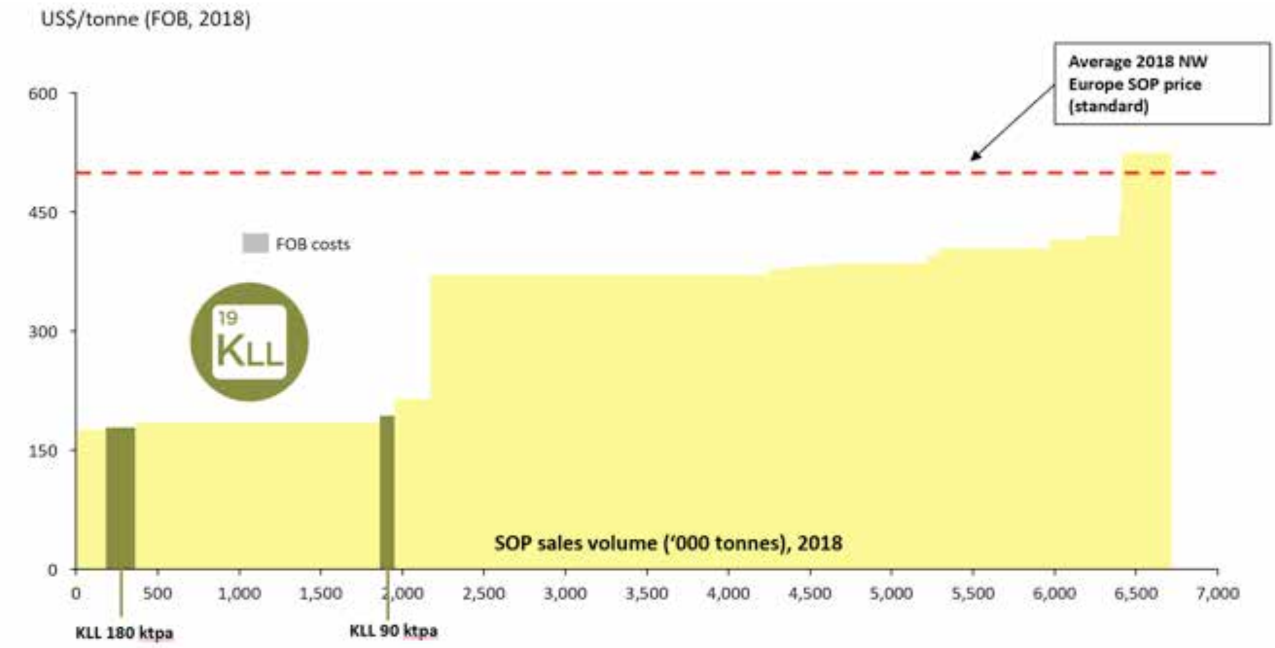
Key BSOPP BFS and FEED Outcomes

Key works and outcomes include:

- **Mineral Resources:** Measured Resource of 1.72 Mt @ 11,488 mg/l SOP; an Indicated Resource of 9.17 Mt @ 12,459 mg/l SOP and an Inferred Resource of 7.79 Mt @ 12,663 mg/l SOP.
- **Ore Reserves:** 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
- **Increased Production Rate:** As a result of the recovery improvement, production rates have increased by 10% to a 90ktpa SOP Stage 1 facility ramping up to 180ktpa SOP Full Scale Facility.
- **Initial Mine Life in excess of 30 years (up to 50 years):** Mine plans have been updated to reflect the recovery improvement.
- **Recovery Improvement:** Overall system potassium recovery improvement from 72% to 91% as a result of de-bottlenecking of the process plant and an increase in the potassium recovery from the flotation tails stream.
- **Reduction in Pond Size:** Total evaporation pond size has reduced from 445 ha to 399 ha.
- **Less Brine Extraction:** Improved recoveries also mean that less brine is required to be extracted from the borefields and trenches, reducing brine extraction and pumping infrastructure.
- **SOP product quality:** Remains the same, at a premium 51-52% K2O product, with negligible chloride and minimal insoluble material.
- **Pre-production Capital Cost of ~A$216M:** Capital costs are reduced through less brine extraction infrastructure and condensed pond size. Capital costs increase as a result of the nett additional NAIF-funded infrastructure ($39M), a slightly augmented back end of the process plant to boost production rate and a larger 15.6% contingency (now $29M, previously $15M) to enhance certainty of delivering to budget.
- **Capital Cost estimate meets AACE Class 2:** The FEED capital cost estimate complies with the AACE International® guidelines for developing a Class 2 estimate.

		Primary Characteristic	*Secondary Characteristic*			
	ESTIMATE CLASS	**LEVEL OF PROJECT DEFINITION** Expressed as % of complete definition	**END USAGE** Typical purpose of estimate	**METHODOLOGY** Typical estimating method	**EXPECTED ACCURACY RANGE** Typical variation in low and high ranges [a]	**PREPARATION EFFORT** Typical degree of effort relative to least cost index of 1 [b]
	Class 5	0% to 2%	Concept Screening	Capacity Factored, Parametric Models, Judgment, or Analogy	L: -20% to -50% H: +30% to +100%	1
	Class 4	1% to 15%	Study or Feasibility	Equipment Factored or Parametric Models	L: -15% to -30% H: +20% to +50%	2 to 4
BFS Cost Estimate Exceeded	**Class 3**	10% to 40%	Budget, Authorization, or Control	Semi-Detailed Unit Costs with Assembly Level Line Items	L: -10% to -20% H: +10% to +30%	3 to 10
FEED Cost Estimate Meets	**Class 2**	30% to 70%	Control or Bid/ Tender	Detailed Unit Cost with Forced Detailed Take-Off	L: -5% to -15% H: +5% to +20%	4 to 20
	Class 1	50% to 100%	Check Estimate or Bid/Tender	Detailed Unit Cost with Detailed Take-Off	L: -3% to -10% H: +3% to +15%	5 to 100

- **Decreased Life of Mine (LOM) Operating Cost:** As a result of Kalium Lakes owning and operating the power station and gas pipeline (in place of trucked LNG bullets and third party operated power station), plus savings associated with recovery improvements, LOM Operating costs have decreased significantly to ~US$178-207/t FOB AISC (previously ~US$226-263/t).
- **Kalium Lakes to become the 2nd or 3rd lowest cost producer in the world.**



Source: Integer, Argus Media

Note: Costs refer to cash-operating items and excludes sustaining capital, and royalties

- **Improved Financial Outcomes:**
  - Pre-tax NPV8 A$606M, IRR of 20.3% (previously A$575M and 20.4%).
  - Average EBITDA of A$126Mpa, EBITDA margin of 61% (previously A$116Mpa and 61%).
  - No changes have been made to the material assumptions utilised in the financial model, other than as detailed in this announcement.
- **Independent Technical Reviews:** Independent technical reviews initiated by the banks have been completed confirming both the BFS and FEED outcomes.
- **Low Cost Financing Identified:** NAIF, German Government Export Credit Agency (ECA) Scheme (Euler Hermes).

COMPANY SUMMARY

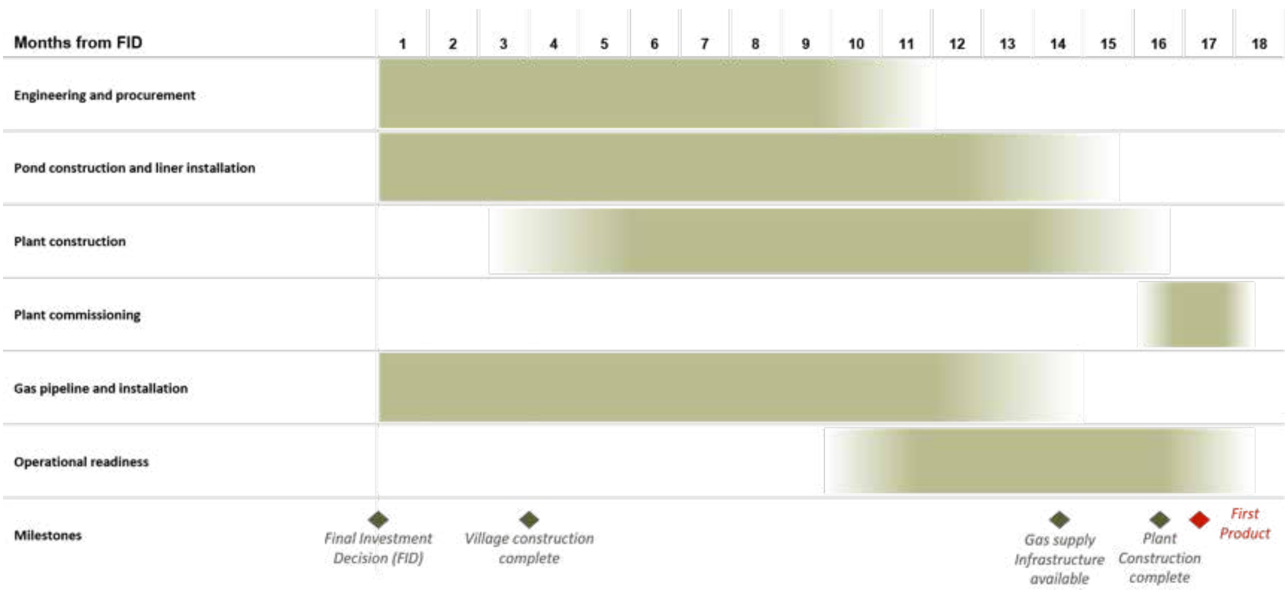
Sources and Uses Of Funds

Sources of Funds	A$M	Uses of Funds	A$M
Cash on hand[2]	15.4	Capital expenditure[6]	183.2
Balance equity raised[3] in July / August	72.0	Capitalised Opex during construction	9.6
KfW facilities (including Euler Hermes covered facilities)[4]	102.0	Capital expenditure contingency	29.2
NAIF facilities[5]	74.0	Interest during construction and debt/equity costs	20.7
Services provided in return for Kalium Lakes shares	0.3	Cost overrun facility	10.0
		DSRA balance and cash requirements	11.0
Total Sources	**263.7**	**Total Uses**	**263.7**

To minimise the chance of cost over runs and ramp up delays, as recently and historically observed in Australia, the debt financiers have required debt service reserve accounts (DSRA) and minimum cash balance totalling $11M plus a cost overrun facility of a further $10M, both of which are over and above the $29M contingency allowance.

