

For personal use only

# **Salt Lake Potash Limited**

## **Directors' Report and Financial Statements for the Year Ended 30 June 2021**

**ABN 98 117 085 748**

## CORPORATE DIRECTORY

### DIRECTORS

Mr Ian Middlemas – Chairman  
Mr Tony Swiericzuk  
Mr Matthew Bungey  
Mr Philip Montgomery  
Mr Peter Thomas  
Ms Rebecca Morgan

### COMPANY SECRETARY

Mr Bruce Franzen

### REGISTERED OFFICE

Ground Floor, 239 Adelaide Terrace  
Perth WA 6000  
Australia

Telephone: +61 8 6559 5800  
Facsimile: +61 8 6559 5820

### WEBSITE

[www.so4.com.au](http://www.so4.com.au)

### SECURITIES EXCHANGE LISTING

Australian Securities Exchange  
ASX Code: SO4 – Ordinary Shares  
London Stock Exchange (AIM)  
AIM Code: SO4 – Ordinary Shares

### NOMINATED ADVISER

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2A 1AG

### SHARE REGISTRY

#### Australia

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Telephone: +61 1300 554 474  
Facsimile: +61 2 9287 0303

#### United Kingdom

Computershare Investor Services Plc  
PO Box 82  
The Pavillions  
Bridgwater Road  
Bristol BS99 7NH

Telephone: +44 870 889 3105

### AUDITOR

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000  
Australia

## CONTENTS

	Page
Directors' Report	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Equity	25
Consolidated Statement of Cash Flows	26
Notes to the Financial Statements	27
Directors' Declaration	71
Auditor's Independence Declaration	72
Independent Auditor's Report	73
Corporate Governance	79

The Directors of Salt Lake Potash Limited present their report on the Consolidated Entity consisting of Salt Lake Potash Limited (**Company** or **Salt Lake** or **SO4**) and the entities it controlled at the end of, or during, the year ended 30 June 2021 (**Consolidated Entity** or **Group**).

### OPERATING AND FINANCIAL REVIEW

During 2021 SO4's primary activities related to the development of the Lake Way project in the Goldfields district of Western Australia.

#### On-Lake Operations

The Company expanded its on-lake operations with total trench length extended to 75 km and 29 active bores pumping brine at the date of this report. Salt harvesting commenced in the Train 1 harvest cells in December-February 2021 and recommenced in the June 2021 quarter to prepare harvest salts for plant feed. At the end of the period 96k m<sup>3</sup> of salt had been harvested.

#### Off-Lake Operations

Construction of the Process Plant at Lake Way continued throughout the period, with practical completion achieved in the June quarter with GR Engineering Services handing over the plant to the SO4 operations team. Towards the period end and into the September quarter commissioning activities were focused on the calibration of the flotation circuit to achieve the designed waste mass pull.

#### Approvals

The Company's Part IV Environmental submission was approved by the Government in April, having been recommended by the EPA with no appeals in January 2021. The permit has enabled SO4 to finalise construction of the remaining evaporation ponds as well as the trench and bore construction that will support full scale operations at Lake Way.

### Corporate

#### Equity Financing

The Company conducted six separate equity capital raisings in the year to June 2021.

- August 2020: \$71m placement at \$0.50/share to institutional and high net worth investors.
- August - September 2020: \$15m on conversion of convertible notes at \$0.45/share.
- September 2020: \$27.5m from a retail entitlement offer at \$0.50/share.
- December 2020: \$52m placement at \$0.40/share to institutional and high net worth investors.
- February 2021: \$8m from a share purchase plan at \$0.40/share.
- June 2021: \$27m placement at \$0.35/share to institutional and high net worth investors.

#### Debt Financing

In addition to equity finance, the Company drew down on a US\$138m Syndicated Facility Agreement over two tranches. These funds were used to repay the US\$45m Bridge Facility and to further the completion of the Lake Way Project construction.

#### Sustainability

SO4 is committed to ensure that its business has a sustainable future for all of its stakeholders. The Company is driven by our core values to create positive multi-generational benefits through responsible environmental, social, cultural and economic behaviours. SO4 is currently developing a sustainability framework for its operations.

### Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2021 was \$5.310m (2020: net loss of \$15.681m). This loss is mainly attributable to:

- (i) Exploration and evaluation expenses of \$2.495m (2020: \$12.554m) which is attributable to the Group's accounting policy of expensing exploration and pre-development expenditure incurred by the Group subsequent to the acquisition of the rights to explore and up to the successful completion of bankable

- feasibility studies (BFS) for each separate area of interest. The Lake Way BFS was released to market in October 2019 and, as such, Exploration and Evaluation expenditure fell significantly in the 2021 Financial Year as the predominant focus of the Company was on completing the development of the Lake Way Project;
- (ii) Corporate and administrative expenses of \$5.099m (2020: \$3.574m) attributable to the administration of the Company and its operations, as well as corporate expenses including the Company's dual listing on ASX and AIM together with investor relations activities. The Group's administrative expenses have increased in 2021 to support the rapidly progressing development activities at Lake Way;
  - (iii) Non-cash share-based payment expenses of \$0.433m (2020: \$6.505m) which are attributable to the Group's accounting policy of expensing the value (estimated using an option pricing model, and performance rights valued using the underlying share price) of Incentive Securities issued to key employees and consultants. The value is measured at grant date and recognised over the period during which the option/rights holders become unconditionally entitled to the options and/or rights;
  - (iv) Business development expenses of \$4.007m (2020: \$4.713m) which are attributable to additional activities required to support the growth and development of the Lake Way Project including indirect project funding costs and offtake activities;
  - (v) An impairment of inventories of stockpiled salts of \$5.120m (2020: nil) due to a reassessment during plant commissioning of potassium grade thresholds for feedstocks. As a consequence of this reassessment the value of stockpiled salts not meeting this criterion, though previously recognised as inventory, have been written down to nil;
  - (vi) A gain of \$4.039m (2020: \$nil) due to a remeasurement of the amortised cost of the royalty liability. This reflects changes to the mine plan during the year which delayed the timing of revenue receipts from sales of potash; and
  - (vii) Foreign exchange gain on US dollar denominated loans and cash balances of \$5.722m (2020: \$1.187m).

#### **Impact of COVID-19**

These financial results were incurred during the COVID-19 pandemic. In order to minimise any financial or operational impact, the Company took immediate action to protect the integrity of the Company's business interests and the safety and well-being of its employees and stakeholders.

Salt Lake operates in the isolated and remote mining area of Wiluna and fortunately, with the positive protection measures and support of governments and employees, the Lake Way Project continued to function close to normal levels. Prompt implementation and affirmative compliance with government and health bodies' regulations and recommendations forced quick changes to operational processes, including strict social distancing and isolation practices. The demographics and location of our remote workforce also required changes to rosters and transport to comply with Government restrictions. The closure of borders required immediate action to manage the impact on the outputs, inputs, employees and communities that Salt Lake operates in.

To protect the local community the Company applied restrictions on staff entering the town of Wiluna and local communities. The Company also provided additional support to local communities by providing fresh food at a time when the normal supply chain for goods into Wiluna was under pressure from the impact of COVID-19.

Social and mental health issues are a potential outcome from the roster changes, changed travel and dining arrangements and enhanced hygiene practices introduced to manage the impact of COVID-19. Salt Lake has taken a considerate approach to the hidden consequences of such changes and continues to work with its employees to lessen the impact. The over-arching objective of the Company has been to keep all its employees and stakeholders safe and free from infection and/or spread, and importantly to keep people employed during these uncertain times.

Due to the concerted and quick action of the Company, the overall financial impact of COVID-19 has been minimal.

#### **Financial Position**

At 30 June 2021, the Group had cash reserves of \$69.441m (2020: \$7.030m) and net assets of \$251.896m (2020: \$60.127m), an increase of 319% compared with the previous year. The increase in net assets is largely a result of raising \$202.148m throughout the 12-month period and directly applying those funds to the construction and ongoing development of the Lake Way Project.

## **OPERATING AND FINANCIAL REVIEW (Continued)**

### **Business Strategies and Prospects for Future Financial Years**

The objective of the Group is to create long-term shareholder value through the exploitation of its SOP projects. To achieve its objective, the Group currently has the following business strategies and prospects:

- (i) Complete construction of the on-lake infrastructure and process plant for the Lake Way Project with a view to first production during the March 2022 quarter;
- (ii) Complete first sales of product to key offtake partners to receive first revenues during 2022;
- (iii) Progress to capacity of 217,000t per annum of SOP at Lake Way during 2024, this is dependent on the economics of processing muriate of potash (MOP); and
- (iv) Continue assessment and exploration across the Company's multi lake portfolio.

All of these activities have inherent risks and the Board is unable to provide certainty of the expected results or timing of these activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include:

**Development Risks** – The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the mine;

**Operational risks** – The planned schedule for production of harvest salts for the commissioning and ramp up of the process plant are subject to operational risks that could impact the amount of harvest salts produced at its SOP operations, delay availability of harvest salts or increase the cost of production for varying lengths of time. Such risks include changes or variations in hydrogeological conditions, weather conditions effecting evaporation and/or recharge, equipment failures, limited availability or increased costs of equipment and materials, safety accidents, natural disasters, and a shortage of skilled labour. If any of these or other conditions or events occur in the future, they may increase the cost of production or delay or halt planned commissioning, ramp up and production, which could adversely affect our results of operations or decrease the value of our assets. The Group has in place a framework for the management of operational risks and an insurance program which provides coverage for a number of these operational risks.

**Sulphate of Potash prices and foreign exchange** – The price of potash and other commodities fluctuate and are affected by numerous factors beyond the control of the Company. The economic viability of the Group is dependent upon the price of potash and other commodities being sufficient to cover the costs of production and to provide an adequate return to the Company's shareholders. The Company has engaged with potential customers with a view to establishing binding offtake or distribution or tolling agreements.

Project financing facilities with the Group's lenders are denominated in US dollars whilst many of the planned development and operational activities are denominated in Australian dollars. The Company's ability to fund these activities may be adversely affected if the Australian dollar rises against the US dollar.

**The Company's activities will require further capital** – The development of the Company's projects will require additional funding. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

**Native title and Aboriginal Heritage** - There are areas of the Company's projects, including Lake Way, over which legitimate common law and/or statutory Native Title rights of Aboriginal Australians exist. Where Native Title rights do exist, the Company must obtain consent of the relevant landowner to progress the exploration, development and mining phases of its operations. Where there is an Aboriginal Site for the purposes of the Aboriginal Heritage Act 1972, the Company must obtain consents in accordance with the Act. The Company has executed a Native Title Land Access Agreement with the Native Title Owners and established a framework for obtaining required consents for the continuity of works, but in the event that it is unable to obtain these consents, its activities may be adversely affected.

## DIRECTORS' REPORT

(Continued)



### OPERATING AND FINANCIAL REVIEW (Continued)

**The Company's activities are subject to Government regulations and approvals** – The development of the Lake Way Project is subject to obtaining further key approvals from relevant government authorities. The Company has an approvals schedule and a management team with significant experience in approvals required for resource projects in Western Australia. A delay or failure to obtain required permits may affect the Company's schedule or ability to develop the project.

Any material adverse changes in government policies or legislation in Western Australia and Australia that affect mining, processing, development and mineral exploration activities, income tax laws, royalty regulations, government subsidies and environmental issues may affect the viability and profitability of any planned development of the Lake Way Project and other lakes in the Company's portfolio. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could adversely impact the Group's mineral properties; and

**Global financial conditions may adversely affect the Company's growth and profitability** – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil caused by the COVID-19 pandemic include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity and foreign exchange markets, and a lack of market liquidity. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

### EARNINGS PER SHARE

	2021 Cents	2020 Cents
Basic and diluted loss per share	(0.84)	(5.46)

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In addition to equity and debt funding noted above, significant changes in the state of affairs of the Consolidated Entity during the 2021 financial year were as follows:

- (i) Harvesting of potassium rich kainite and schoenite salts from Train 1 commenced during the March 2021 quarter.
- (ii) The Company announced on 22 March 2021 commencement of commissioning of the Lake Way Process Plant and completion of the gas supply pipeline for the Lake Way Project.
- (iii) Part IV Environmental Approval was received from the Government of Western Australia in April 2021 allowing finalisation of the construction of pond trains 4-6 and associated trenches and bore installations.
- (iv) The Practical Completion certificate for the Lake Way Process Plant (**Plant**) was received from the construction contractor in June 2021 with Plant handover to the SO4 operations team completed.