1. *Subject to the risk factors identified in pages 43 to 47*
2. *Unaudited 30 June 2019.*
3. *The sources above exclude the issue of New Shares equivalent to $250,000 to Mr Dennis, which will be subject to the Company obtaining shareholder approval at a general meeting to be convened following completion of the Entitlement Offer and Placement and is in addition to the amount raised under the Offer.*
4. *The KfW facility (including Euler Hermes) remains subject to the execution of formal documentation. Refer to KfW IPEX-Bank Credit Approval Major Milestone ASX announcement dated 2 July 2019; https://www.kaliumlakes.com.au/site/wp-content/uploads/austocks/kll/2019_07_02_KLL_1562024340.pdf and German Government Positive Decision for Export Credit Cover ASX announcement dated 19 July 2019.*
5. *The NAIF facility remains subject to the execution of formal documentation. Refer to ASX Announcement A$74 Million Loan Package from NAIF dated 20 February 2019.*
6. *Total capital costs of $216.8 million less contingency of $29.2 million less capital of early works already incurred of $4.5 million as at 30 June 2019 (unaudited).*

► **First Production End 2020:** ramping up to name plate during 2021



Comprehensive BSOPP Construction Approvals Obtained

Legislation	Holder	Status
Environmental Protection Act 1986	Part IV - EPA Approval (**early works**) Part IV - EPA Approval (**full project**)	Secured May 2018 EPA recommended approval April 2019. Ministerial Statement June 2019.
	Tecticornia Monitoring and Management Plan	Secured September 2019
	Compliance Assessment Plan	Secured July 2019
	Part V - Works Approval – Pilot Scale Evaporation Ponds Part V - Works Approval Amendment; Evaporation Ponds (full project)	Secured January 2016 Secured August 2019
	Part V – Works Approval - Waste Water Treatment Plant / Sewage	Secured October 2018
	Part V - Works Approval; Landfill	Secured June 2019
Mining Act 1978	POW - Exploration Proposal – Pilot Ponds & Infrastructure	Secured April 2016
	POW - Camp upgrade and communication towers	Secured July 2018
	Mining Proposal and Closure Plan – Camp, Workshop and Comms Tower (**early works**)	Secured August 2018
	Mining Proposal and Closure Plan (full project)	Secured September 2019
Mines Safety and Inspection Act 1994	Registration of Exploration Manager and nominated site safety representatives	Completed August 2015
	Registration of Construction Manager, Electrical Supervisor, Site Manager	Completed May 2019
	Project Management Plan (early works)	Secured February 2018
	Project Management Plan (full project)	Secured February 2019
Rights in Water and Irrigation Act 1914	26D Bore construction (early works)	Secured June 2015
	5C Licence for 1.5Glpa pilot works (early works)	Secured August 2016
	5C licences for production (brine) and supply (fresh) bores (full project)	Secured July 2019
	26D Licence for production (brine) and supply (fresh) bores construction (full project)	Secured June 2019
Environment Protection and Biodiversity Conservation Act 1999	EPBC Act approval	Secured January 2019
	Night Parrot Management Plan	Secured July 2019
	Groundwater Monitoring and Management Plan	Secured June 2019
Native Title Act 1993	Mining Land Access Agreements	Secured March 2016 Gingirana Secured January 2018 MNR
Aboriginal Heritage Act 1972	Exploration Heritage Agreements	Secured March 2015
	Heritage Surveys	Completed during 2015/16/18/19
	Excess Tonnage Consent Letter	Secured December 2015
	Section 18 Clearance	Not required for the BSOPP
	Cultural Heritage Management Plans	Secured March 2016 Gingirana Secured January 2018 MNR
Petroleum Pipelines Act 1969	Pipeline Licence to Construct	Secured November 2018
	Construction Safety Case – Gas Pipeline Construction	Secured September 2019
Health (Miscellaneous Provisions) Act 1911	Approval to construct or install an apparatus for sewage treatment Certificate of Construction – Permit to Use (sewage)	Secured September 2018 Secured September 2019
Main Roads Act 1930	Great Northern Hwy Intersection Approval	Secured April 2019
Building Act 2011	Shire Building Permit for Camp	Secured July 2019
Dangerous Goods Safety Act 2004	Dangerous Goods Site Licence	Secured October 2019
Medicines and Poisons Act 2014	Poisons Permit (For Site Medic)	Expected October 2019

COMPANY SUMMARY

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	10 Mile Beyondie-	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	10 Mile South	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%
E69/3594	10 Mile West	KLP	WA	Application	-	100%
Miscellaneous Licences						
L52/162	Access Road	KLI	WA	Granted	30-3-2016	100%
L52/186	G N Hwy Access Road	KLI	WA	Granted	30-5-2018	100%
L52/187	Comms Tower 2	KLI	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	KLI	WA	Granted	7-8-2018	100%
L69/29	Access Road Village	KLI	WA	Granted	7-8-2018	100%
L69/30	Comms Tower 1	KLI	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	Granted	17-12-2018	100%
L69/36	10MS FW D	KLP	WA	Granted	17-12-2018	100%
L69/38	Access Road “S” Bend	KLI	WA	Granted	30-1-2019	100%
L69/40	10 Mile Airstrip	KLI	WA	Granted	8-2-2019	100%
L69/41	10 Mile Village	KLI	WA	Granted	8-2-2019	100%
Mining Leases						
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%
M69/146	Sunshine	KLP	WA	Granted	6-6-2018	100%
Gas Pipelines						
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%

Note: Kalium Lakes Potash Pty Ltd (KLP) and Kalium Lakes Infrastructure Pty Ltd (KLI) are wholly owned subsidiaries of Kalium Lakes Limited (KLL).

Annual Mineral Resources and Ore Reserves Statement - Resources Tables

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.*

COMPANY SUMMARY

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.

COMPANY SUMMARY

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 licences (E38/2995) of 556 square kilometres and five (5) exploration licence applications (E38/2973, E38/2928, E38/3297, E38/5296 and E38/3295) of 2,495 square kilometres covering a total area of approximately 3,051 square kilometres.

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 (SO4) – Lake Wells tenements and Australian Potash Limited's (APC) – Lake Wells tenements.

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 - BCI can earn a 30% interest by sole funding the $1.5M Scoping Study Phase - Complete
- 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

On 27 July 2018 KLL and BCI Minerals Limited (BCI) (together the JV Companies), as the owners of the Carnegie Potash Project (CPP) via the Carnegie Joint Venture (CJV), announced the completion of the Scoping Study and a maiden Resource and Exploration Target for the CPP.

Highlights from the Scoping Study are:

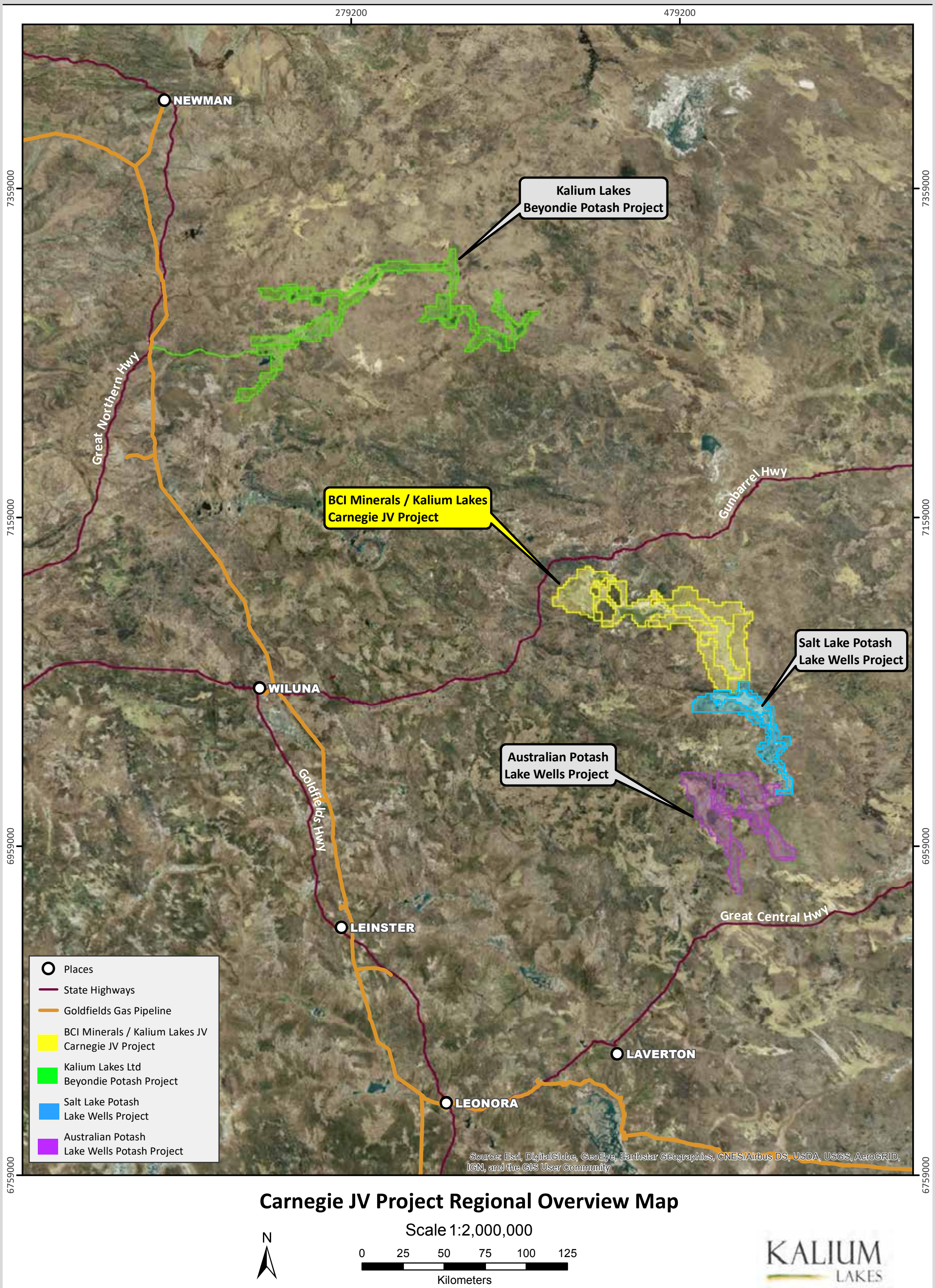
- Scoping Study, Maiden Resource and Exploration Target confirmed the CPP has potential to be a technically and economically viable project.
- Inferred Resource of 0.88 Mt SOP @ 3,466 mg/l K (equivalent to 7,724 mg/l SOP) based only on the top 1.7 metres of the 27,874 hectare surficial aquifer on granted tenement E38/2995 plus an Exploration Target[1] 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.
- 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 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.