## DIRECTORS' REPORT

(Continued)



### SIGNIFICANT EVENTS AFTER BALANCE DATE

- i) The Company issued 2,805,000 shares to Directors on 10 August 2021 as part of a placement on 24 May 2021. The shares applied for in the placement by Directors were subject to shareholder approval which was granted on 13 July 2021.
- ii) Mr Stuart Fraser was appointed as CFO on 15 July 2021.
- iii) Mr Tony Swiericzuk resigned as CEO & Managing Director on 27 August 2021. He remains on the Board as an executive director.
- iv) Mr Bruce Franzen was appointed as Company Secretary on 12 August 2021.
- v) In July 2021 the Company announced a revised ramp up strategy that includes suspension of the initial plant feed program to enable more salts to precipitate before commencing continuous harvesting activities. SO4 also announced that, as a result of this delay in production, the Company will require further funding before the end of 2021 to continue operations at Lake Way.
- vi) Mr Isak Buitendag was appointed as CEO on 13 September 2021.
- vii) As at the date of signing this report the Company was in the process of raising further capital via a share placement and rights issue planned to be completed in October/ November 2021.

Other than as noted above, as at the date of this report there are no matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2021, of the Consolidated Entity;
- The results of those operations, in financial years subsequent to 30 June 2021, of the Consolidated Entity; or
- The state of affairs, in financial years subsequent to 30 June 2021, of the Consolidated Entity.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of resource projects. No significant change in nature of these activities occurred during the year.

### DIRECTORS

The names of the Group's Directors in office at any time during the financial year or since the end of the financial year are:

#### Current Directors

Mr Ian Middlemas	Chairman
Mr Tony Swiericzuk	Executive Director
Mr Matthew Bungey	Non-Executive Director
Mr Philip Montgomery	Non-Executive Director (appointed 19 October 2020)
Mr Peter Thomas	Non-Executive Director (appointed 19 October 2020)
Ms Rebecca Morgan	Non-Executive Director (appointed 21 June 2021)
Mr Bryn Jones	Non-Executive Director (resigned 4 May 2021)
Mr Mark Pearce	Non-Executive Director (resigned 19 October 2020)

Unless otherwise stated, Directors held their office from 1 July 2020 until the date of this report.



## **DIRECTORS AND OFFICERS**

### **Mr Ian Middlemas B.Com, CA** *Chairman*

Mr Middlemas is a Chartered Accountant, a member of the Australian Institute of Company Directors and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 21 January 2010 and Chairman on 29 August 2014. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Equatorial Resources Limited (November 2009 – present), Piedmont Lithium Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present) and Cradle Resources Limited (May 2016 – July 2019).

### **Mr Tony Swiericzuk BEng (Hons), MBA, GAICD** *Executive Director (resigned as CEO & Managing Director 27 August 2021 though remains on the Board as an Executive Director)*

Mr Swiericzuk is a Mining Engineer with outstanding credentials as a builder and operator of mining projects, having recently been General Manager of the Fortescue Christmas Creek Mine from 2012 to 2017. He oversaw the construction, commissioning and ramp-up of this project from 15Mtpa to 60Mtpa in his initial 2 year period, then proceeded to optimise the operation and help drive Fortescue Metals Group Limited (FMG) to become the world's lowest cost iron ore producer.

In his initial years at FMG Mr Swiericzuk was General Manager Port Operations in Port Hedland and managed the ramp up of port operations from 20Mtpa to 60Mtpa from 2009 to 2011.

Mr Swiericzuk was appointed a Director of the Company on 5 November 2018. Mr Swiericzuk has not held any other Directorships in the three year period up until the end of this financial year.

### **Mr Matthew Bungey B.Chem Eng (Hons), B. Sci, MBA** *Non-Executive Director*

Mr Bungey is a Chemical Engineer with over 20 years experience in natural resources. He commenced his career as a Process Engineer with BHP at Centre for Minerals Technology in the United States where he was responsible for process design and research into bacterial leaching of copper-sulphide ore. He then spent several years in the Marketing Division of BHP Billiton based in The Hague. Mr Bungey was most recently a Managing Director and Head of Mining and Metals with Barclays Investment Bank in London.

Mr Bungey was appointed Non-Executive Director of the Company on 14 May 2020 and has not held any other Directorships in the three year period up until the end of this financial year.

### **Mr Philip Montgomery BSc** *Non-Executive Director (appointed 19 October 2020)*

Mr Montgomery is a highly experienced mining industry executive who was most recently Vice President – Projects at BHP, responsible for the development of BHP's Potash business through its Jansen project in Saskatchewan, Canada. Mr. Montgomery previously held senior project development positions at BHP and Billiton for over 20 years working across a number of commodities and geographies, including leadership of BHP's Iron Ore growth program (2002–12). He holds a BSc (Mechanical Engineering) from Oxford Brookes University in the UK and completed the Executive Leadership Programme at INSEAD. Mr Montgomery has not held any other Directorships in the three year period up until the end of this financial year.



## **DIRECTORS AND OFFICERS (Continued)**

### **Mr Peter Thomas BEd, BSc, MBA**

*Non-Executive Director (appointed 19 October 2020)*

Mr Thomas is a senior executive with significant experience in project operations, construction, finance and strategy. Mr Thomas held senior executive positions at Fortescue Metals Group between 2004-2014, including Project Director in charge of the \$4.7bn T155 port and rail infrastructure investment and Director of Corporate Services. He has previously worked for McKinsey and Lehman Brothers in the USA and more recently held the position of CEO of the Balla Balla Infrastructure Group (Todd Corporation). He is currently Executive Director and CFO of Decmil, the ASX listed construction and engineering group. Mr Thomas holds an MBA from Harvard Business School and a BEd, BSc from Macquarie University. Mr Thomas has not held any other Directorships in the three year period up until the end of this financial year.

### **Ms Rebecca Morgan BAppSc (Hons), ME**

*Non-Executive Director (appointed 22 June 2021)*

Ms Morgan is an experienced mining professional having worked in senior technical and executive functions across a number of companies, commodities and jurisdictions over a 20 year career. Ms Morgan is currently a Non-Executive Director of Peak Resources (ASX:PEK), the Raw Materials Manager at Minbos Resources (ASX:MIN) and a director of REESearch technical consultancy. She has previously held roles as Non-Executive Technical Director for Kopper Resources (ASX:KRX), a Director of Calyx Resources (unlisted), Acting Chief Geologist at First Quantum Minerals in Panama and General Manager Technical Services and Acting Mine Manager for Tiger Resources in the DRC. Ms Morgan holds a Master of Engineering Science (Majoring in Mineral Economics and Mine Optimisation), a Post Graduate Diploma in Mine Engineering, and a Bachelor of Science (Hons) Applied Geology, all from Curtin University. Ms Morgan has not held any other Directorships in the three year period up until the end of this financial year.

### **Mr Bryn Jones BAppSc, FAusIMM**

*Non-Executive Director (resigned 4 May 2021)*

Mr Jones is a Chemical Engineer with over 20 years management experience in industrial processing in commercial and mining operations around the world, including potash and phosphate projects.

During the three year period to the date of his resignation, Mr Jones has held directorships in DevEx Resources Limited (September 2009 – present) and Phosenergy Limited (July 2013 – present).

### **Mr Mark Pearce B.Bus, CA, FCIS, FFin**

*Non-Executive Director (resigned 19 October 2020)*

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and Administrators and a Fellow of the Financial Services Institute of Australasia.

During the three year period to the end of the financial year, Mr Pearce has held directorships in Apollo Minerals Limited (July 2016 – present), Constellation Resources Limited (July 2016 – present), Prairie Mining Limited (August 2011 – present), Equatorial Resources Limited (November 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – September 2020) and Piedmont Lithium Limited (September 2009 – August 2018).

### **Mr Isak Buitendag**

*Chief Executive Officer (appointed 13 September 2021)*

Mr Buitendag will be joining from his position as General Manager of Transformation at Kazzinc (69.7% owned by Glencore). Prior to Kazzinc, he was Vice President of Operations and Vice President of Development at Kazchrome, the largest ferrochrome producer in the world. Mr Buitendag has significant experience in Executive roles within the mining industry in Australia, Kazakhstan and Africa, including at BHP and Fortescue. In an Executive capacity he has led teams in project development and minerals processing and has a track record of delivering business turnarounds.

**DIRECTORS AND OFFICERS (Continued)**

**Mr Stuart Fraser CA**

*Chief Financial Officer (appointed 15 July 2021)*

Mr Fraser is a Chartered Accountant and an experienced energy services finance executive with over 25 years experience in senior finance roles with large multi-national corporations, including Schlumberger and Weatherford International.

**Mr Bruce Franzen B.Bus. FCPA FFIN**

*Company Secretary (appointed 12 August 2021)*

Mr Franzen is a Certified Practising Accountant with over 30 years experience in the resources sector and has held executive, board and company secretarial positions with a number of ASX listed companies.

**Mr Matthew Worner**

*Company Secretary (appointed 28 April 2021, resigned 12 August 2021)*

Mr Worner is a former lawyer, with broad company secretarial experience. He has held management, company secretarial and board positions with various ASX and AIM listed companies

**Mr Clint McGhie B.Com, CA, ACIS, FFin**

*Company Secretary (resigned 28 April 2021)*

Mr McGhie is an experienced Chartered Accountant and Company Secretary and has been involved with a number of ASX and AIM listed companies operating in the resources sector, including Apollo Minerals Limited, Berkeley Energia Limited and Sovereign Metals Limited. Mr McGhie is an Associate Member of the Governance Institute of Australia (Chartered Secretary), and a Fellow of the Financial Services Institute of Australasia.

**Mr Shaun Day B.Com. CA, AICD**

*Chief Financial Officer (resigned 18 December 2020)*

Mr Day is a Chartered Accountant and experienced CFO with over 20 years of experience in executive and financial positions across mining and infrastructure, investment banking and international accounting firms. Mr Day was previously CFO of Northern Star Resources.

## DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of this report		
	Ordinary Shares <sup>1</sup>	Unlisted Options <sup>2</sup>	Performance Rights <sup>3</sup>
Mr Ian Middlemas <sup>4</sup>	22,500,000	-	-
Mr Tony Swiericzuk <sup>4</sup>	5,454,470	5,000,000	5,879,377
Mr Matthew Bungey	2,014,075	450,000	750,000
Mr Philip Montgomery	1,250,000	500,000	-
Mr Peter Thomas <sup>4</sup>	300,000	500,000	-
Ms Rebecca Morgan <sup>5</sup>	-	500,000	-

**Notes:**

<sup>1</sup> **Ordinary Shares** means fully paid Ordinary Shares in the capital of the Company.

<sup>2</sup> **Unlisted Options** means an unlisted share option to subscribe for one Ordinary Share in the capital of the Company.

<sup>3</sup> **Performance Rights** means Performance Rights issued by the Company that convert to one Ordinary Share in the capital of the Company upon satisfaction of various performance conditions.

<sup>4</sup> The following shares were issued to Directors on 10 August 2021 as part of a placement on 31 May 2021. These shares are included in the totals above.

Mr Ian Middlemass 2,500,000 shares

Mr Tony Swiericzuk 250,000 shares

Mr Peter Thomas 55,000 shares

The issue of the above shares to Directors was subject to shareholder approval which was granted on 13 July 2021.

<sup>5</sup> The issue of 500,000 options to Rebecca Morgan approved by the board on 21 June 2021 are subject to shareholder approval, which will be sought at the Company's 2021 Annual General Meeting or earlier if a general meeting of shareholders is held before then.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Group during the financial year.

## DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

## SHARE OPTIONS, PERFORMANCE SHARES AND PERFORMANCE RIGHTS

At the date of this report the following options, performance shares and convertible notes have been issued over unissued Ordinary Shares of the Company:

- 9,375,000 Unlisted Options exercisable at \$0.85 each on or before 30 June 2023;
- 2,400,000 Unlisted Options exercisable at \$0.60 each on or before 1 November 2023;
- 5,250,000 Unlisted Options exercisable at \$1.00 each on or before 1 November 2023;
- 5,000,000 Unlisted Options exercisable at \$1.20 each on or before 1 November 2023;
- 1,000,000 Unlisted Options exercisable at \$0.702 each on or before 30 June 2023;
- 9,000,000 Unlisted Options exercisable at \$0.702 each on or before 4 August 2024;
- 15,000,000 Unlisted Options exercisable at \$0.564 each on or before 28 September 2024;
- 200,000 Unlisted Options exercisable at \$0.50 each on or before 1 July 2024;
- 300,000 Unlisted Options exercisable at \$0.75 each on or before 1 July 2024;
- 13,831,255 Performance Rights which are subject to various performance conditions to be satisfied prior to the relevant expiry dates in the period to 1 November 2023; and
- 7,500,000 Performance Rights issued to the CEO on 13 September 2021, being his date of appointment. The rights are subject to various performance conditions to be satisfied prior to the relevant expiry dates in the period up to 31 December 2022.

During the year ended 30 June 2021, 1,190,398 Ordinary Shares were issued as a result of the conversion of Performance Rights and no Ordinary Shares were issued as a result of the conversion of Options. Subsequent to year end and until the date of this report, no Ordinary Shares have been issued as a result of the exercise of Options or conversion of Performance Rights.

## REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel (**KMP**) of the Group.

### Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

#### *Directors*

Mr Ian Middlemas	Chairman
Mr Tony Swierczuk	Executive Director
Mr Matthew Bungey	Non-Executive Director
Mr Philip Montgomery	Non-Executive Director (appointed 19 October 2020)
Mr Peter Thomas	Non-Executive Director (appointed 19 October 2020)
Ms Rebecca Morgan	Non-Executive Director (appointed 21 June 2021)
Mr Bryn Jones	Non-Executive Director (resigned 4 May 2021)
Mr Mark Pearce	Non-Executive Director (resigned 19 October 2020)

#### *Other KMP*

Mr Isak Buitendag	Chief Executive Officer (appointed 13 September 2021)
Mr Stephen Cathcart	Project Director – Technical
Mr Stuart Fraser	Chief Financial Officer (appointed 15 July 2021)
Mr Bruce Franzen	Company Secretary (appointed 12 August 2021)
Mr Clint McGhie	Company Secretary (resigned 28 April 2021)
Mr Shaun Day	Chief Financial Officer (resigned 18 December 2020)

Unless otherwise disclosed, the KMP held their positions from 1 July 2020 until the date of this report.

### Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- (a) the Group is currently focused on development of the Lake Way Project and exploration of its other projects;
- (b) risks associated with developing resource companies whilst exploring and developing projects; and
- (c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

The Group seeks external advice on remuneration structure when appropriate. No such advice was sought in the current financial year.

### Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

#### *Fixed Remuneration – Short Term*

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

## REMUNERATION REPORT (AUDITED) (Continued)

Executives may be entitled to receive a fixed dollar amount of Performance Rights each year to reduce the cash component otherwise payable and to attract and retain these key executives. These Performance Rights have a short term service based vesting condition and are considered part of fixed remuneration in lieu of cash. Eligible Executives are granted short-term performance rights annually, with the number of performance rights issued based on an agreed dollar amount which is divided by the VWAP of the Company's share price at the beginning of the financial year. The Performance Rights vest at 30 June each year. For the year ended 30 June 2021, 758,755 short-term performance rights were issued to KMP (2020: 402,274), of which 189,689 lapsed during the year. The remaining 569,066 short-term performance rights vested on 30 June 2021 though are yet to be converted to Ordinary shares.

### *Performance Based Remuneration – Short Term Incentive*

No cash bonuses are payable as at 30 June 2021 and no current KMP are entitled to an annual cash incentive payment under their employment agreements.

### *Performance Based Remuneration - Long Term Incentive*

The Group has adopted an incentive plan comprising the Salt Lake Performance Rights Plan (the **Plan**) to reward KMP and key employees for short and long-term performance. Shareholders approved the Plan at the Company's Annual General Meeting of Shareholders on 11 November 2019.

The Plan provides for the issuance of performance rights (**Performance Rights**) which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. Grants made to eligible participants under the Plan will assist with the Company's employment strategy and will:

- (a) enable the Company to recruit, incentivise and retain KMP and other eligible employees to assist with the completion of feasibility studies, funding, construction and commissioning, and operations for the Lake Way Project to achieve the Company's strategic objectives;
- (b) link the reward of eligible employees with the achievement of strategic goals and the long term performance of the Company;
- (c) align the financial interests of eligible participants of the proposed Plan with those of Shareholders; and
- (d) provide incentives to eligible employees of the Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plan to eligible participants will be linked to individual short-term service based vesting conditions or the achievement by the Company of certain long-term performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights also vest where there is a change of control of the Company. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

### *Performance Based Remuneration – Long Term Incentive*

During the current and prior financial year, Performance Rights were granted to certain KMP and other employees and contractors with certain performance conditions that reward key staff upon the achievements of strategic goals in relation to the Company's Projects, including:

- (a) 2,822,500 Performance Rights subject to the Plant Construction Milestone expiring on 1 November 2021;
- (b) 3,600,000 Performance Rights subject to the Plant Commissioning Milestone, including production of a commercial quantity of sulphate of potash, expiring on 1 November 2022;
- (c) 3,950,000 Performance Rights subject to the Nameplate Capacity Milestone (minimum 200,000 tonnes per annum) expiring on 1 November 2023;
- (d) 1,300,000 Performance Rights subject to the Schedule Advancement Milestone, requiring meeting the timeline of various stages of the brine extraction process, expiring on 31 December 2021;



## REMUNERATION REPORT (AUDITED) (Continued)

- (e) 1,400,000 Performance Rights subject to the Reduce Capex Milestone, requiring identification of capex savings during the construction and commissioning phases, expiring on 31 December 2021; and

These Performance Rights were issued to align the interests of the recipients with the strategic interests of the Group. Refer to Note 25 in the financial statements for information on the terms of the long-term incentives. A total of 1,190,398 Ordinary Shares were issued (to KMP and other eligible employees) following vesting and conversion of performance rights during the year.

The terms and conditions of Performance Rights granted include:

- each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest; and
- ordinary Shares issued on conversion of Performance Rights rank equally in all respects with the Company's existing Ordinary Shares.

In addition, the Board may issue unlisted options where appropriate to some executives as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that each executive's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive securities (either options or rights) granted to executives is commensurate to their value to the Company.

Unlisted options granted to executives generally have exercise prices at or above the market share price at the time of agreement. As such, unlisted options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the unlisted options granted. Other than service-based vesting conditions, there are generally no additional performance criteria on the unlisted options granted to executives as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Company are closely related.

During the current financial year, unlisted options and performance rights were granted to certain KMP to further align the interests of senior management with those of shareholders and also aid in retaining intellectual property and construction/production experience within the Company throughout this pivotal period in the lifecycle of Salt Lake.

The Company prohibits executives from entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

### Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Unlisted Options and Performance Rights may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors (currently \$450,000 p.a.) is subject to approval by shareholders at a General Meeting of Shareholders. The current limit was approved at the Company's Annual General Meeting of Shareholders on 20 November 2020. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Unlisted Options or Performance Rights in order to secure and retain their services.

Fees for the Chairman are presently \$75,000 per annum (2020: \$36,000) and fees for Non-Executive Directors' are presently set at \$60,000 per annum (2020: \$20,000). These fees cover main board activities only. Only Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees. The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Unlisted Options and Performance Rights granted as part of their remuneration package.



## DIRECTORS' REPORT

(Continued)



### REMUNERATION REPORT (AUDITED) (Continued)

#### Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's current development phase of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the development of the Lake Way Project and exploration of its other resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash incentive payments (if paid) are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. As noted above, certain KMP may receive Performance Rights with short-term service based vesting conditions, where the number of Performance Rights issued is determined with reference to a dollar amount divided by the VWAP of the Company's share price at the beginning of the financial year. The value of this short-term incentive will increase or decrease in line with the

#### REMUNERATION REPORT (AUDITED) (Continued)

Company's share price during the financial year. Further, Unlisted Options will generally be of greater value to KMP in the future if the value of the Company's shares increases sufficiently to warrant exercising the Unlisted Options.

The Group's performance is summarised for the five years to 30 June 2021 as follows:

	2021	2020	2019	2018	2017
Loss for the year (\$'000s)	(5,310)	(15,681)	(26,896)	(11,327)	(9,655)
Basic loss per share (cents)	(0.84)	(5.46)	(13.74)	(6.47)	(6.61)
Closing price per share (cents)	0.35	0.50	0.72	0.56	0.42

#### Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently commissioning the Lake Way Project and expects to be undertaking profitable operations following completion of commissioning, ramp up and sales of sulphate of potash from Lake Way. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

## REMUNERATION REPORT (AUDITED) (Continued)

### Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Salt Lake Potash Limited are as follows:

	Salary & fees	Post-employment benefits	Share-based payments	Total	Performance related
2021	\$	\$	\$	\$	%
<b>Directors</b>					
Mr Ian Middlemas	68,400	6,498	-	74,898	-
Mr Tony Swiericzuk	385,000	25,000	960,436	1,370,436	70
Mr Matthew Bungey	46,194	4,388	-	50,582	-
Mr Philip Montgomery <sup>1</sup>	42,164	4,006	53,255	99,425	54
Mr Peter Thomas <sup>2</sup>	42,164	4,006	53,255	99,425	54
Ms Rebecca Morgan <sup>3</sup>	1,479	141	21,922	23,542	93
Mr Bryn Jones <sup>4</sup>	47,644	4,526	(16,242)	35,928	n/a
Mr Mark Pearce <sup>5</sup>	9,041	859	(17,050)	(7,150)	n/a
<b>Other KMP</b>					
Mr Stephen Cathcart	275,000	25,000	355,642	655,642	54
Mr Shaun Day <sup>6</sup>	181,006	14,140	(850,774)	(655,628)	n/a
Mr Clint McGhie <sup>7</sup>	235,056	19,792	(112,991)	141,857	n/a
<b>Total</b>	<b>1,333,148</b>	<b>108,356</b>	<b>447,453</b>	<b>1,888,957</b>	

**Notes:**

- <sup>1</sup> Mr Montgomery was appointed as a Non-Executive Director effective 19 October 2020
- <sup>2</sup> Mr Thomas was appointed as a Non-Executive Director effective 19 October 2020
- <sup>3</sup> Ms Morgan was appointed as a Non-Executive Director effective 21 June 2021
- <sup>4</sup> Mr Jones resigned as a Non-Executive Director effective 4 May 2021.
- <sup>5</sup> Mr Pearce resigned as a Non-Executive Director effective 19 October 2020.
- <sup>6</sup> Mr Day resigned as a KMP effective 18 December 2020.
- <sup>7</sup> Mr McGhie resigned as a KMP effective 28 April 2021.

**REMUNERATION REPORT (AUDITED) (Continued)**

**Emoluments of Directors and Executives (Continued)**

	Salary & fees	Post-employment benefits	Share-based payments	Total	Performance related
2020	\$	\$	\$	\$	%
<b>Directors</b>					
Mr Ian Middlemas <sup>1</sup>	32,520	3,089	-	35,609	-
Mr Tony Swiericzuk <sup>2</sup>	315,583	24,281	1,894,416	2,234,280	85
Mr Matthew Syme <sup>3</sup>	20,876	119	7,952	28,947	27
Mr Mark Pearce <sup>4</sup>	18,000	1,710	(8,555)	11,155	-
Mr Bryn Jones <sup>5</sup>	23,625	1,710	(4,939)	20,396	-
Mr Matthew Bungey <sup>6</sup>	25,452	138	4,431	30,021	15
<b>Other KMP</b>					
Mr Stephen Cathcart	249,028	22,814	580,038	851,880	68
Mr Shaun Day <sup>7</sup>	209,167	16,933	1,595,327	1,821,427	88
Mr Clint McGhie	226,389	21,507	151,013	398,909	38
<b>Total</b>	<b>1,120,640</b>	<b>92,301</b>	<b>4,219,683</b>	<b>5,432,624</b>	

**Notes:**

<sup>1</sup> As at 30 June 2020, \$35,609 was payable to Mr Middlemas by the Company relating to fees and superannuation.