1. The Exploration Target is conceptual in nature, as there is insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will convert an Exploration Target to a Mineral Resource.



Carnegie JV Project Regional Overview Map

Scale 1:2,000,000

Coordinate System: GDA 1994 MGA Zone 51
Projection: Transverse Mercator
Datum: GDA 1994

Date: 22/05/2018
Paper Size: A3
File Name: CA_17006 r0
Location: G:\Maps\Carnegie_JV\2017\CA_17006 Location.mxd

COMPANY SUMMARY

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%

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

MEASURED MINERAL RESOURCES

Geological Layer	Maximum Thickness (m)	Coverage (km²)	Sediment Volume (10^6 m³)	Porosity (P)	Total Stored Brine (10^6 m³)	Specific Yield (Sy)	Drainable Brine (10^6 m³)	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*

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.*

COMPANY SUMMARY

Forward-Looking Information

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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.

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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).

COMPANY SUMMARY

Safety

Kalium Lakes places the health, safety and wellbeing 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 and mentally healthy workplace, through the implementation of a Health and Safety Management System and the promotion of health and safety awareness and workforce wellbeing among their employees and contractors.

Kalium Lakes will abide by all legal and other requirements that are directly related to Health, Safety wellbeing issues related to its activities.

During the financial year to 30 June 2019 a total of 29,370 hours were worked at the Beyondie SOP Project site with no Lost Time Injuries and no 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

Four Directors, Mr Malcolm Randall, Mr Brett Hazelden, Mr Rudolph van Niekerk and Mr Brendan O'Hara were appointed to the Kalium Lakes Limited Board on 14 July 2016, coinciding with the incorporation of the public Company.

At the Annual General Meeting held on 21 November 2018, Mr Rudolph van Niekerk, in accordance with the Company's Constitution retired and being eligible, was re-elected as a Director.

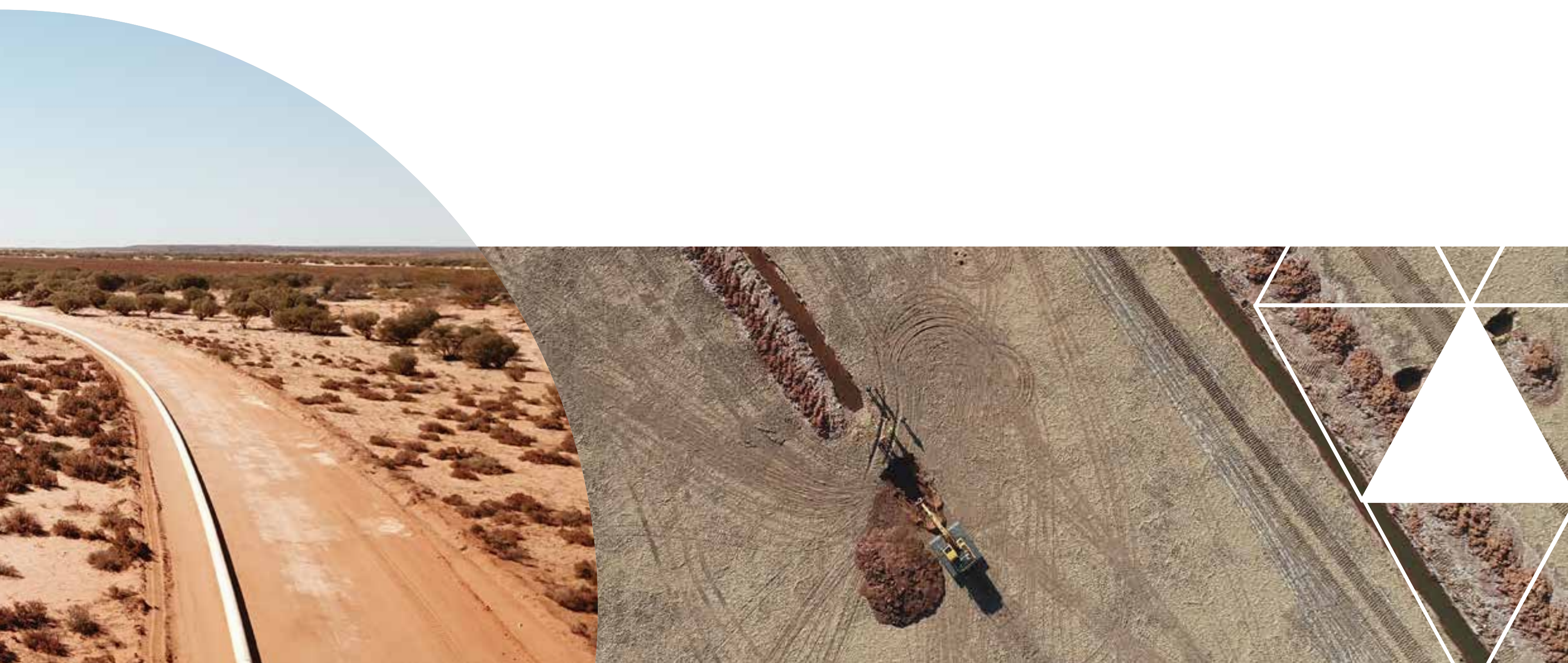
On 26 April 2019 Kalium Lakes announced the appointment of Mr Stephen Dennis as a Non-Executive Director of the Company.

Mr Dennis has a career spanning more than 30 years as an experienced and well regarded company director and has been appointed on a number of senior boards in the Australian and international resources sector. He was the Managing Director and Chief Executive Officer of CBH Resources Limited and is currently the non-executive chairman of several ASX listed resource companies, including Heron Resources Limited, Rox Resources Limited, EHR Resources Limited and Graphex Mining Limited.

Mr Dennis has also held senior operational and commercial positions in MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited. He retired from office and was re-elected as a Director at the General Meeting held on Tuesday 21 May 2019.

Following the completion of the formal process to appoint Mr Dennis as a Director, Mr Brendan O'Hara advised the Board of his decision to step down from his role as Director.

Mr O'Hara had been a valued Kalium Lakes' Director since March 2016 and provided expert guidance during the transition from a private entity to a public company listed on the Australian Securities Exchange (ASX).



COMPANY SUMMARY

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 $15.5 million cash on hand as at 30 June 2019 (prior to A$72 million capital raise in July / August 2019).

SECURITIES ON ISSUE

The Company had 238,966,103 ordinary shares on issue as at 30 June 2019

The following is a list detailing other securities on issue:

- 3,500,000 options exercisable at $0.25 each, expiring on 16 December 2019, will be escrowed for a period of 24 months from the date of official quotation on the ASX.
- 15,000,000 performance rights
- 330,882 options exercisable at $0.425 each and expiring on 29 September 2020.
- 843,936 options exercisable at $0.525 each, expiring on 16 January 2020.
- 1,000,000 options exercisable at $0.525 each, expiring on 17 May 2021.
- 5,000,000 options exercisable at $0.50 each, expiring on 30 June 2025, escrowed until 26 October 2019.

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.

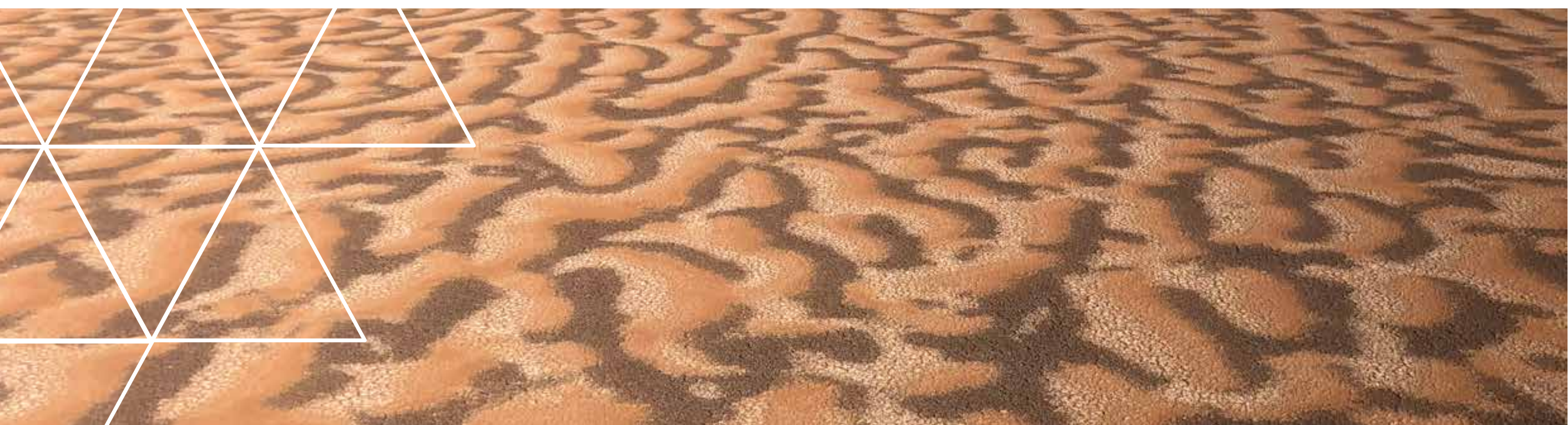
ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

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 Potash 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 Potash Project.

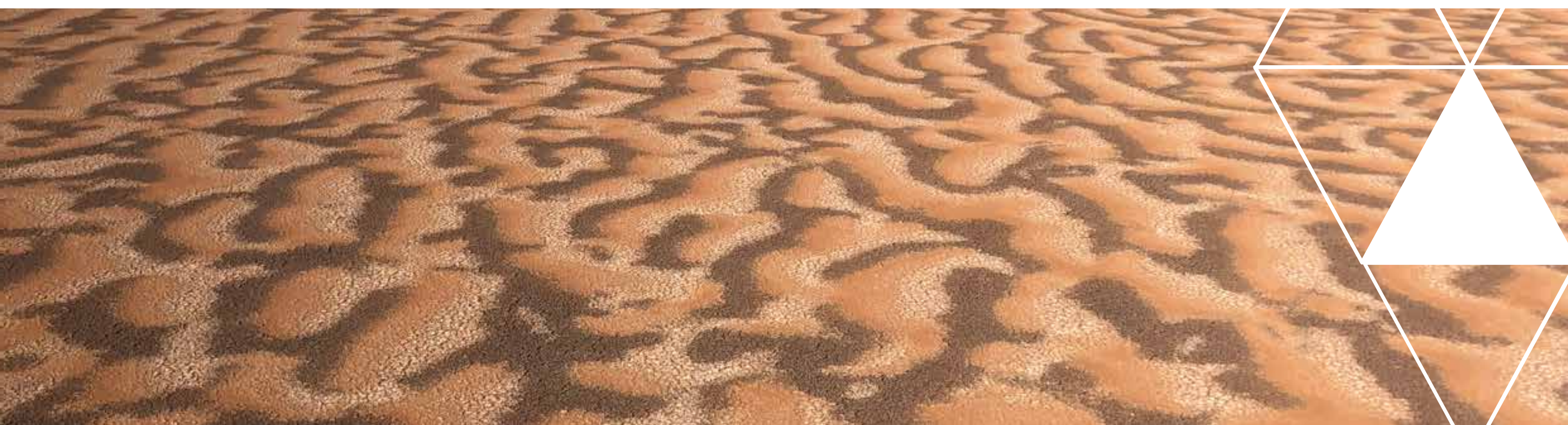
Production targets and operating costs may be affected by a variety of factors, including the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, 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.

No assurance can be given that the assumptions in respect to the bankable feasibility study and subsequent results in respect to the Front-End Engineering and Design works undertaken (refer to the ASX announcements dated 18 September 2018 and 4 March 2019), including in respect to the production target ramp up from 90ktpa to 180ktpa, will be achieved. Failure to achieve any of these key assumptions, including 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. Although the Company has received a credit approved offer of finance from German KfW IPEX-Bank (KfW) and Euler Hermes Aktiengesellchaft (Hermes) (refer to the ASX announcements dated 2 July 2019 and 19 July 2019) and an investment decision from the Board of the Northern Australia Infrastructure Facility (NAIF) in respect to a loan package (refer to the ASX announcement dated 20 February 2019), the financing arrangements remain subject to the execution of formal binding documentation.

It is anticipated that these financing arrangements will be contingent on certain restrictions on the Company, including in respect to future financing and operating activities. If these conditions are not satisfied or certain events occur, the Company may be unable to draw down on these facilities and/or the financiers may have the right to terminate the arrangement. Any such event will have an adverse impact on the Company's financial condition and operating activities.



KEY RISKS

Commodity price volatility

If the Company achieves success leading to production, the revenue the Company will derive through the sale of sulphate of potash product (SOP Product) exposes the Company to commodity price and exchange rate risk (see below). 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.

If the Company achieves development success which leads to viable production, its financial performance will be highly dependent on the prevailing commodity prices and exchange rates. These factors can affect the value of the Company's assets and the supply and demand characteristics of potash and may have an adverse effect on the viability of the Company's development and production activities, its ability to fund those activities and the value of its assets.

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.

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.

There is also a risk that the associated commissioning and ramp up (refer below for further details) may take longer than planned and that costs may be higher than anticipated.

The Company will endeavour to take appropriate action to mitigate these risks or to insure against them, but the occurrence of an event that results in project delays and/or costs overruns may have a material adverse effect on the Company's performance and the value of its assets.

Operational risks

If the Beyondie Potash Project achieves production, during the production ramp up and operational phase of the Beyondie Potash Project, there is a risk that difficulties may arise as part of the processing and production of the SOP Product, including failures in plant and equipment, difficulties in obtaining and importing replacement equipment, spares or necessary consumables in a timely or cost effective manner.

Other risks during the production ramp up and operational phase include, and are not limited to, weather, availability of materials, availability, continuity and productivity of skilled and experienced workers and contractors, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in costs of labour.

Although the Company has completed the Front-End Engineering and Design optimisation works in respect to the Beyondie Potash Project, there is no certainty that the production ramp up process will not uncover failures or deficiencies in processes, systems, plant and equipment required for the Beyondie Potash Project, and addressing such failures or deficiencies may result in the Company incurring unexpected costs and production ramp-up delays. Any of these outcomes could have a material adverse impact on the Company's results of operation and financial performance.

Any inability to resolve any unexpected problems relating to these operational risks or adjust costs profiles on commercial terms could adversely impact continuing operations, production targets, Mineral Resources and Ore Reserves estimates and the assessment of recoverable amount of the Company's assets. As stated in this document, production guidance and targets are subject to assumptions and contingencies which are subject to change as operations performance and market conditions change or other unexpected events arise.

Offtake

The Company has entered into an offtake agreement with German fertiliser producer and distributor K+S. Risks associated with the offtake agreement include, but are not limited to, rising contract prices (as pricing under the offtake agreement is linked to the sales price realised by K+S), disputes regarding variations and extensions of time and costs, all of which may give rise to delays and/or increased costs. If any of these risks materialise, this could have a material adverse impact on the Company's profitability, financial performance and position.

Further, if and when the Beyondie Potash Project commence operations, if K+S, being the Company's only offtake party, reneged on its contractual obligations or otherwise failed to pay for the SOP Product delivered, or decline to receive further product, this would have a consequential effect on the Company's financial position. If this occurs, there is a risk that future offtake contracts may not be negotiated on favourable terms.

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.

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 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.

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 Environmental and Energy (EPBC), Department of Mines and Petroleum (DMIRS), Department of Water and Environmental Regulation (DWER) plus many other agencies, and on-going approvals required, 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.

KEY RISKS

Evaporation pond design

The Company has undertaken a large scale pilot evaporation pond program to enhance its understanding of 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.

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 commodity and lack of operational 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 activities are dependent upon the maintenance (including renewal) of the tenements in which the Company has or acquires an interest. Maintenance of the Company's tenements is dependent on, among other things, the Company's ability to meet the licence conditions imposed by relevant authorities including compliance with the Company's work program requirements, which in turn, is dependent on the Company being sufficiently funded to meet those expenditure requirements.

Although the Company has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant granting authority.

Exploitation, exploration and mining licences

The Company has been granted two Mining Leases, various miscellaneous licences and exploration licences. The Company's activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licenses and leases, which may be withdrawn or made subject to limitations.

The maintaining of licences and leases, obtaining renewals, or getting licences and leases granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licences and tenements, leases, permits or consents it holds will be renewed as and when required.

There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

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 mining and 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.

DIRECTOR'S REPORT

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2019.

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** (resigned 26 April 2019)
Stephen Dennis	**Non-Executive Director** (appointed 26 April 2019)

Directors' Qualifications and Experience

The Directors' qualifications and experience are set out below:

Malcolm Randall

NON-EXECUTIVE CHAIRMAN

Malcolm Randall, (Bachelor of Applied Chemistry; Fellow of the Australian Institute of Company Director), has more than 45 years of extensive experience in corporate, management and marketing in the resources sector, including more than 25 years with the Rio Tinto group of companies.

With many roles as a company director and a chairman Malcolm Randall's experience extends over a broad range of commodities including iron ore, base metals, uranium, mineral sands and coal, both in Australia and overseas.

Malcolm Randall's list of previous ASX listed company directorships comprises Consolidated Minerals Limited, Titan Resources Limited, Northern Mining Limited, Iron Ore Holdings Limited, MZI Resources Limited, Summit Resources Limited and United Minerals Corporation NL.

Malcolm Randall is also a director on the Boards of Ora Gold Limited, Argosy Minerals Limited, Hastings Technology Metals and Magnetite Mines 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 multi-billion-dollar complex developments. He has been responsible for environmental permitting and approvals, heritage, native title negotiations, external relations, as well as tenure management. Brett has also been involved in numerous mergers, acquisitions and due diligence reviews in recent years.

Rudolph van Niekerk

EXECUTIVE DIRECTOR

Rudolph van Niekerk (B.Eng. Mechanical GAICD) is a professional in the mining and resources industry with more than 15 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 (RESIGNED 26 APRIL 2019)

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.

Stephen Dennis

NON-EXECUTIVE DIRECTOR (APPOINTED 26 APRIL 2019)

Mr Stephen Dennis (B Com, LLB GDipAppFin (FINSIA)) has a career spanning more than 30 years as an experienced and well regarded company director and has been appointed on a number of senior boards in the Australian and international resources sector.

Mr Dennis was the Managing Director and Chief Executive Officer of CBH Resources Limited and is currently the non-executive chairman of several ASX listed resource companies, including Heron Resources Limited, Rox Resources Limited, EHR Resources Limited and Graphex Mining Limited.

He has also held senior operational and commercial positions in MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.

Chris Achurch

CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

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

Gareth Widger

JOINT COMPANY SECRETARY AND CORPORATE AFFAIRS MANAGER

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

MEETINGS OF DIRECTORS

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings Held	**10**	**2**	**2**	**3**
Number of Meetings Attended:				
Malcolm Randall	9	2	2	3
Brett Hazelden	10	2	2	3
Rudolph van Niekerk	9	2	1	1
Brendan O'Hara	9	2	1	2
Stephen Dennis	1	-	1	1

All Directors were eligible to attend all Board Meetings held.

SHARE OPTIONS

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

- 3,500,000 unlisted options for ordinary shares at an exercise price of $0.25 each (expiring 16 December 2019)
- 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 16 January 2020)
- 1,000,000 unlisted options for ordinary shares at an exercise price of $0.525 (expiring 17 May 2021)
- 5,000,000 unlisted options for ordinary shares at an exercise price of $0.50 (expiring 30 June 2025 and escrowed until 26 October 2019)

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

- 2,059,641 shares were issued to directors of the Company as a result of the exercise of options during the financial year (Note 15), and
- 1,350,000 shares were issued to directors of the Company as a result of the exercise of performance rights during the financial year (Note 15).

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

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the shares, options over shares and performance rights 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*	-	1,713,207	-	-	2,000,000	-
Brett Hazelden	-	14,719,066	-	-	-	-
Rudolph van Niekerk	-	3,615,600	-	-	-	-
Brendan O'Hara **	-	1,025,618	-	-	-	-
Stephen Dennis ***	-	-	-	-	-	-

	Number of Performance Rights	
	Directly	Indirectly
Malcolm Randall	-	-
Brett Hazelden	-	3,150,000
Rudolph van Niekerk	-	900,000
Brendan O'Hara **	-	-
Stephen Dennis ***	-	-

* This includes 200,000 shares issued subsequent to the reporting date in accordance with the Entitlement Offer and Placement, which raised a total of A$72,000,000 before costs as announced to the market on the 19 August 2019.
** Brendan O'Hara resigned as Director on 26 April 2019. Totals represent the holdings of Ordinary Shares and Options on the date of resignation.
*** Stephen Dennis was appointed as Director on 26 April 2019.

REMUNERATION REPORT

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2019. 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 2019.

Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors based on market practices, duties and accountability. Independent external advice is sought when required. The fees paid to Non-Executive Directors are reviewed annually. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting ("AGM") or any other General Meeting of Shareholders. The maximum aggregate amount of fees payable is currently $500,000.

Use of Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. The Board did seek external remuneration advice in 2019.

Remuneration Report Approval at FY2019 AGM

The remuneration report for the year ended 30 June 2019 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 regard to the circumstances in which the securities may be sold to satisfy a margin call).

A. Details of Remuneration

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

	Short-term benefits		Post-employment benefits	Share-based payments		
	Year	Cash salary, fees and other benefits $	Superannuation[1] $	Performance rights $	Equity-settled options $	Total $
Non-Executive Directors						
Malcolm Randall	**2019**	**65,000**	**6,175**	**-**	**-**	**71,175**
	2018	75,000	5,700	-	-	80,700
Brendan O'Hara	**2019*****	**39,583**	**3,761**	**-**	**-**	**43,344**
	2018	56,249	4,394	-	-	60,643
Stephen Dennis	**2019******	**8,840**	**840**	**-**	**-**	**9,680**
	2018	-	-	-	-	-
Executive Directors						
Brett Hazelden	**2019**	**290,000**	**25,254**	**-**	**-**	**315,254**
	2018	306,125	25,000	-	-	331,125
Rudolph van Niekerk	**2019**	**267,366**	**25,000**	**-**	**-**	**292,366**
	2018	275,000	23,750	-	-	298,750
KMP						
Chris Achurch	**2019**	**165,000**	**15,675**	**-**	**115,659**	**296,334**
Chris Achurch	2018**	20,731	1,969	-	13,942	36,642
Frederick Kotzee	2018*	132,196	12,001	-	-	144,197
Total	**2019**	**835,789**	**76,705**	**-**	**115,659**	**1,028,153**
Total	2018	865,301	72,814	-	13,942	952,057

(*) 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 during the reporting period.
(***) Brendan O'Hara resigned as Director on 26 April 2019.
(****) Stephen Dennis was appointed as Director on 26 April 2019.

[1] *Includes superannuation payment in Australia and any voluntary fee sacrifice to superannuation.*

B. Service Agreements

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

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

- An annual salary of $290,000 excluding superannuation for the financial year ended 30 June 2019;
- Brett may terminate the agreement by giving 6 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 12 months' notice in writing to Brett (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Brett, in which case no notice is required). During this 12-month period, Brett cannot seek alternative employment, unless permission is granted by the Board; and
- If Brett's employment ends due to the position being made redundant, Brett will be entitled to a minimum of 12 months of base salary.

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

- An annual salary of $265,000 excluding superannuation for the financial year ended 30 June 2019;
- Rudolph may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Rudolph (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Rudolph, in which case no notice is required); and
- Rudolph is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

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

- An annual salary of $165,000 excluding superannuation for the financial year ended 30 June 2019;
- Chris may terminate the agreement by giving 3 months' notice in writing to the Company;
- The Company may terminate the agreement (without cause) by giving 3 months' notice in writing to Chris (or make payment in lieu of notice), unless the Company is terminating as a result of a serious misconduct (or on other similar grounds by Chris, in which case no notice is required);
- If Chris's employment ends due to the position being made redundant, Chris will be entitled to a minimum of 6 months of base salary; and
- Chris is subject to non-compete restrictions during his employment and for a maximum period of 9 months following termination of his employment.

DIRECTOR'S REPORT

C. Share Based Payments

The following table sets out the details of unlisted share option movements during the year ended: **30 June 2019.**

	Balance at 30 June 2018	Grant Date	Exercise Price	Expiry Date	Granted as Remuneration	Fair Value per Option at Grant Date	Exercised	Expired	Balance at 30 June 2019
Non-Executive Directors									
Malcolm Randall	**4,000,000**	16-Dec-16	$0.25	16-Dec-19	-	$0.089	(2,000,000)	-	**2,000,000**
Brendan O'Hara	**2,000,000**	16-Dec-16	$0.25	16-Dec-19	-	$0.089	(2,000,000)	-	**
Stephen Dennis* **	-	-	-	-	-	-	-	-	**-**
Executive Directors									
Brett Hazelden	-	-	-	-	-	-	-	-	**-**
Rudolph van Niekerk	-	-	-	-	-	-	-	-	**-**
KMP									
Chris Achurch (CFO)*	**1,000,000**	17-May-18	$0.525	17-May-21	1,000,000	$0.173	-	-	**1,000,000**
Total	**7,000,000**						**(4,000,000)**		**3,000,000**

(*) 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 during the reporting period.
(**) Brendan O'Hara resigned on 26 April 2019. On his date of resignation, Brendan had exercised all his options.
(***) Stephen Dennis was appointed on 26 April 2019.

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

	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**

The following table sets out the details of performance rights movements during the year ended: **30 June 2019.**

	Balance at 30 June 2018	Grant Date	Expiry Date	Granted as Remuneration	Fair Value of Performance Right at Grant Date	Exercised	Balance at 30 June 2019
Non-Executive Directors							
Malcolm Randall	-	-	-	-	-	-	-
Brendan O'Hara	-	-	-	-	-	-	-
Stephen Dennis	-	-	-	-	-	-	-
Executive Directors							
Brett Hazelden	**4,200,000**	02-Sep-16	02-Sep-21	-	$0.15	(1,050,000)	**3,150,000**
Rudolph van Niekerk	**1,200,000**	02-Sep-16	02-Sep-21	-	$0.15	(300,000)	**900,000**
KMP							
Chris Achurch	-	-	-	-	-	-	-
Total	**5,400,000**	**-**	**-**	**-**	**-**	**(1,350,000)**	**4,050,000**

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**

D. <u>Interest in Shares</u>

The following table sets out the details of ordinary share movements during the year ended: **30 June 2019.**

	Balance at 30 June 2018 (No. of Shares)	Additions	Disposals	Performance Rights/Options Exercised (No. of Shares)	Received Remuneration (No. of Shares)	Balance at 30 June 2019 (No. of Shares)
Malcolm Randall	**479,184**	-	-	1,034,023	-	**1,513,207**
Brendan O'Hara *	**-**	-	-	1,025,618	-	*****
Stephen Dennis **	**-**	-	-	-	-	**-**
Brett Hazelden	**13,669,066**	-	-	1,050,000	-	**14,719,066**
Rudolph van Niekerk	**3,315,600**	-	-	300,000	-	**3,615,600**
Chris Achurch	**-**	2,000	-	-	-	**2,000**
Total	**17,463,850**	**2,000**	**-**	**3,409,641**	**-**	**19,849,873**

(*) Brendan O'Hara resigned as Director on the 26 April 2019. The above table represents holdings and movements up to the date of resignation.
(**) Stephen Dennis was appointed as Director on 26 April 2019.

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**

Other Director and KMP Transactions

There were no other transactions relating to Directors and KMP's during the FY2019 period.

Additional Information

The earnings of the Consolidated Entity for the five years to 30 June 2019 are summarised below:

	2019 $	2018 $	2017 $	2016 $	2015 $
Revenue	1,705,960	4,261,759	2,519,040	849,748	849,765
EBITDA	**(11,469,093)**	(10,696,683)	(5,917,009)	(3,645,685)	(1,464,114)
EBIT	**(11,885,909)**	(10,900,473)	(5,952,926)	(3,647,069)	(1,464,114)
Loss after income tax	**(11,762,018)**	(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 ($)	**$0.59**	**$0.54**	**$0.36**	**#**	**-**
Total dividends declared (cents per share)	**-**	**-**	**-**	**-**	**-**
Basic and diluted earnings per share (cents per share)	**(6.15)**	**(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 the exploration and mining of mineral resources.

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2019 was $11,762,018 (2018: $10,757,324 loss), primarily as a result of exploration and development of the Beyondie Project.

CORPORATE

In late July 2018 Kalium Lakes Limited and BCI Minerals Limited (BCI), the owners of the Carnegie Potash Project (CPP) via the Carnegie Joint Venture (CJV), announced the completion of the Scoping Study and a maiden Resource and Exploration Target for the CPP in Western Australia.

The results of the Beyondie Sulphate of Potash Project (BSOPP), Bankable Feasibility Study with an updated Ore Reserve were released on 18 September 2018, confirming the project is technically and financially robust, with production anticipated in 2020.

In late October 2018, Kalium Lakes entered into an agreement with AIC Resources Limited (AIC) to acquire a portion of AIC's tenement E69/3247 and lodged a new tenement application in respect of the land acquired, being the application for 10 Mile Lake West (E69/3594). The new tenement is located adjacent to the BSOPP tenements and the grant of the new tenement was subject to the usual statutory processes. The consideration paid to AIC for the new area was 5 million fully paid ordinary Shares and 5 million Options to acquire Shares in KLL. The Shares and Options issued to AIC are subject to a 12-month escrow period from the date of issue. The Options have an exercise price of $0.50 each and will expire on 30 June 2025.

During November 2018 the company received confirmation that the Department of Mines, Industry Regulation and Safety (DMIRS), under delegation from the Minister for Mines and Petroleum (under section 10(1) of the Petroleum Pipelines Act 1969), had granted licence PL117 to construct and operate a pipeline for the conveyance of petroleum and for associated purposes along the authorised route. The Company then held its Annual General Meeting on 21 November 2018, having released its Annual Report to shareholders one month earlier in October 2018.

On 17 December 2018 KLL announced that it had successfully completed a bookbuild for its placement of 9,053,083 new fully paid ordinary shares in the Company at an issue price of $0.31 per Share to both new and existing, domestic and overseas institutional, sophisticated and professional investors to raise $2,806,456.

January 2019 saw the Company announce it had identified Front End Engineering and Design (FEED) optimisation and improvements, followed by the advice that it had received approval in accordance with Part 9 of the Environment Protection and Biodiversity Conservation Act 1999 from the Commonwealth Department of the Environment and Energy.

The following month, in February 2019, Kalium Lakes announced that all of the required Mining Tenure for the BSOPP had been granted by the Department of Mines, Industry Regulation and Safety; the Board of the Northern Australia Infrastructure Facility (NAIF) had made an Investment Decision to support the development of the Project by providing long-term debt facilities totalling up to A$74 million; and the passing of all resolutions at the General Meeting held on 27 February 2019.

An announcement advising the FEED works had been completed was made on 4 March 2019 and two weeks later, on 19 March 2019, KLL announced that it had agreed a non-binding term sheet with German bank (KfW IPEX-Bank) to provide approximately A$102 million of senior debt funding for the development of the BSOPP.