<sup>2</sup> As at 30 June 2020, \$37,323 was payable to Mr Swiericzuk by the Company relating to fees and superannuation.

<sup>3</sup> Mr Syme resigned as a Non-Executive Director effective 23 July 2019.

<sup>4</sup> As at 30 June 2020, Mr Pearce had an outstanding amount of \$3,285 payable by the Company relating to fees and superannuation.

<sup>5</sup> Mr Jones received Director fees of \$18,000 and consulting fees of \$5,625. As at 30 June 2020, \$3,285 was payable to Mr Jones by the Company relating to fees and superannuation in his capacity as a Director of the Company.

<sup>6</sup> Mr Bungey was appointed Non-Executive Director effective 14 May 2020. Mr Bungey received Director fees of \$1,452 and consulting fees of \$24,000 since his appointment as a KMP. As at 30 June 2020, \$25,590 was payable to Mr Bungey by the Company relating to fees and superannuation incurred as a KMP.

<sup>7</sup> Mr Day was appointed Chief Financial Officer effective 16 September 2019.

**REMUNERATION REPORT (AUDITED) (Continued)**

**Options and Performance Rights Granted to KMP**

Details of Incentive Options (**Options**) and Performance Rights (**Rights**) granted by the Company to each KMP of the Group during the financial year are as follows:

2021	Rights/ Options <sup>2</sup>	Grant Date	Vesting Date	Expiry Date	Exercise Price \$	Grant Date Fair Value <sup>1</sup> \$	No. Granted During Year	No. Vested During Year	No. Lapsed During Year <sup>4</sup>	% of award for- feited
<b>Directors</b>										
Mr Tony Swierczuk	Rights	20-Nov-20	30-Jun-21	31-Dec-21	-	\$0.52	379,377	379,377	-	-
	Options	2-Nov-18	4-Nov-20	1-Nov-23	-	-	-	4,000,000	-	-
Mr Philip Montgomery	Options	20-Nov-20	20-Nov-20	1-Nov-23	\$0.60	\$0.17	200,000	200,000	-	-
	Options	20-Nov-20	18-Oct-21	1-Nov-23	\$1.00	\$0.10	300,000	-	-	-
Mr Peter Thomas	Options	20-Nov-20	20-Nov-20	1-Nov-23	\$0.60	\$0.17	200,000	200,000	-	-
	Options	20-Nov-20	18-Oct-21	1-Nov-23	\$1.00	\$0.10	300,000	-	-	-
Ms Rebecca Morgan <sup>3</sup>	Options	21-Jun-21	21-Jun-21	1-Jul-24	\$0.50	\$0.11	200,000	200,000	-	-
	Options	21-Jun-21	21 Jun 22	1-Jul-24	\$0.75	\$0.07	300,000	-	-	-
Mr Bryn Jones	Rights	8-Jun-17	-	30-Jun-21	-	-	-	-	50,000	100
Mr Mark Pearce	Rights	30-Nov-16	-	30-Jun-21	-	--	-	-	50,000	100
<b>Other KMP</b>										
Mr Stephen Cathcart	Rights	1-Jul-20	30-Jun-21	31-Dec-21	-	\$0.52	189,689	-	-	-
	Options	31-Dec-18	6-Nov-20	1-Nov-23	-	-	-	1,400,000	-	-
	Options	31-Dec-18	1-Jan-21	1-Nov-23	-	-	-	350,000	-	-
Mr Shaun Day <sup>5</sup>	Rights	1-Jul-20	30-Jun-21	31-Dec-21	-	\$0.52	189,689	-	189,689	100
	Rights	16-Sep-19	-	1-Nov-21	-	-	-	-	2,250,000	100
	Options	16-Sep-19	-	1-Nov-23	-	-	-	-	3,000,000	100
Mr Clint McGhie <sup>6</sup>	Rights	16-Sep-19	-	1-Nov-21	-	-	-	-	600,000	100

**Notes:**

<sup>1</sup> For details on the valuation of the Performance Rights or Options, including models and assumptions used, please refer to Note 25 to the financial statements.

<sup>2</sup> Each Performance Right converts into one Ordinary Share of Salt Lake Potash Limited upon satisfaction of the Short-Term Incentives performance condition.

<sup>3</sup> The issue of options to Rebecca Morgan approved by the board on 21 June 2021 are subject to shareholder approval, which will be sought at the Company's 2021 Annual General Meeting or earlier if a general meeting of shareholders is held before then. The fair value of these options will be remeasured as at the date of shareholder approval.

<sup>4</sup> Rights and options were issued, though did not vest and lapsed due to resignation from the Company by the holders or expiry.

<sup>5</sup> Mr Day resigned as a KMP effective 18 December 2020.

<sup>6</sup> Mr McGhie resigned as a KMP effective 28 April 2021.

## REMUNERATION REPORT (AUDITED) (Continued)

During the 2021 financial year, 569,066 Performance Rights held by KMP vested, and 400,000 Unlisted Options held by KMP vested. Details of the values of Unlisted Options and Performance Rights (**Securities**) granted, exercised or lapsed for each KMP of the Group during the 2021 financial year are as follows:

		Securities Granted	Securities Exercised Value at Exercise Date <sup>2</sup>	Securities Lapsed	Value of Securities included in Remuneration for the Period
2021	Rights/ Options	Value at Grant Date <sup>1</sup>		Number	
		\$	\$	#	\$
<b>Directors</b>					
Mr Tony Swiericzuk	Rights	199,173	-	-	199,173
Mr Tony Swiericzuk	Rights	-	108,122	-	-
Mr Philip Montgomery	Options	62,847	-	-	53,255
Mr Peter Thomas	Options	62,847	-	-	53,255
Ms Rebecca Morgan	Options	41,354	-	-	21,922
Mr Bryn Jones	Rights	-	-	50,000	(21,544)
Mr Mark Pearce	Rights	-	-	50,000	(22,571)
<b>Other KMP</b>					
Mr Stephen Cathcart	Rights	101,673	54,061	-	101,673
Mr Shaun Day	Rights	101,673	42,656	-	101,673
Mr Shaun Day	Rights	-	-	750,000	(543,326)
Mr Shaun Day	Rights	-	-	750,000	(369,671)
Mr Shaun Day	Rights	-	-	750,000	(280,136)
Mr Shaun Day	Rights	-	-	189,689	(101,673)
Mr Clint McGhie	Rights	-	-	200,000	(80,988)
Mr Clint McGhie	Rights	-	-	200,000	(59,889)
Mr Clint McGhie	Rights	-	-	200,000	(47,511)
<b>Total</b>		<b>569,567</b>	<b>204,839</b>	<b>3,139,689</b>	<b>(996,358)</b>

**Notes:**

- <sup>1</sup> For details on the valuation of the Performance Rights, including models and assumptions used, please refer to Note 25 of the financial statements.
- <sup>2</sup> Value based on the Company's share price at exercise date.

## REMUNERATION REPORT (AUDITED) (Continued)

### Equity instruments held by KMP

#### Options and Performance Rights holdings of Key Management Personnel

2021	Held at 1 July 2020	Granted as Remuneration	Options Exercised/ Rights Converted	Forfeited/ Lapsed Options/ Rights	Held at 30 June 2021	Vested and exercise- able at 30 June 2021
<b>Directors</b>						
Mr Ian Middlemas	-	-	-	-	-	-
Mr Tony Swiericzuk	10,788,324	379,377	(288,324)	-	10,879,377	5,379,377
Mr Matthew Bungey	1,200,000	-	-	-	1,200,000	450,000
Mr Philip Montgomery <sup>1</sup>	-	500,000	-	-	500,000	200,000
Mr Peter Thomas <sup>1</sup>	-	500,000	-	-	500,000	200,000
Ms Rebecca Morgan <sup>1,3</sup>	-	500,000	-	-	500,000	200,000
Mr Bryn Jones <sup>2</sup>	50,000	-	-	(50,000)	-	-
Mr Mark Pearce <sup>2</sup>	50,000	-	-	(50,000)	-	-
<b>Other KMP</b>						
Mr Stephen Cathcart	2,844,162	189,689	(144,162)	-	2,889,689	1,189,689
Mr Shaun Day <sup>2</sup>	5,363,750	189,689	(113,750)	(5,439,689)	-	-
Mr Clint McGhie <sup>2</sup>	600,000	-	-	(600,000)	-	-
<b>Total</b>	<b>20,896,236</b>	<b>2,258,755</b>	<b>(546,236)</b>	<b>(6,139,689)</b>	<b>16,469,066</b>	<b>7,619,066</b>

**Notes:**

<sup>1</sup> At date of appointment.

<sup>2</sup> At date of resignation.

<sup>3</sup> The issue of 500,000 options to Rebecca Morgan approved by the board on 21 June 2021 are subject to shareholder approval, which will be sought at the Company's 2021 Annual General Meeting or earlier if a general meeting of shareholders is held before then.

## REMUNERATION REPORT (AUDITED) (Continued)

### Ordinary Shareholdings of Key Management Personnel

2021	Held at 1 July 2020	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change <sup>3</sup>	Held at 30 June 2021
<b>Directors</b>					
Mr Ian Middlemas	14,250,000	-	-	5,750,000	20,000,000
Mr Tony Swiericzuk	4,016,146	-	288,324	900,000	5,204,470
Mr Matthew Bungey	1,394,075	370,000	-	250,000	2,014,075
Mr Philip Montgomery <sup>1</sup>	-	-	-	1,250,000	1,250,000
Mr Peter Thomas <sup>1</sup>	120,000	-	-	125,000	245,000
Ms Rebecca Morgan <sup>1</sup>	-	-	-	-	-
Mr Bryn Jones <sup>2</sup>	50,000	-	-	90,625	140,625
Mr Mark Pearce <sup>2</sup>	4,450,000	-	-	-	4,450,000
<b>Other KMP</b>					
Mr Stephen Cathcart	789,785	-	144,162	-	933,947
Mr Shaun Day <sup>2</sup>	888,655	-	113,750	-	1,002,405
Mr Clint McGhie <sup>2</sup>	500,000	-	-	-	500,000
<b>Total</b>	<b>26,458,661</b>	<b>370,000</b>	<b>546,236</b>	<b>8,365,625</b>	<b>35,740,522</b>

**Notes:**

<sup>1</sup> At date of appointment.

<sup>2</sup> At date of resignation.

<sup>3</sup> Acquired as part of placement or entitlement offer on same terms as other investors.

### Employment Contracts with Directors and KMP

Mr Tony Swiericzuk was Chief Executive Officer of the Company up to the date of his resignation on 27 August 2021. He had an Executive Services Agreement with a rolling annual term and can be terminated by the Company by giving three months' notice. No amount is payable in the event of termination for cause. Mr Swiericzuk received a fixed remuneration component of \$350,000 per annum plus statutory superannuation. Mr Swiericzuk also received a short term incentive comprised of performance rights to the value of \$200,000 per annum, as well as long term incentives identified in the remuneration report.

Mr Stephen Cathcart, Project Director – Technical, is an employee of the Company. The contract has a rolling annual term and may be terminated by the Company by giving three months' notice. No amount is payable in the event of termination for cause. Mr Cathcart receives a fixed remuneration component of \$275,000 per annum plus statutory superannuation. Mr Cathcart also receives a short term incentive comprised of performance rights to the value of \$100,000 per annum, as well as long term incentives identified in the remuneration report.

### Key Management Personnel Loans

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2021 (2020: Nil).

### Other Transactions

No other related party transactions were entered into in the 2021 Financial year (2020: \$nil).

### End of Remuneration Report



## DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	6	5
Mr Tony Swierczuk	6	6
Mr Matthew Bungey	6	6
Mr Philip Montgomery	3	3
Mr Peter Thomas	3	3
Ms Rebecca Morgan	-	-
Mr Bryn Jones	5	5
Mr Mark Pearce	3	2

There were no Board committees during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee, and Remuneration Committee, however this will be reviewed should the size and nature of the Company's activities change.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the directors of the Company for costs incurred in their capacity as a director for which they may be held personally liable, except where there is a lack of good faith or where the liability is to a related party.