On 26 March 2019, Kalium Lakes then announced the latest in a series of global associations by entering into a Binding Offtake Agreement with K+S. The Agreement included the important fact that there will be an initial 10-year term to provide K+S with 90,000tpa of SOP products, representing 100% of the anticipated production from Phase 1 of the Beyondie Sulphate of Potash Project.

Greenstone Resources agreed to make a $20.8 million cornerstone investment in the Company which was announced on 3 April 2019 and the Environmental Protection Authority of Western Australia recommended that the BSOPP receive ministerial approval on 8 April 2019.

Later in April 2019, KLL announced the appointment of Mr Stephen Dennis as a Non-Executive Director of the Company and following the completion of the formal process to appoint Mr Dennis, Mr Brendan O'Hara advised of his decision to step down from his role as a Director.

The results of a General Meeting ratifying the issue of shares to Greenstone Resources and the re-election of Mr Stephen Dennis to the Board were announced following the 21 May 2019 General Meeting.

On 23 May 2019, Kalium Lakes announced that a number of key purification plant contracts had been awarded, then in mid-June the Company advised that the Western Australian Environment Minister had approved the implementation of the Project.

In the last two weeks of the financial year, on 20 June and 28 June 2019 respectively, the Company announced the award of the key haulage and port contract to Toll Mining Services, which was then followed by the award of two contracts, the first being the gas supply contract to Shell Energy Australia Pty Ltd and the second the award of the gas transport and delivery contract to the APA Group.

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 development of the Beyondie Sulphate of Potash Project (BSOPP), of which early works construction continues as at the date of this report. In addition, the Consolidated Entity will continue to progress the development of the Carnegie Project, in accordance with the terms of the joint venture agreement.

ENVIRONMENTAL REGULATIONS

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

DIVIDENDS

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

- As announced to the market on the 6 September 2019, the Company was granted Major Project Status, by the Australian Federal Government, recognising the Beyondie Sulphate of Potash Projects strategic significance to Australia;

- As announced to the market on the 27 August 2019, a credit approved offer was received from Westpac for a A$15 million working capital and hedging facility;

- Entitlement offer and Placement, raising a total of approximately A$72 million before costs was successfully completed by the Company, as announced to the market on the 19 August 2019;

- 10 Mile Lake West tenement granted, with the consent of the traditional owners of the area, the Gingirana People. Strategically located next to the Company's granted Mining Lease, processing facilities and infrastructure, allowing future potential to extend trench and bore network for brine extraction. The new tenement is contiguous with the current delineated lake surface and paleochannel mineral resources and ore reserves, with SOP concentrations increasing into the new tenement, as announced to the market on the 1 August 2019;

- Credit approved offer of finance received from German KfW IPEX-Bank for A$102 million of senior debt funding for the Beyondie SOP Project. These facilities are in addition to the A$74 million NAIF loan package approved earlier in February 2019, and

- As announced to the market on the 19 July 2019, the German Government export credit agency, Euler Hermes, reached a positive decision regarding the Company's application for project finance export credit cover. Approximately A$50 million of the A$176 million credit approval loan package will be guaranteed by Euler Hermes.

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*.

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*.

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Brett Hazelden
Managing Director

12 September 2019

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

INDEPENDENT AUDITOR'S DECLARATION

RSM Australia Partners

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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 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

Perth, Western Australia
12 September 2019

D J WALL
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019	Note	30 June 2019 $	30 June 2018 $
Revenue			
Other income	3	**1,705,960**	4,261,759
Expenditure			
Accounting fees		**(135,214)**	(134,321)
Compliance fees		**(116,890)**	(73,173)
Depreciation		**(416,816)**	(203,790)
Directors and executive remuneration	22	**(912,494)**	(938,115)
Employee expenses		**(1,141,245)**	(1,402,405)
Exploration expenditure		**(4,976,077)**	(10,589,212)
Legal fees		**(1,209,522)**	(83,008)
Share based payment expense	5	**(2,954,557)**	(13,942)
Travel expenses		**(441,189)**	(702,561)
Other expenses	4	**(1,163,974)**	(878,556)
Loss before tax		**(11,762,018)**	(10,757,324)
Income tax expense	6	**-**	-
Net loss for the year from operations		**(11,762,018)**	(10,757,324)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive loss for the year		**(11,762,018)**	(10,757,324)
Loss attributable to:			
Owners of the parent		**(11,762,018)**	(10,757,324)
		(11,762,018)	(10,757,324)
Total comprehensive loss attributable to:			
Owners of the parent		**(11,762,018)**	(10,757,324)
		(11,762,018)	(10,757,324)
Basic and diluted loss per share (cents)	8	**(6.15)**	(6.95)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**15,467,180**	7,671,286
Trade and other receivables	10	**2,717,996**	4,230,158
Total Current Assets		**18,185,176**	11,901,444
Non-Current Assets			
Property, plant and equipment	11	**2,061,425**	1,865,404
Work in progress	12	**6,947,206**	-
Mine in development		**643,725**	-
Total Non-Current Assets		**9,652,356**	1,865,404
Total Assets		**27,837,532**	13,766,848
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**4,372,422**	3,751,621
Provisions	14	**681,776**	337,438
Total Current Liabilities		**5,054,198**	4,089,059
Total Liabilities		**5,054,198**	4,089,059
Net Assets		**22,783,334**	9,677,789
EQUITY			
Contributed equity	15	**53,053,533**	29,265,527
Reserves	16	**3,249,635**	2,170,078
Accumulated losses	17	**(33,519,834)**	(21,757,816)
Total Equity		**22,783,334**	9,677,789

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019	Contributed Equity $	Reserves $	Accumulated losses $	Total $
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**
Balance at 1 July 2018	**29,265,527**	**2,170,078**	**(21,757,816)**	**9,677,789**
Loss for the year	-	-	(11,762,018)	(11,762,018)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(11,762,018)	(11,762,018)
Transactions with owners in their capacity as owners:				
Shares issued during the year	23,620,913	-	-	23,620,913
Security issue expenses	(1,707,907)	-	-	(1,707,907)
Share based payments	1,875,000	1,079,557	-	2,954,557
Balance at 30 June 2019	**53,053,533**	**3,249,635**	**(33,519,834)**	**22,783,334**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Receipts from operations		**3,994,886**	2,201,604
Payments to suppliers and employees		**(5,180,615)**	(4,170,410)
Payment for exploration and evaluation assets		**(8,250,977)**	(9,019,369)
Payment for Mine Development		**(4,500,000)**	-
Net cash (used in) operating activities	19	**(13,936,706)**	(10,988,175)
Cash flows from investing activities			
Interest received		**123,462**	130,341
Payments for plant and equipment		**(303,868)**	(1,358,383)
Net cash (used in) investing activities		**(180,406)**	(1,228,042)
Cash flows from financing activities			
Proceeds from equity issues		**23,620,376**	14,600,654
Payment for costs of equity issues		**(1,707,370)**	(854,942)
Net cash provided by financing activities		**21,913,006**	13,745,712
Net increase in cash held		**7,795,894**	1,529,495
Cash and cash equivalents at beginning of the financial year		**7,671,286**	6,141,791
Cash and cash equivalents at year end	9	**15,467,180**	7,671,286

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. *Corporate information*

This annual report covers Kalium Lakes Limited (the "Company"), a company incorporated in Australia, and the entities it controlled at the end of, or during, the year ended 30 June 2019 (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.

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

AASB 9 Financial Instruments
The Company has adopted AASB 9 from 1 July 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, 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 use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime

2. Accounting policies (continued)

ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
AASB 9 and AASB 15 were adopted using modified retrospective approach an as such comparatives have not been restated. There was no impact on adoption.

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 2019. 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 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

2. *Accounting policies (continued)*

and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity has made an assessment and determined that the impact of this standard will not be material to the financial statements.

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 2019 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 20.

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

2. Accounting policies (continued)

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.

<u>Current and non-current classification</u>
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.

<u>Joint operations</u>
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.

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

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

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

When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision

2. *Accounting policies (continued)*

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.

Mine in Development
Costs will 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. Upon the satisfaction of either of these limbs, mine development expenditure incurred by, or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

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.

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

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

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

	30 June 2019 $	30 June 2018 $
3. *Other income*		
Foreign exchange gain	**35,331**	68,425
Other income	**159,313**	182,176
Interest income	**123,891**	143,149
Research and development tax offset - International	**281,094**	1,660,634
Research and development tax offset - Domestic	**1,106,331**	2,207,375
	1,705,960	4,261,759

Accounting policy:

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

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

	30 June 2019 $	30 June 2018 $
4. *Other expenses*		
Bank charges	**4,245**	3,978
Insurance	**122,622**	33,826
Subscriptions	**16,125**	62,813
Other consultants	**397,989**	350,803
Head office and administration	**622,993**	427,136
	1,163,974	878,556

	30 June 2019 $	30 June 2018 $
5. *Share based payment expense*		
Unlisted options to executive – vesting over multiple periods *	**115,659**	13,942
Acquisition of tenements (options) **	**963,898**	-
Acquisition of tenements (shares) **	**1,875,000**	-
	2,954,557	13,942

Year ended 30 June 2019: Entity issued the following Options:

- * 1,000,000 Options issued to KMP (CFO) in the prior year, with a fair value of $173,488 and a vesting period of 18 months. Amount recognised as an expense during the financial year ended 30 June 2019 was $115,659 (2018: $13,942). The total fair value will continue to be recognised over the remaining vesting period.
- ** Issue of 5,000,000 fully paid ordinary shares and 5,000,000 unlisted options for acquisition of tenements adjacent to the Consolidated Entity's existing tenements, from AIC Resources, as announced to the market on the 29 October 2018. The unlisted options had a grant date of 26 October 2018 and are escrowed until 26 October 2019, each with an exercise price of $0.50 and expiring on 30 June 2025. These options vested immediately.

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.

5. *Share based payment expense (continued)*

(i) Set out below are summaries of options granted and outstanding at 30 June 2019:

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	(4,000,000)*	-	2,000,000
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**	**-**	**-**	**3,500,000**
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**	**-**	**-**	**5,674,818**
AIC Resources	29-10-18	30-06-25	5,000,000	-	-	5,000,000
30 June 2019			**16,174,818**	**(5,500,000)**	**-**	**10,674,818**

(*) See Note 15 for unlisted options exercised into ordinary shares during the financial year ended 30 June 2019.