During the financial year the Company paid a premium in respect of a contract to insure the directors 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 liability and the amount of the premium.

## INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

## NON-AUDIT SERVICES

Non-audit services provided by our auditors, Ernst and Young and related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	2021 \$	2020 \$
Tax and other advisory services	170,113	36,996

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

## **CORPORATE GOVERNANCE STATEMENT**

The Company is committed to ensuring that its policies and practices reflect the highest standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which is current at 30 June 2021 and can be viewed at [www.so4.com.au/corporate\\_governance](http://www.so4.com.au/corporate_governance).

## **ROUNDING**

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The Directors received an independence declaration from the Company's auditor for the year ended 30 June 2021, a copy of which can be found on page 72 of the Annual Report.

Signed in accordance with a resolution of the Directors.



**Tony Swiericzuk**  
**Executive Director**

30 September 2021

**CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**



		30 June 2021	Restated 30 June 2020
	Notes	\$'000s	\$'000s
Other income	3(a)	172	332
Research and development rebate		-	4,460
Exploration and evaluation expenses		(2,495)	(12,554)
Pre-Development expenses		-	(13,017)
Corporate and administrative expenses		(5,099)	(3,574)
Business development expenses		(4,007)	(4,713)
Impairment of inventories	8	(5,120)	-
Unrealised/realised foreign exchange gain		5,722	1,187
Remeasurement of amortised cost of royalty liability		4,039	-
Other		-	(11)
Finance costs		(12)	(943)
Share based payment expense	3(d)	(433)	(6,505)
Loss before tax		<b>(7,233)</b>	<b>(35,338)</b>
Income tax benefit	4	1,923	19,657
<b>Total comprehensive loss for the year</b>		<b>(5,310)</b>	<b>(15,681)</b>
Basic and diluted loss per share attributable to the ordinary equity holders of the company (cents per share)	21	(0.84)	(5.46)

*The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**



		30 June 2021 \$'000s	Restated 30 June 2020 \$'000s	Restated 1 July 2019 \$'000s
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	69,441	7,030	19,304
Trade and other receivables	6	1,986	4,032	923
Security deposits	7	17,632	-	-
Prepaid transaction costs		-	1,565	1,478
Inventory	8	-	1,535	-
<b>Total Current Assets</b>		<b>89,059</b>	<b>14,162</b>	<b>21,705</b>
<b>Non-Current Assets</b>				
Security deposits	7	15,076	76	-
Plant and equipment	9	4,724	3,402	763
Right of use assets	10	42,218	5,617	-
Exploration and evaluation expenditure	11	2,277	2,277	2,277
Mine development	12	346,010	124,773	-
Deferred tax assets	4	25,847	21,057	-
<b>Total Non-Current Assets</b>		<b>436,152</b>	<b>157,202</b>	<b>3,040</b>
<b>TOTAL ASSETS</b>		<b>525,211</b>	<b>171,364</b>	<b>24,745</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	13	19,882	28,178	7,717
Interest bearing loans	14	14,550	56,074	-
Lease liabilities	15	2,694	1,332	12
Royalty liabilities	16	450	139	-
Provisions	17	1,079	671	79
<b>Total Current Liabilities</b>		<b>38,655</b>	<b>86,394</b>	<b>7,808</b>
<b>Non-Current Liabilities</b>				
Other payables		-	5	12
Interest bearing loans	14	162,468	-	-
Lease liabilities	15	39,032	4,421	27
Royalty liabilities	16	26,860	16,580	-
Provisions	17	6,300	3,837	712
<b>Total Non-Current Liabilities</b>		<b>234,660</b>	<b>24,843</b>	<b>751</b>
<b>TOTAL LIABILITIES</b>		<b>273,315</b>	<b>111,237</b>	<b>8,559</b>
<b>NET ASSETS</b>		<b>251,896</b>	<b>60,127</b>	<b>16,186</b>
<b>EQUITY</b>				
Contributed equity	18	405,077	209,612	155,918
Reserves	19	12,896	11,282	5,751
Accumulated losses		(166,077)	(160,767)	(145,483)
<b>TOTAL EQUITY</b>		<b>251,896</b>	<b>60,127</b>	<b>16,186</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**



	Contributed Equity \$'000s	Share- Based Payment Reserve \$'000s	Accumulated Losses \$'000s	Total Equity \$'000s
<b>Balance at 1 July 2020 – as previously reported</b>	<b>209,612</b>	<b>10,606</b>	<b>(160,696)</b>	<b>59,522</b>
Prior period adjustment – Refer Note 1(c)	-	676	(71)	605
<b>Restated balance at 1 July 2020</b>	<b>209,612</b>	<b>11,282</b>	<b>(160,767)</b>	<b>60,127</b>
Net loss for the year	-	-	(5,310)	(5,310)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(5,310)</b>	<b>(5,310)</b>
Shares issued from placements	185,547	-	-	185,547
Shares issued in connection to conversion of performance rights	789	(548)	-	241
Shares issued in lieu of fees	812	-	-	812
Shares issued in connection to conversion of convertible note	15,000	-	-	15,000
Performance rights expired	-	(2,272)	-	(2,272)
Share issue costs	(9,551)	-	-	(9,551)
Deferred tax asset recognised in equity	2,868	-	-	2,868
Share based payments	-	4,434	-	4,434
<b>Balance at 30 June 2021</b>	<b>405,077</b>	<b>12,896</b>	<b>(166,077)</b>	<b>251,896</b>
<b>Balance at 1 July 2019 as previously reported</b>	<b>155,918</b>	<b>4,274</b>	<b>(145,483)</b>	<b>14,709</b>
Prior period adjustment – Refer Note 1(c)	-	1,478	-	1,478
<b>Restated balance at 1 July 2019</b>	<b>155,918</b>	<b>5,752</b>	<b>(145,483)</b>	<b>16,187</b>
Net loss for the year as previously stated	-	-	(15,610)	(15,610)
Prior period adjustment – Refer Note 1(c)	-	-	(71)	(71)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(15,681)</b>	<b>(15,681)</b>
Shares issued from placements	50,891	-	-	50,891
Shares issued on exercise of options	142	(142)	-	-
Shares issued in connection to conversion of performance rights	2,600	(2,600)	-	-
Shares issued to employees	431	-	-	431
Shares issued in lieu of fees	12	-	-	12
Incentive options expired	-	(152)	152	-
Performance rights expired	-	(245)	245	-
Share issue costs	(1,781)	-	-	(1,781)
Deferred tax asset recognised in equity	1,399	-	-	1,399
Options issued as transaction cost for the interest bearing loan	-	3,411	-	3,411
Share based payments	-	5,258	-	5,258
<b>Balance at 30 June 2020</b>	<b>209,612</b>	<b>11,282</b>	<b>(160,767)</b>	<b>60,127</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF  
CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2021



	Notes	30 June 2021 \$'000s	30 June 2020 \$'000s
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(15,797)	(39,555)
R&D tax incentive received		3,547	913
Interest received		111	168
Interest paid		(23)	(19)
Government grants received		-	170
Payment for security deposits		-	(76)
<b>Net cash outflow from operating activities</b>	20	(12,162)	(38,399)
<b>Cash flows from investing activities</b>			
Payment for security deposits		(32,632)	-
Payment for mine properties		-	(10,000)
Payments for plant and equipment		(1,937)	(2,375)
Proceeds from sale of assets		-	35
Payments for mine development		(198,834)	(76,208)
Interest payment		(8,497)	-
<b>Net cash outflow from investing activities</b>		(241,900)	(88,548)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		185,104	50,891
Payment of transaction costs from issue of shares		(9,109)	(1,782)
Proceeds from issue of convertible notes		15,000	-
Receipt of borrowings		197,498	66,600
Transaction costs related to interest bearing loans		(5,228)	(982)
Repayment of borrowings		(65,569)	-
Principal portion of lease payments		(1,647)	(412)
<b>Net cash inflow from financing activities</b>		316,049	114,315
Net increase /(decrease) in cash and cash equivalents held		61,987	(12,632)
Cash and cash equivalents at the beginning of the year		7,030	19,304
Effect of exchange rate fluctuations on cash held		424	358
<b>Cash and cash equivalents at the end of the year</b>	5	<b>69,441</b>	<b>7,030</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Salt Lake Potash Limited (**Salt Lake or Company**) and its consolidated entities (**Consolidated Entity or Group**) for the year ended 30 June 2021 are stated to assist in a general understanding of the financial report.

Salt Lake is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (**ASX**) and the AIM Market (**AIM**) of the London Stock Exchange. The registered office is located at 239 Adelaide Terrace Perth WA 6000.

The financial report of the Group for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 30 September 2021.

### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("**AASBs**") and other authoritative pronouncements of the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars.

#### *Statement of compliance*

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board.

#### *Going concern*

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

For the year ended 30 June 2021, the Group incurred a net loss of \$5.310m (2020: \$15.681m), experienced net cash outflows from operating and investing activities of \$254.062m (2020: \$126.947m) and as at 30 June 2021 held cash and cash equivalents of \$69.441m (2020: \$7.030m).

The Group is continuing to develop the Lake Way project, having currently progressed to the commissioning phase, and has sufficient funds to meet currently committed expenditure. However the period of commissioning of the Lake Way Project is taking longer than originally planned and this has resulted in a delay to the commencement of product sales, and hence revenue receipts, which has resulted in a funding shortfall for expenditure required in the interim period. Product sales are now anticipated to commence in the second half of FY22. To address the funding shortfall the Group is in the process of raising further capital via a share placement and rights issue planned to be completed in October/ November 2021. The Directors are satisfied that the Group will be successful in raising the planned additional funds and that the amount to be raised will be adequate to fund the Group during the period up to when revenue from product sales is sufficient to fund the Group's operations.

However, should the Group require additional funds the Group has demonstrated in the past that it can secure funding from multiple sources. In addition, the Directors have been involved in a number of recent successful capital raisings for the Group and for other listed resource companies and are satisfied that they will be able to raise the additional capital required to enable the Group to meet its obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

In the event that the Group is unable to achieve the matters referred to above, uncertainty would exist that may cast doubt on the ability of the Group to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

#### *Rounding*

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(b) New Accounting Standards Interpretations and amendments adopted by the Group**

Since 1 July 2020, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 July 2020. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several new and amended Accounting Standards and Interpretations applied for the first time from 1 July 2020. These did not have an impact on the consolidated financial statements of the Consolidated Entity.

#### **AASB 3 Business Combinations**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

#### **AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimate and Errors**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

#### **Conceptual Framework for Financial Reporting**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

### **(c) Prior Period Adjustments**

Following a review of the mandate letter with Taurus Funds Management ("Taurus") and the terms of the Bridge Facility Agreement ("Bridge Facility") and the Syndicated Facility Agreement ("SFA") relating to the interest bearing loans (see note 14), the Group has adjusted the accounting for royalty rights and options granted as consideration for services rendered by Taurus in establishing each loan facility which had been incorrectly accounted for in prior periods.

The royalty rights, representing a contractual obligation to make future cash payments, are financial liabilities which should have been recognised on the signing of each facility agreement. In this regard, the royalty rights relating to the Bridge Facility (signed on 5 August 2019) were not recognised by the Group in the prior year. The royalty rights have now been recognised and are measured at fair value on initial recognition and are subsequently carried at amortised cost (\$16,719,511 at 30 June 2020). The Group has used the forecast cash flows from its latest corporate model as the basis for measuring the royalty obligation.