Options issued 1 July 2018 to 30 June 2019:

	AIC Resources
Stock Price	$0.375
Exercise Price	$0.50
Expiry Period	6.67 Years
Expected future volatility	58%
Risk free rate	2.20%
Dividend yield	0%
Amount of Options	5,000,000
Fair value of Options	$963,898 *

* Note 16

5. ***Share based payment expense (continued)***

Options issued 1 July 2017 to 30 June 2018:

Assumptions	Directors	Officers	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 (Note 16).

Accounting policy:

Equity settled compensation

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

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

5. *Share based payment expense (continued)*

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.

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:

	30 June 2019 $	30 June 2018 $
Loss before Income tax	**(11,762,018)**	(10,757,324)
Prima facie benefit on operating loss at 27.5% (2018: 27.5%)	**3,234,555**	2,958,264
Non allowable expenditure	**(1,195,872)**	(1,257,604)
Unrecognised deferred tax assets attributable to tax losses	**(2,038,683)**	(1,700,660)
Income tax expenses	**-**	-
Tax losses available	**15,523,825**	8,110,433

A potential deferred tax asset, attributable to tax losses carried forward, amounts to approximately $4,269,052 (2018: $2,230,369) and has not been brought to account at reporting date because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss incurred;
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the loss incurred.

6. *Income tax expense (continued)*

Accounting policy:

Income tax

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

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

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

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

Goods and services and sales tax

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

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

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

	30 June 2019 $	30 June 2018 $
7. *Auditor's remuneration*		
Audit and review of the financial report	**40,250**	38,000
Research and development tax	**53,503**	29,464
Taxation and technical advice services	**41,461**	61,067
	135,214	128,531

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.

	30 June 2019
Basic loss per share (cents per share)	(6.15)
Diluted loss per share (cents per share)	(6.15)
Net loss attributable to ordinary shareholders ($)	**(11,762,018)**
Weighted average number of ordinary shares used in the calculation of basic loss per share	191,370,743
Weighted average number of ordinary shares used in the calculation of diluted loss per share	191,370,743

Accounting policy:

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

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

	30 June 2019 $	30 June 2018 $
9. *Cash and cash equivalents*		
Cash at bank *	**10,454,090**	4,157,744
Cash on deposit	**5,013,090**	3,513,542
	15,467,180	7,671,286

(*) Includes EURO 520,918; AUD $844,927 (2018: 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 2019 $	30 June 2018 $
10. *Trade and other receivables*		
Current		
GST refundable	**803,095**	306,434
Prepayments	**419,947**	16,382
Research and development tax offset	**1,387,425**	3,868,009
Accrued interest	**26,100**	25,671
Fuel rebate	**81,429**	13,662
	2,717,996	4,230,158

Allowance for expected credit losses

The Consolidated Entity has not recognised any loss (Nil 2018) in respect of expected credit losses, for the year ended 30 June 2019

10. *Trade and other receivables (continued)*

Accounting policy:

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

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

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

11. *Property, plant and equipment*

	Exploration Equipment $	Office Equipment $	Motor Vehicles $	Leasehold Improvements	Rehabilitation asset	Computer Software	Total $
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
Additions	125,722	4,976	71,811	-	308,969	101,359	612,837
Depreciation	(361,140)	(8,116)	(40,728)	(6,832)	-	-	(416,816)
Carrying value 30 June 2019	**1,246,808**	**11,181**	**148,730**	**-**	**553,347**	**101,359**	**2,061,425**

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

Accounting policy:

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

Exploration equipment:	20%
Office equipment:	33%
Motor vehicles:	20%
Leasehold Improvements:	50%
Computer Software	33%
Rehabilitation asset:	*

(*) Rehabilitation asset and the corresponding provision (Note 14), 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.

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 2019 $	30 June 2018 $
12. Work in progress		
Brine supply and ponds	**2,702,415**	-
Purification facility	**2,302,125**	-
Village accommodation	**1,152,135**	-
Access road	**332,621**	-
Other infrastructure	**457,910**	**-**
	6,947,206	**-**

12. Work in progress (continued)

Greenstone Resources made a A$20.8 million cornerstone equity investment in the Consolidated Entity, as announced to the market on the 3 April 2019. This investment allowed the Consolidated Entity to expand its early works program and include the purchase of long lead items, pond construction and key infrastructure. The investment by Greenstone was undertaken in two tranches, with the transaction being completed on the 23 April 2019. After the successful completion of the Greenstone investment in the Consolidated Entity, and as a result of the purpose of the funds being to fast track early works, the Consolidated Entity used this as a trigger to commence capitalising costs into two key categories, Mine Development Expenditure and Work in Progress.

13. *Trade and other payables*

	30 June 2019 $	30 June 2018 $
Current		
Accounts payable	**3,472,370**	3,285,903
Other payables	**21,531**	117,683
Accrued expenses	**878,521**	348,035
	4,372,422	3,751,621

Accounting policy:

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

14. *Provisions*

Current		
Employee entitlements	**128,429**	93,060
Rehabilitation	**553,347**	244,378
	681,776	337,438

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.

14. ***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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. *Contributed equity*

	30 June 2018/2019 No.	$
Balance at 1 July 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**
Conversion of Performance rights: 17-Oct-18 (i)	5,000,000	-
Issue of shares for tenement acquisition: 26-Oct-18	5,000,000	1,875,000
Placement: 21-Dec-18	7,440,179	2,306,455
Placement: 01-Mar-19	1,612,904	500,000
Exercise of options - Directors: 14-Mar-19 (ii)	254,110	-
Exercise of options - Directors: 21-Mar-19 (iii)	240,017	-
Exercise of options - Directors: 04-Apr-19 (iv)	704,036	-
Exercise of options - Officers: 04-Apr-19 (iv)	754,326	-
Placement: 09-Apr-19	18,904,487	8,317,974
Exercise of options - Directors: 18-Apr-19 (v)	861,478	-
Placement: 23-Apr-19	28,401,101	12,496,484
Share issue costs	-	(1,707,907)
Balance at 30 June 2019	**238,966,103**	**53,053,533**

(i) 1,350,000 of the 5,000,000 performance rights were exercised by Directors of the Company.
(ii) 550,000 options exercised by a Director of the Company.
(iii) 500,000 options exercised by a Director of the Company.
(iv) 1,400,000 options exercised by Directors and 1,500,000 by Officers of the Company.
(v) 1,550,000 options exercised by Directors of the Company.

15. *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2019 $	30 June 2018 $
16. *Reserves*		
Options reserve **(i)**	**2,049,635**	970,078
Performance rights reserve **(ii)**	**1,200,000**	1,200,000
	3,249,635	2,170,078

Movements in reserves

(i) Options reserve	**No of Options**	**Value $**
Balance at 1 July 2017	**9,000,000**	**808,500**
New options issued and vested		
Unlisted advisor options – security issue expenses	**330,882**	57,276
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**
Options issued in prior year and vesting over 18 months		
Unlisted KMP options	**-**	**115,659**
New options issued and vested		
Issue of options for tenement acquisition: 26-Oct-18 **	**5,000,000**	**963,898**
Options exercised		
Exercise of options into shares by a Director: 14-Mar-19	**(550,000)**	**-**
Exercise of options into shares by a Director: 21-Mar-19	**(500,000)**	**-**
Exercise of options into shares by Directors: 4-Apr-19	**(1,400,000)**	**-**
Exercise of options into shares by Officers: 4-Apr-19	**(1,500,000)**	**-**
Exercise of options into shares by Directors: 18-Apr-19	**(1,550,000)**	**-**
Balance at 30 June 2019	**10,674,818**	**2,049,635**

(*) 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.

(**) Issue of 5 million fully paid ordinary shares and 5 million unlisted options for acquisition of tenements adjacent to the Consolidated Entity's existing tenements, from AIC Resources, as announced to the market on the 29 October 2018. The unlisted options had a grant date of 26 October 2018 and are escrowed until 26 October 2019, each with an exercise price of $0.50 and expiring on 30 June 2025. These options vested immediately.

16. *Reserves (continued)*

(ii) Performance rights	Value $
Balance at 30 June 2017	1,200,000
Balance at 30 June 2018	1,200,000
Balance at 30 June 2019 *	1,200,000

(*) 5,000,000 performance rights were converted into shares on 17 October 2018 (Note 15). The Company has elected not to recognise a transfer from Reserves into Issued Capital, although the number of performance rights on issue has reduced from 20,000,000 as at 30 June 2018 to 15,000,000 at 30 June 2019, and correspondingly the number of shares on issue also increased on the date of conversion, by 5,000,000 (Note 15).

	30 June 2019 $	30 June 2018 $
17. *Accumulated losses*		
Balance at beginning of year	**(21,757,816)**	(11,000,492)
Loss after tax attributable to the equity holders of the parent entity during the year	**(11,762,018)**	(10,757,324)
Balance at end of year	**(33,519,834)**	(21,757,816)

18. *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 and development of minerals in Australia.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. *Reconciliation of cashflows from operating activities*

	30 June 2019 $	30 June 2018 $
Loss before tax	**(11,762,018)**	(10,757,324)
Depreciation	**416,816**	203,790
Share based payment expense	**2,954,557**	13,942
Interest income	**(123,462)**	(130,341)
Movement in trade & other receivables	**1,512,162**	(1,929,813)
Movement in trade & other payables	**656,170**	1,611,571
Movement in work in progress	**(6,947,206)**	-
Movement in mine development	**(643,725)**	-
Net cash used in operating activities	**(13,936,706)**	(10,988,175)

20. *Parent company information*

Current assets	**16,131,454**	3,738,924
Total assets	**22,973,133**	9,964,064
Current liabilities	**(189,799)**	(296,275)
Total liabilities	**(189,799)**	(296,275)
Net Assets	**22,783,334**	9,677,789
Loss of the parent entity	**(11,762,018)**	(876,075)
Total comprehensive loss of the parent entity	**(11,762,018)**	(876,075)

Guarantees

Kalium Lakes Limited has not entered into any guarantees, with exception of the parent guarantee under the Offtake agreement.

Other Commitments and Contingencies

Kalium Lakes Limited has no commitments and contingencies, except for operating lease commitments of $21,600.

Plant and Equipment Commitments

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

Significant Accounting Policies

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

21. ***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 announced to the market on the 6 September 2019, the Company was granted Major Project Status, by the Australian Federal Government, recognising the Beyondie Sulphate of Potash Projects strategic significance to Australia;

- As announced to the market on the 27 August 2019, a credit approved offer was received from Westpac for a A$15 million working capital and hedging facility;

- Entitlement offer and Placement, raising a total of approximately A$72 million before costs was successfully completed by the Company, as announced to the market on the 26 July 2019 and 19 August 2019;

- 10 Mile Lake West tenement granted, with the consent of the traditional owners of the area, the Gingirana People. Strategically located next to the Company's granted Mining Lease, processing facilities and infrastructure, allowing future potential to extend trench and bore network for brine extraction. The new tenement is contiguous with the current delineated lake surface and paleochannel mineral resources and ore reserves, with SOP concentrations increasing into the new tenement, as announced to the market on the 1 August 2019;

- Credit approved offer of finance received from German KfW IPEX-Bank for A$102 million of senior debt funding for the Beyondie SOP Project, as announced to the market on the 2 July 2019. These facilities are in addition to the A$74 million NAIF loan package approved earlier in February 2019, and

- As announced to the market on the 19 July 2019, the German Government export credit agency, Euler Hermes, reached a positive decision regarding the Company's application for project finance export credit cover. Approximately A$50 million of the A$176 million credit approval loan package will be guaranteed by Euler Hermes.

22. *Related party transactions*

Parent Entity
Kalium Lakes Limited is the Parent Entity.

Subsidiaries
Interests in subsidiaries are set out in Note 23.

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 2019 $	30 June 2018 $
Short term employee benefits	**835,789**	865,301
Post-employment benefits	**76,705**	72,814
Directors' and KMP remuneration	**912,494**	938,115
Equity based payments	**115,659**	13,942
	1,028,153	952,057

Transactions with Related Parties
Salaries and wages to the value of $44,128 were incurred and paid to Tanya Hazelden, a related party of managing director, Brett Hazelden, in addition to $275 incurred and paid to Matthew Randall, a related party of executive director and chairman, Malcolm Randall.

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.

23. *Controlled Entities*

		% of Equity Interest	
Subsidiary	**Country of Incorporation**	**30 June 2019**	30 June 2018
Kalium Lakes Potash Pty Ltd	Australia	**100%**	100%
Kalium Lakes Infrastructure Pty Ltd*	Australia	**100%**	-
Carnegie Potash Pty Ltd**	Australia	**100%**	-

* Incorporated on 16 January 2019
** Incorporated on 11 July 2018.

24. *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.

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.

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

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.

24. *Financial risk management (continued)*

Consolidated	30 days $	1-3 months $	3-12 months $	Total $
As at 30 June 2019				
Trade and other payables	3,472,370	-	-	3,472,370
Total liabilities	**3,472,370**	**-**	**-**	**3,472,370**
As at 30 June 2018				
Trade and other payables	3,285,903	-	-	3,285,903
Total liabilities	**3,285,903**	**-**	**-**	**3,285,903**

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

	Variable interest $	Fixed interest $
2019		
Financial assets		
Cash and cash equivalents	10,454,090	5,013,090
Total	**10,454,090**	**5,013,090**
2018		
Financial assets		
Cash and cash equivalents	4,157,744	3,513,542
Total	**4,157,744**	**3,513,542**

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

Impact on pre-tax profit	30 June 2019 $	30 June 2018 $
Interest rates + 1%	**104,541**	41,577
Interest rates – 1%	**(104,541)**	(41,577)

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.

24. *Financial risk management (continued)*

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 Consolidated Entity had cash and cash equivalents and trade and other payables/accruals denominated in EUR of AUD$844,927 and AUD$803,852 (2018 AUD$1,061,632 and AUD$1,896,923) respectively. At 30 June 2019, if EUR/AUD rates had changed by 10% with all other variables held constant, the consolidated entity's loss before tax for the year would have been AUD$ 4,107 (2018 AUD$83,529) lower/higher.

A sensitivity of 10% (10%: 2018) has been selected as this is considered reasonable given the current level of volatility in the EUR/AUD rate.

Accounting policy:

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

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

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

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

24. *Financial risk management (continued)*

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

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

25. *Contingent liabilities*

The Consolidated Entity has no contingent liabilities as at 30 June 2019 (2018:Nil).

26. *Commitments*

Kalium Lakes Limited had the following commitments as at 30 June 2019:

- Rental, rates and expenditure commitments relating to its tenements - $2,438,611;
- Operating lease commitments - $21,600 over 5 years; and
- Other commitments relating to the construction of the Beyondie Sulphate of Potash Project (BSOPP) - $12,034,097.

No other commitments existed at the reporting date.

27. *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.

27. *Interests in joint operations (continued)*

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 2019**	30 June 2018
Carnegie Joint Operation	Australia	**70%***	85%*

* Kalium Lakes Pty Ltd ownership interest

DIRECTORS' DECLARATION

The Directors of the Company declare that:

a. the financial statements and notes are in accordance with the *Corporations Act 2001;*
b. comply with Accounting Standards;
c. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2 to the financial statements; and
d. give a true and fair view of the financial position as at 30 June 2019 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

12 September 2019

RSM

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INDEPENDENT AUDITOR'S REPORT

To the Members of Kalium Lakes Limited

Opinion

We have audited the financial report of Kalium Lakes Limited (**Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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.

INDEPENDENT AUDITOR'S REPORT

RSM

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 expenditure	
As reported in the consolidated statement of profit or loss and other comprehensive income, the Group expensed total exploration expenditure of $4,976,077. 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 expenditure was a key audit matter as it is material and constituted 37% 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 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.
Share based payments – tenement acquisition Refer to Note 5 in the financial statements	
During the year, the Group incurred share-based payment expenses of $963,898 in accordance with AASB 2 *Share-based Payment* from issue of 5,000,000 options for acquisition of tenements adjacent to the Group's existing tenements. Management has used an option valuation model to value these options. We determined this to be a key audit matter due to the significant judgement involved in assessing the fair value of the options issued during the year.	Our audit procedures included: • Reviewing the key terms and conditions of the options issued; • Obtaining the valuation model prepared by management and assessing whether the model was appropriate for valuing the options; • Challenging the reasonableness of key assumptions used by management to value the options; and • Reviewing the relevant disclosures in the financial statements to ensure compliance with Accounting Standards.

RSM

Work in progress Refer to Note 12 in the financial statements	
Capitalised expenditure incurred as part of early works on the Beyondie Sulphate of Potash Project was a key audit matter due to the size of the capitalised expenditure of $6,947,206 representing 25% of total assets. The Group used judgement in the identification and allocation of cost between operating expenditure and capital expenditure. The risks we focused on included: • The existence of capital expenditure; and • The appropriateness for capitalisation of the expenditure in accordance with AASB *Accounting Standard AASB 116 Property, Plant and Equipment* and the Group's accounting policy.	Our audit procedures included: • Test of controls relating to the authorisation and accuracy of the recording and classification of capitalised expenditure; • Assessment of the allocation of costs between operating expenditure and capital expenditure by inspecting underlying documentation on a sample basis and assessing the nature of the underlying activity; • Selecting a sample of supplier and contractor invoices raised prior to year-end and post year-end. Checking the timing of recorded expenditure against the details of the service description on the invoice; and • Reviewing the relevant disclosures in the financial statements to ensure compliance with Accounting Standards and the Group's accounting policy.

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 2019, 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 2019.

In our opinion, the Remuneration Report of Kalium Lakes Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

D J WALL
Partner
RSM AUSTRALIA PARTNERS

Perth, Western Australia
13 September 2019

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

As at 30 June 2019

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	238,966,103	-	238,966,103
$0.25 unlisted options expiring 16-Dec-19	-	3,500,000	3,500,000
$0.425 unlisted options expiring 29-Sep-20	-	330,882	330,882
$0.525 unlisted options expiring 16-Jan-20		843,936	843,936
$0.525 unlisted options expiring 17-May-21		1,000,000	1,000,000
$0.50 unlisted options expiring 26-Oct-19		5,000,000	5,000,000
Performance rights	-	15,000,000	15,000,000
Total	**238,966,103**	**25,674,818**	**264,640,921**

Distribution of Listed Ordinary Fully Paid Shares

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	129	33,121	0.01%
1,001	-	5,000	291	836,354	0.35%
5,001	-	10,000	278	2,472,667	1.03%
10,001	-	100,000	604	21,627,317	9.05%
100,001	-	and over	157	213,996,644	89.56%
Total			**1,459**	**238,966,103**	**100%**

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	GREENSTONE MANAGEMENT (DELAWARE) II LLC	47,305,588	19.80%
2.	VINCE SMOOTHY SUPER PTY LTD <VINCE SMOOTHY S/FUND A/C>	40,339,800	16.88%
3.	KUMARINA HOLDINGS PTY LTD <SMOOTHY INVESTMENT A/C>	21,128,187	8.84%
4.	HAZELDEN CORPORATE PTY LTD <HAZELDEN INVESTMENT A/C>	8,328,452	3.49%
5.	MR BRETT WILLIAM HAZELDEN + MS TANYA PHYLLIS BOZIKOVIC <BOZDEN SUPER A/C>	6,390,614	2.67%
6.	THOMAS CHUTE ELLIS + SALLY ANNE ELLIS <T C ELLIS FAMILY A/C>	6,232,493	2.61%
7.	AIC RESOURCES LIMITED	5,000,000	2.09%
8.	THOMAS ELLIS + SALLY ELLIS <COOLA STATION S/F 1982 A/C>	5,000,000	2.09%
9.	COOLA STATION PTY LTD <THE COOLA A/C>	3,315,600	1.39%
10.	MR BENJAMIN JOHN HAAN <THE HAAN FAMILY A/C>	3,100,000	1.30%
11.	NEWLIFE CAPITAL PTY LTD <NEWLIFE SUPER FUND A/C>	3,066,995	1.28%
12.	MR STACEY RADFORD	2,843,127	1.19%
13.	MR DALE JAMES CHAMPION + MRS ANITA MARIA CHAMPION <CHAMPION INVESTMENT A/C>	2,839,350	1.19%
14.	BIGA NOMINEES PTY LTD <EXECUTIVE SUPER FUND A/C>	2,814,068	1.18%
15.	P GOYDER SUPERANNUATION PTY LTD <P GOYDER SUPER FUND A/C>	2,799,000	1.17%
16.	CITICORP NOMINEES PTY LIMITED	2,466,723	1.03%
17.	NOWHERETOGO PTY LTD <THE R&J INVESTMENT S/F A/C>	2,157,800	0.90%
18.	ANDIUM PTY LIMITED	2,095,172	0.88%
19.	MR DANIEL GEORGE CLARK + MISS JOHANNE GILLINGHAM <CLARGILLY SUPERFUND A/C>	1,797,447	0.75%
20.	BLUEBAY ASSET PTY LTD <E GOYDER SUPERANNUATION A/C>	1,781,500	0.75%
Total		**170,801,916**	**71.48%**

NOTES

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