The options granted to Taurus under these arrangements are an equity settled, share-based payment transaction. The value of the services received should have been recognised as the services were rendered over the mandate period. In prior periods, the options were incorrectly recognised on signing the related facility agreement. The Group has now recognised and measured the services as they are received with reference to the fair value of the equity instruments granted. In this regard, the fair value of the options granted has been recalculated using a Binomial option pricing model. The recalculation resulted in a cumulative adjustment to share-based payments of \$1,477,895 for the year ended 30 June 2019 and \$675,850 for the year ended 30 June 2020.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Prior Period Adjustments (continued)**

In advance of the drawdowns under each facility agreement, costs recognised in relation to the associated royalty rights and options granted should have been deferred as a prepayment on the balance sheet. On drawdown of each facility, an appropriate portion of the prepaid transaction costs should have been reclassified such that the loan was recognised net of transaction costs. This has resulted in a cumulative adjustment to recognise prepayments of \$1,477,895 at 30 June 2019 and \$1,565,139 at 30 June 2020; and a cumulative adjustment to reduce interest bearing liabilities by \$7,766,571 at 30 June 2020.

As a result of the restatement of loan balances in the prior period and the recognition of the royalty rights in respect of the Bridge Facility, the Group has retranslated the balances of these financial liabilities at each reporting date using the closing exchange rate.

Due to additional transaction costs being recognised on the drawdowns under the Bridge Facility, the effective interest rate on the loan was recalculated. Additional borrowing costs have been capitalised to mine development costs in accordance with the Group's stated accounting policy. This has resulted in a cumulative adjustment to mine properties of \$7,992,413 at 30 June 2020.

The restatements noted above had no significant current income tax or net deferred tax consequences for the years ended 30 June 2019 or 30 June 2020.

The adjustments have been made by restating prior periods. The impact of the adjustments on the financial statements is as follows:

**Cumulative impact on the Statements of Financial Position**

	30 June 2020 \$'000s	30 June 2019 \$'000s
<b>Current Assets</b>		
Increase in prepaid transaction costs	1,565	1,478
<b>Non-Current Assets</b>		
Increase in mine development	7,992	-
<b>Current Liabilities</b>		
Increase in current royalty liabilities	(139)	-
<b>Non-Current Liabilities</b>		
Increase in non-current royalty liabilities	(16,580)	-
Decrease in interest bearing liabilities	7,767	-
<b>Net assets</b>	605	1,478
Increase in share-based payment reserve	676	1,478
Net increase in accumulated loss	(71)	-
<b>Total Equity</b>	605	1,478

**Impact on Statements of Profit or Loss and Other Comprehensive Income**

	30 June 2020 \$'000s	30 June 2019 \$'000s
Decrease in finance costs	53	-
Decrease in unrealised/realised foreign exchange gain	(124)	-
<b>Net increase in loss</b>	(71)	-

**Impact on basic and diluted earnings per share (cents per share)**

	30 June 2020 \$	30 June 2019 \$
<b>Increase in loss per share</b>	(0.02)	-

The changes did not have any impact on the Statement of Cash Flows.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(d) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies are eliminated.

### **(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **(f) Financial Assets**

Financial assets are recognised when the entity becomes a party to the contractual provisions to the instrument. Trade receivables are initially recognised at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

#### *Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (**FVPL**)
- Equity instruments at fair value through other comprehensive income (**FVOCI**)
- Debt instruments at fair value through other comprehensive income

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or expenses respectively.

#### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (**EIR**) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Consolidated Entity's financial assets at amortised cost include short term deposits and other receivables.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(f) Financial Assets (Continued)**

#### *Impairment*

The Group recognises an allowance for Expected Credit Loss (ECL) for all debt instruments not held at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. An ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables due in less than 12 months, the Group will recognise a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group will establish a provision matrix for these receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment as sales from product eventuate or significant receivables come to hand.

The Group considers a financial asset in default when contractual payments are 60 days past due. In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### **(g) Inventory**

Inventories are valued at the lower of cost or net realisable value. Cost is determined primarily on the basis of average costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and cost necessary to make the sale. The cost of raw materials, spare parts, freight and indirect costs allocation is the purchase price. The cost of partly processed and saleable products is generally the cost of production including:

- Labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of brine; and
- The depreciation of mining properties and leases of property plant and equipment used in the extraction and processing of brine and production of Sulphate of Potash and production overheads.

Brine inventory quantities are assessed primarily through pumping and flow measurements together with grade from assays. If the contained Sulphate of Potash calculated in the brine will not be processed within 12 months after the balance sheet date, it is included within non-current assets.

### **(h) Plant and Equipment**

#### *(i) Recognition and measurement*

All classes of plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Plant and Equipment (Continued)**

**(ii) Depreciation and Amortisation**

Depreciation is provided on a straight-line basis on all plant and equipment at rates varying from 10-50% (2020: 10-50%).

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

**(iii) Derecognition**

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

**(i) Exploration, Evaluation and Pre-Development Expenditure**

Expenditure on exploration, evaluation and pre-development is accounted for in accordance with the 'area of interest' method.

Exploration, evaluation and pre-development expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources and early development activities before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset.

Exploration, evaluation and pre-development expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to and including costs associated with the preparation of a bankable feasibility study.

**Impairment**

Capitalised costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, any acquired capitalised exploration expenditure is tested for impairment and transferred to development properties and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(j) Mine Development**

Expenditure is distinguished between 'Exploration and evaluation assets' and 'Mine Development' once the work completed to date supports the future development of the project and such development receives appropriate approvals. Following this point, all subsequent expenditure on the construction, installation or completion of ponds and other infrastructure facilities is capitalised in 'Mine Development'. After production starts, all assets included in 'Mine Development' are then transferred to 'Producing Mines' and amortisation commences.

Borrowing costs that are directly attributable to the acquisition, construction or production of mine development assets are also capitalised. Capitalisation of borrowing costs ceases once production starts and assets included in 'Mine Development' are transferred to 'Producing Mines' or are otherwise ready for their intended use or sale.

**(k) Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days. Payables are carried at amortised cost.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Royalty Liability**

Royalty liabilities are recognised initially at fair value and are subsequently measured at amortised cost.

The gross carrying amount of the amortised cost of the royalty liability is recalculated at each period end as the present value of the actual and revised estimated future contractual cash flows that are discounted at the original effective interest rate used on initial recognition of the royalty liability. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The adjustment is recognised in profit or loss as income or expense

**(m) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Rehabilitation**

The Group is required to decommission and rehabilitate mines or related assets at the end of their producing lives to a condition acceptable to the relevant authorities. A rehabilitation provision is recognised when the Group has a present obligation, whether legal or constructive, as a result of a past event.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. Costs arising from obligations for site rehabilitation incurred before a decision to mine is made are expensed and accrued at the time of incurring the obligation. Once a decision to mine is made, estimated future rehabilitation costs will be capitalised and amortised over the life of the operation. The increase in net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of the detailed plans prepared. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in the profit or loss on a prospective basis over the remaining life of the operation.

The estimated costs of the rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant/site clean up at closure.

The ultimate cost of rehabilitation is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new rehabilitation techniques or experience at other sites. The expected timing of expenditure can also change. Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

In recognising the amount of rehabilitation obligation at each reporting date, judgement is made on the extent of rehabilitation that the Group is responsible for at each reporting date.

**(n) Interest Income**

Interest income is recognised as it accrues in the Statement of Profit or Loss, using the effective interest method. This methodology exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised using the full liability method for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

***Tax consolidation***

Salt Lake Potash Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each tax group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the tax group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(p) Employee Entitlements**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits expected to be settled later than 12 months after the year end have been measured using the projected unit credit valuation method.

**(q) Earnings per Share**

Basic earnings per share (**EPS**) is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(r) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(s) Research & Development Incentive Rebate**

Any rebate received for eligible Research and Development activities are offset against the area where the costs were initially incurred. For R&D expenditure that has been capitalised, any claim received will be offset against 'Exploration and Evaluation' or 'Mine Development' in the Consolidated Statement of Financial Position. For R&D expenditure that has been expensed, any claim received will be recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### **(t) Acquisition of Assets**

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138 *Intangible Assets*) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

### **(u) Impairment of Non-Current Assets**

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### **(v) Issued and Unissued Capital**

Ordinary Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Foreign Currencies**

#### **(i) Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

#### **(ii) Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in other Comprehensive Income.

#### **(w) Government Grant Income**

Government grants are recognised in the profit or loss on a systematic basis over the period in which the entity recognises as expenses the related costs for which the grants are intended to compensate; i.e matching income and expenses.

If the grant relates to expenses or losses already incurred by the entity, or to provide immediate financial support to the entity with no future related costs, the income is recognised in the period in which it becomes available.

#### **(x) Share-Based Payments**

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value of options is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share-based payments has been determined can be found in Note 25.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its

estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets or provision of services. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

#### **(y) Interest Bearing Loans**

Non-derivative financial liabilities other than financial guarantees are initially measured at fair value net of directly attributable transaction costs. These are subsequently measured at amortised cost. Transaction costs that relate to these instruments are included in the calculation of the amortised cost using the effective interest method. Any gains or losses are recognised in profit or loss through the amortisation process and when the financial liabilities is derecognised.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(z) Leases – Group as Lessee**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

*Right-of-use Assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees and do not include non-lease components of a contract. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance of fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of equipment that are considered of low value (i.e. below \$5,000). Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

**(aa) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (bb) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

#### *Judgements*

##### (i) *Right of Use Assets and Lease Liabilities (Note 10 and Note 15)*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to four years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

##### (ii) *Exploration and Evaluation Expenditure (Note 11)*

The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related area of interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

To the extent that exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

#### *Estimates*

##### (iii) *Deferred Tax Assets (Note 4)*

Following completion of the Bankable Feasibility Study for the Lake Way Project that demonstrated the technical feasibility and commercial viability of the Project in October 2019, the Group determined that it was appropriate for the Company to transfer the Lake Way Project 'Exploration and evaluation assets' to 'Mine Development' with effect from 1 November 2019.

Due to the Group entering the phase of Mine Development, it has been deemed probable that future profits will be able to be offset against available prior year tax losses and other deferred tax assets. The Group has recognised a deferred tax asset of \$25.847m and income tax benefit for the 30 June 2021 period totalling \$1.923m. The Group considers that there is convincing evidence to support the recoverability of the tax losses recognised based on the information obtained through the completion of the Bankable Feasibility Study, including the detailed financial modelling that was prepared, and the signing of binding offtake agreements for a majority of future sales volumes.

In determining the recoverability of deferred tax assets at each balance date, management prepare and review an analysis of estimated future results which support the future realisation of deferred tax assets. The estimated future profitability results are judgmental and involve a number of key assumptions. These assumptions are also used for impairment assessments referred to in the notes below. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise recognised deferred tax assets would be impacted.

##### (iv) *Research and Development (Note 6)*

The Group is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by 43.5%. For the 2021 financial year, the Group has accounted for this incentive as other income within the Statement of Profit or Loss and Other Comprehensive Income.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(cc) Use and Revision of Accounting Estimates, Judgements and Assumptions (Continued)**

**(v) *Mine Rehabilitation (Note 17)***

The Group assesses its mine rehabilitation provision in accordance with the accounting policy stated in Note 1(l). In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of those future costs and the estimated level of inflation. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

**(vi) *Impairment of Non-Financial Assets (Note 12)***

The recoverability of mine development and property, plant and equipment is dependent on a number of factors, including the level of proved and probable reserves, production levels, future costs and the future technological changes which could impact the cost, future legal changes (including changes to environmental restoration obligations) and changes in commodity prices. Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs of disposal and value in use calculated in accordance with the Group's accounting policy (refer Note 1u).

In the current period fair value less costs of disposal has been used. These assumptions require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices mineral resources and reserves and operating performance (including the magnitude and time of related cash flows).

**(vii) *Royalty Liability (Note 16)***

The Group assesses its royalty liability obligation at each reporting date. The ultimate royalty expense is based on net revenue from the Lake Way Project hence is subject the Group's future financial performance which is by its nature uncertain. Cost and sales estimates can vary in response to many factors, including estimates of potash prices, the extent and costs of production and distribution of potash, technological changes, regulatory changes and cost increases as compared to forecast inflation rates. These uncertainties may result in future net revenue, and hence royalty expense, differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the royalty liability. As a result, there could be significant adjustments to the liability established which would affect future financial results. The royalty liability recognised at reporting date is based on management's best estimate of the future net revenue from the Lake Way Project.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**2. SEGMENT INFORMATION**

The Consolidated Entity operates in one operating segment, being exploitation of SOP projects in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

**3. INCOME AND EXPENSES**

	2021 \$'000s	2020 \$'000s
<b>(a) Other income</b>		
Interest income calculated using the EIR method	79	162
Government grant income	93	170
	172	332
<b>(b) Depreciation included in statement of comprehensive income</b>		
Depreciation of plant and equipment	211	233
Depreciation of right of use assets	198	177
<b>(c) Employee benefits expense</b>		
Salaries and wages	1,834	4,794
Superannuation expense	164	394
Share-based payment expense	433	6,177
<b>Total employment expenses included in profit or loss</b>	<b>2,431</b>	<b>11,365</b>
<b>(d) Share based payment expense</b>		
Expenses arising from equity-settled share-based payment transactions relating to incentive options and performance rights	192	6,062
Expenses arising from equity-settled share-based payment transactions for previously issued performance rights that vested but could not be exercised due to share trading restrictions	241	431
Expenses arising from equity-settled share-based payment transactions to suppliers and consultants	-	12
<b>Total share based payments recognised during the year</b>	<b>433</b>	<b>6,505</b>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**4. INCOME TAX**

	2021 \$'000s	2020 \$'000s
<b>(a) Recognised in the statement of comprehensive income</b>		
<b>Current income tax</b>		
Current income tax benefit in respect of the current year	-	-
<b>Deferred income tax</b>		
Deferred income tax	1,923	19,657
Income tax benefit reported in the statement of Profit or Loss and other Comprehensive income	1,923	19,657
<b>(b) Recognised in the statement of comprehensive income</b>		
<b>Deferred income tax related to items charged or credited to equity</b>		
Deferred tax assets not previously brought to account from prior periods	-	865
Deferred tax assets recognised in equity	2,868	535
Income tax benefit recognised in equity	2,868	1,400
Total deferred tax asset recognised at 30 June	4,791	21,057
<b>(c) Reconciliation between tax expense and accounting loss before income tax</b>		
Accounting loss before income tax	(7,233)	(35,338)
At the domestic income tax rate of 30% (2020: 30%)	(2,170)	(10,580)
Expenditure not allowable for income tax purposes	423	2,801
Income not assessable for income tax purposes	(15)	(1,353)
Other	(161)	1
Deferred tax assets brought to account*	-	(10,526)
Income tax benefit reported in the statement of Profit or Loss and other Comprehensive income	(1,923)	(19,657)



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**4. INCOME TAX (Continued)**

	2021 \$'000s	2020 \$'000s
<b>(d) Deferred Tax Assets and Liabilities</b>		
Deferred income tax at 30 June relates to the following:		
<b>Deferred Tax Liabilities</b>		
Accrued income	2	(2)
Exploration and evaluation assets	47	(47)
Plant and equipment	-	(31)
Rehabilitation asset	1,795	-
Borrowing costs	3,924	(329)
Interest bearing liabilities	9,032	(401)
Foreign exchange	282	-
Right of use assets	12,665	(1,685)
Deferred tax assets used to offset deferred tax liabilities	(27,747)	2,495
	-	-
<b>Deferred Tax Assets</b>		
Mine development	3,303	3,855
Accrued expenditure	106	74
Lease liabilities	12,515	1,755
Royalty liability	8,193	-
Rehabilitation liability	1,884	89
Other capitalised costs	207	172
Provisions	329	201
Borrowing costs	1,858	-
Capital allowances	2,938	778
Tax losses available for offset against future taxable income	22,261	16,628
Deferred tax assets used to offset deferred tax liabilities	(27,747)	(2,495)
	25,847	21,057

**Tax Consolidation**

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Salt Lake Potash Limited.



## 5. CASH AND CASH EQUIVALENTS

	2021 \$'000s	2020 \$'000s
Cash on hand and at bank	69,391	6,980
Deposit on call	50	50
	69,441	7,030

The Group has assessed the credit risk on cash and cash equivalents using the lifetime expected credit losses method and concluded that the probability of default is insignificant. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above.

## 6. TRADE AND OTHER RECEIVABLES

	2021 \$'000s	2020 \$'000s
Accrued interest	5	5
Research and development incentive rebate	-	3,547
GST and other receivables	1,981	480
	1,986	4,032

Other receivables are non-interest bearing. There are no past due nor impaired receivables at 30 June 2021. GST receivables are due from the ATO. The Group has assessed the probability of default as low and the expected credit loss is insignificant.

## 7. SECURITY DEPOSITS

	2021 \$'000s	2020 \$'000s
<i>Current security deposits</i>		
Security deposits <sup>1</sup>	3,000	-
Restricted cash <sup>2</sup>	14,632	-
<b>Total current security deposits</b>	<b>17,632</b>	
<i>Non-Current security deposits</i>		
Security deposits <sup>1</sup>	15,076	76
<b>Total non-current security deposits</b>	<b>15,076</b>	<b>76</b>

### Notes:

<sup>1</sup> Relates to a one month rolling cash backed bank guarantee for the APA gas pipeline at Lake Way. This balance is held with Commonwealth Bank of Australia which is a high credit worthy institution and therefore the probability of default is insignificant.

<sup>2</sup> Relates to the Debt Service Reserve Account and the escrowed Prepayment Proceeds required under the SFA (refer Note 14). These amounts are held with Commonwealth Bank of Australia which is a high credit worthy institution and therefore the probability of default is insignificant.

## 8. INVENTORY

	2021 \$'000s	2020 \$'000s
Work in progress at cost <sup>1</sup>	-	1,535
	-	1,535

<sup>1</sup> During commissioning of the plant it was determined that plant efficiency would be improved by increasing the threshold of potassium grade for plant feed during the ramp-up period. As a consequence of this stockpiled salts not meeting this criterion, though previously recognised as inventory, are unlikely to be processed in the near-term and have been written down to nil value resulting in an impairment expense for the year of \$5.120m. There were no write-downs of inventories for the year ended 30 June 2020.

## 9. PLANT AND EQUIPMENT

	Plant & Equipment \$'000s	Other \$'000s	Total \$'000s
<b>(a) Plant &amp; Equipment and Other</b>			
<b>2021</b>			
Gross carrying amount - at cost	5,114	622	5,736
Accumulated depreciation	(558)	(454)	(1,012)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>4,556</b>	<b>168</b>	<b>4,724</b>
<b>2020</b>			
Gross carrying amount - at cost	3,461	552	4,013
Accumulated depreciation	(339)	(272)	(611)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>3,122</b>	<b>280</b>	<b>3,402</b>
<b>(b) Reconciliation</b>			
Carrying amount at beginning of year, net of accumulated depreciation	3,122	280	3,402
Additions	1,652	71	1,723
Depreciation charge (capitalised and expensed)	(218)	(183)	(401)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>4,556</b>	<b>168</b>	<b>4,724</b>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**10. RIGHT OF USE ASSETS**

	Property & Vehicles	Lake Way Village & Communications	Lakeway Gas Supply and Power Assets <sup>1</sup>	Total
	\$'000s	\$'000s	\$'000s	\$'000s
<b>(a) Right of Use Assets</b>				
<b>2021</b>				
Gross carrying amount - at cost	2,130	5,578	35,886	43,594
Accumulated depreciation	(386)	(826)	(164)	(1,376)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>1,744</b>	<b>4,752</b>	<b>35,722</b>	<b>42,218</b>
<b>2020</b>				
Gross carrying amount - at cost	950	5,206	-	6,156
Accumulated depreciation	(191)	(348)	-	(539)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>759</b>	<b>4,858</b>	<b>-</b>	<b>5,617</b>
<b>(b) Reconciliation</b>				
Balance at 1 July 2020	759	4,858	-	5,617
Additions	1,258	476	35,886	37,620
Disposals	(78)	-	-	(78)
Depreciation charge	(195)	(478)	(164)	(837)
Reassessment	-	(104)	-	(104)
<b>Carrying amount at end of year, net of accumulated depreciation</b>	<b>1,744</b>	<b>4,752</b>	<b>35,722</b>	<b>42,218</b>

<sup>1</sup> These assets are held under long term lease contracts with lease charges containing a fixed component that is capital in nature. The lease term of these assets is:  
 Lake Way gas pipeline 20 years  
 Lake Way power station 10 years

## 11. EXPLORATION AND EVALUATION EXPENDITURE

	2021 \$'000s	2020 \$'000s
<b>(a) Areas of Interest</b>		
SOP Project <sup>1</sup>	2,277	2,277
<b>Carrying amount at end of year, net of impairment<sup>1</sup></b>	<b>2,277</b>	<b>2,277</b>
<b>(b) Reconciliation</b>		
Carrying amount at start of year	2,277	2,277
Additions (Lake Way Project) <sup>3</sup>	-	10,715
Transfer to Mine Development <sup>3</sup>	-	(10,715)
<b>Carrying amount at end of year net of impairment<sup>2</sup></b>	<b>2,277</b>	<b>2,277</b>

### Notes:

<sup>1</sup> The Group holds a number of large salt lake brine projects in Western Australia, each having potential to produce Sulphate of Potash (SOP) for domestic and international fertiliser markets.

<sup>2</sup> The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

<sup>3</sup> The Company completed the acquisition of tenements from Blackham Resources Limited on 8 October 2019. The cost of acquisition was initially recognised as an 'Exploration and evaluation asset' before being transferred to Mine Development assets following completion of a bankable feasibility study for the Lake Way Project with effect from 1 November 2019.

## 12. MINE DEVELOPMENT

	Mine properties \$'000s	Capitalised borrowing costs \$'000s	Capitalised assets under construction \$'000s	Mine development \$'000s	Total \$'000s
<b>Reconciliation</b>					
Balance at 1 July 2020	10,715	14,873	59,663	39,522	124,773
Additions	30	23,445	142,013	55,749	221,237
Balance at 30 June 2021	10,745	38,318	201,676	95,271	346,010

### Notes:

<sup>1</sup> Following completion of the bankable feasibility study on the Lake Way Project in October 2019, the Group determined that it was appropriate to transfer the Lake Way Project from 'Exploration and evaluation assets' to 'Mine development' with effect from 1 November 2019 and for all subsequent expenditure on the construction, installation or completion of infrastructure facilities to be capitalised in 'Mine development'. This date marks the completion of the BFS and the commencement of the second stage of on-lake construction at Lake Way.

<sup>2</sup> The lenders under the SFA have security over the mine development assets (refer note 14)

### Impairment assessment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units "CGUs"). An impairment assessment of the Lake Way Project CGU has been made due to the delay in commencement of production of potash and associated cash inflows which has had a negative impact on the value of the CGU and hence is considered an indicator of a possible impairment.

## **12. MINE DEVELOPMENT (Continued)**

### **Methodology**

An impairment is recognised when the carrying amount exceeds the recoverable amount.

The Lake Way Project has been treated as a separate CGU. The recoverable amount of the Lake Way Project has been estimated using fair value less costs of disposal basis. The costs of disposal have been estimated by management based on prevailing market conditions.

The recoverable amount of the CGU has been estimated based on discounted cash flows using market-based commodity price and exchange rate assumptions, estimated quantities of recoverable product, production levels, operating costs and capital requirements, based on latest life of mine plans (20 years).

The fair value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Significant judgements and assumptions are required in making estimates of the recoverable amounts. This is particularly so in the assessment of long life assets. It should be noted that the CGU fair values are subject to variability in key assumptions including, but not limited to, potash prices, currency exchange rates, discount rates, production profiles and operating and capital costs. A change in one or more of the assumptions used to estimate the recoverable amount would result in a change in a CGU's recoverable amount.

### **Key Assumptions**

In determining each key assumption, management has used external sources of information and utilised experts within the Group to validate entity specific assumptions such as reserves and resources. Production and capital costs are based on the Group's estimate of forecast geological conditions, capacity of existing plant and equipment and future production levels. This information is obtained from external experts where applicable, internally maintained budgets, mine models and project evaluations performed by the Group in its ordinary course of business. The table below summarises the key assumptions used in the carrying value assessments:

The Group receives long term forecast price data from multiple externally verifiable sources when determining its pricing forecasts. The AUD/USD exchange rate used in the model is 0.75.

The Group has applied a pre-tax discount rate to the Lake Way Project of 9.9%. The discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specified to the asset for which the future cash flow estimate have not been adjusted.

The recoverable amount of the Lake Way Project at 30 June 2021 was determined based on a fair value less costs of disposal model.

The key assumptions to which the model is most sensitive includes:

- potash price range of A\$694 to A\$747 per tonne;
- discount rate; and
- date of commencement of production (assumed to be March 2022 for the 30 June 2021 impairment test).

### **Sensitivity analysis**

Any variation in the key assumptions used to determine the recoverable amount would result in a change of the estimated recoverable amount. If the variation in assumption had a negative impact on the recoverable amount it could indicate a requirement for an impairment of non-current assets.

It is estimated that the following reasonably possible changes in the key assumptions would have the following approximate impact on the recoverable amount of the Lake Way project CGU as at 30 June 2021:

	\$'000s
5% decrease in potash price over project life	(55,337)
An increase in discount rate of 1%	(34,813)
A six-month delay to commencement of production	(21,161)

None of the above reasonably possible changes would result in impairment of the CGU as at 30 June 2021.

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**13. TRADE AND OTHER PAYABLES**

	2021 \$'000s	2020 \$'000s
Trade creditors	3,730	7,275
Accrued expenses	15,318	20,273
Employee obligations	834	623
Other payables	-	7
	19,882	28,178

*Terms and conditions of the above financial liabilities:*

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

**14. INTEREST BEARING LOANS**

	2021 \$'000s	2020 \$'000s
<b>Current Interest Bearing Loans</b>		
Face value drawn down - SFA <sup>1</sup>	19,275	-
Face value drawn down – Guarantee facilit <sup>1</sup>	3,000	-
Face value drawn down – Stage 1 Facility <sup>1</sup>	-	65,569
Transaction costs and establishment fees net of interest amortisation <sup>2</sup>	(7,725)	(9,495)
	14,550	56,074
<b>Non-Current Interest Bearing Loans</b>		
Face value drawn down - SFA <sup>1</sup>	160,333	-
Face value drawn down – Guarantee facility <sup>1</sup>	15,000	-
Transaction costs and establishment fees net of interest amortisation <sup>2</sup>	(12,865)	-
	162,468	-

**Notes:**

<sup>1</sup> On 22 December 2020, the Company announced that it drew down the first tranche of the US\$138m Syndicated Facility Agreement (SFA) from Taurus Funds Management (Taurus) and the Clean Energy Finance Corporation (CEFC), having achieved project financial close on the Lake Way Project. The SFA was subsequently syndicated in March 2021 to include Sequoia Economic Infrastructure Fund (SEQI) and Commonwealth Bank of Australia as lenders.

The first tranche of US\$105m was used to repay the Taurus Bridge Facility (Stage 1 Facility) totalling US\$45m and to fund further development of the Lake Way Project. The remaining US\$33m of the SFA was drawn down in June 2021. The interest rate on the SFA is 9% per annum, repayable from 31 March 2022 to 30 September 2024.

An A\$18m Guarantee Facility with SEQI was drawn down in June 2021, which allowed the Company to access A\$18m previously held in a restricted deposit as security for a guarantee for the APA gas pipeline at Lake Way. The interest rate on the Guarantee Facility is 12% per annum, repayable from 11 April 2022 to 30 September 2024.

The balance at 30 June 2020 relates to the extended Stage 1 Facility with Taurus Funds Management. The Facility was extended from US\$30 million to US\$45 million in December 2019 and was fully drawn down during the 2019-20 financial year. The Facility was repaid in December 2020.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**14 INTEREST BEARING LOANS (continued)**

<sup>2</sup> Transaction costs include establishment fees, options issued and royalties granted under the Stage 1 Facility, the SFA and the Guarantee Facility. Transaction costs for the Stage 1 Facility include 9,000,000 unlisted options issued to Taurus Funds Management which are exercisable at \$0.702 on or before 4 August 2024. These options were valued using a Binomial option valuation model and have been recognised as the services in respect of the finance facility were rendered. Transaction costs for the SFA facility include 15,000,000 unlisted options issued to Taurus Funds Management which are exercisable at \$0.564 on or before 28 September 2024. These options were valued at \$0.188 per option using a Binomial option valuation model and have been recognised as the services in respect of the finance facility were rendered. Refer to Note 19(c) for further details of the terms and conditions of unlisted options

The lenders under the SFA have security over the Lake Way assets.

<sup>3</sup> Interest bearing loans are initially measured at fair value net of directly attributable transaction costs and are subsequently remeasured at amortised cost.

**15. LEASE LIABILITIES**

	2021 \$'000s	2020 \$'000s
Opening balance	5,753	39
Recognised at 1 July 2019 on adoption of AASB 16	-	893
Additions	37,620	5,263
Terminations	-	(35)
Interest expense	416	5
Payments	(2,063)	(412)
<b>Closing balance</b>	<b>41,726</b>	<b>5,753</b>
<i>Current Lease Liabilities</i>	2,694	1,332
<i>Non Current Lease Liabilities</i>	39,032	4,421
	41,726	5,753

**16. ROYALTY LIABILITIES**

	2021 \$'000s	Restated 2020 \$'000s
<i>Current</i>		
Royalty liabilities at amortised cost	450	139
<i>Non-Current</i>		
Royalty liabilities at amortised cost	26,860	16,580

As part of the terms of the Stage 1 Facility and the SFA agreements, the Company granted a 2% royalty right based on the net revenue of the Lake Way project on a life of mine basis. The royalty liability has been measured at fair value on initial recognition and is subsequently carried at amortised cost. The fair value on initial recognition was determined based on forecast cash flows discounted at 9% with inputs categorised as Level 3 of the fair value hierarchy (refer Note 27(h)). Royalty payments will commence following the first sale of SOP, which is expected late in the 2021-22 financial year.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**17. PROVISIONS**

	2021 \$'000s	2020 \$'000s
<i>Current Provisions</i>		
Annual Leave	1,079	671
<i>Non-Current Provisions</i>		
Long service leave	19	-
Mine Rehabilitation <sup>1</sup>	6,281	3,837
	6,300	3,837

<sup>1</sup> SO4 has recognised the need to provide for the costs of rehabilitating the land impacted by the development of the Lake Way Project. The mine rehabilitation provision represents the present value of rehabilitation costs relating to Lake Way, the majority of which are expected to be incurred at the end of the project life. Assumptions used are based on the current economic environment, which management believe is a reasonable basis upon which to estimate the future liability. The timing of rehabilitation is likely to depend on when the ponds cease to produce at economically viable rates, and is currently based on a mine life of 20 years with mine closure rehabilitation work commencing in 2041. This in turn will depend on future potash prices, which are inherently uncertain in the longer term.

	2021 \$'000s	2020 \$'000s
<i>Movement in mine rehabilitation</i>		
At 1 July	3,837	712
Change in cost estimate <sup>1</sup>	-	(411)
Arising during the year	2,299	3,490
Unwind of discount	145	46
At 30 June	6,281	3,837

<sup>1</sup> During the previous year there was a reassessment of the disturbed area and cost estimate which resulted in a reduction in the provision of \$410,528.

**18. CONTRIBUTED EQUITY**

	2021 \$'000s	2020 \$'000s
<b>Share Capital</b>		
813,670,721 (30 June 2020: 353,285,840) Ordinary Shares	405,077	209,612



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**18 CONTRIBUTED EQUITY (Continued)**

**(a) Movements in Ordinary Shares During the Past Two Years Were as Follows:**

		Number of Ordinary Shares	Issue Price \$	\$'000s
<b>01-Jul-20</b>	<b>Opening Balance</b>	<b>353,285,840</b>		<b>209,612</b>
17 Aug 20	Placement	142,083,323	0.50	71,042
17 Aug 20	Conversion of Convertible Notes	11,111,113	0.45	5,000
1 Sep 20	Placement	54,991,200	0.50	27,496
29 Sep 20	Conversion of Convertible Notes <sup>3</sup>	22,222,223	0.45	10,000
29 Sep 20	Shares issued in lieu of consultant fees	370,000	0.50	185
16 Oct 20	Shares issued in lieu of transaction costs	1,248,788	0.50	629
17 Dec 20	Placement	125,000,000	0.40	50,000
18 Dec 20	Conversion of Performance Rights	690,398	0.79	548
3 Feb 21	Placement	19,999,978	0.40	8,000
11 Feb 21	Placement	5,025,000	0.40	2,010
11 Feb 21	Conversion of Performance Rights	500,000	0.48	241
1 Jun 21	Placement	74,553,143	0.35	26,094
4 Jun 21	Placement	2,589,715	0.35	906
30 Jun 21	Deferred tax assets recognised in equity	-	-	2,868
Jul-20 to Jun-21	Share issue costs	-	-	(9,554)
<b>30-Jun-21</b>	<b>Closing balance</b>	<b>813,670,721</b>		<b>405,077</b>
<b>01-Jul-19</b>	<b>Opening Balance</b>	<b>245,137,865</b>		<b>155,918</b>
6-Aug-19	Share issue <sup>1</sup>	266,258	0.802	214
6-Aug-19	Placement	10,582,857	0.700	7,408
11-Nov-19	Conversion of performance rights to shares	472,500	0.482	228
11-Nov-19	Shares issued in lieu of consultant fees	17,635	0.680	12
11-Nov-19	Share issue <sup>1</sup>	266,258	0.816	217
18-Dec-19	Placement	32,867,858	0.700	23,008
7-Feb-20	Placement	678,571	0.700	475
12-Feb-20	Share issue <sup>2</sup>	4	0.000	-
20-Mar-20	Conversion of performance rights to shares	4,172,500	0.675	2,515
23-Apr-20	Placement	56,067,647	0.340	19,063
17-Jun-20	Share issue <sup>2</sup>	4	0.000	-
17-Jun-20	Placement	2,755,883	0.340	937
30-Jun-20	Deferred tax assets recognised in equity	-	-	1,399
Jul-19 to Jun-20	Share issue costs	-	-	(1,782)
<b>30-Jun-20</b>	<b>Closing balance</b>	<b>353,285,840</b>		<b>209,612</b>

**Notes:**

<sup>1</sup> Shares issued relating to performance shares that could not be issued at the time of vesting as a result of the Company being in a Blackout Period.  
<sup>3</sup> As a result of performance shares relating to the acquisition of the Company's SOP Project expiring (Note 11), each holder of performance shares was issued one share.

<sup>4</sup> 33.333 million zero coupon convertible notes were issued on 2 July 2020. These Notes mandatorily convert to ordinary shares at the lower of \$0.45 per share or a 5% discount to any future equity raising of at least \$10 million. During August 2020 all of these Notes were converted to ordinary shares at a price of \$0.45 per share to raise \$15 million.

## **18 CONTRIBUTED EQUITY (Continued)**

### **(b) Rights Attaching to Ordinary Shares:**

The rights attaching to fully paid Ordinary Shares arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Unlisted Options in accordance with Note 19(c) or Performance Rights in accordance with Note 19(e) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or the listing rules of the ASX and AIM (**Listing Rules**)).

#### **(i) Shares**

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

#### **(ii) Meetings of Members**

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

#### **(iii) Voting**

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. Where a person present at a general meeting represents personally or by proxy, attorney or representative of more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

#### **(iv) Changes to the Constitution**

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

#### **(v) Listing Rules**

Provided the Company remains admitted to the Official List of the ASX then, despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

## 19. RESERVES

	Note	2021 \$'000s	Restated 2020 \$000s
Share-based payments reserve	19(b)	12,896	11,282

### (a) Nature and Purpose of Reserves

#### (i) Share-based payments reserve

The share-based payments reserve is used to record the fair value of Unlisted Options, Performance Rights and Performance Shares issued by the Group.

### (b) Movements in the share-based payments reserve during the past two years were as follows:

		Number of Performance Rights	Number of Performance Shares	Number of Unlisted Options	\$'000s
<b>01-Jul-20</b>	<b>Opening Balance</b>	<b>18,560,398</b>	-	<b>33,925,000</b>	<b>10,606</b>
	Grant of unlisted options	-	-	7,500,000	676
<b>01-Jul-20</b>	<b>Restated opening balance</b>	<b>18,560,398</b>	-	<b>41,425,000</b>	<b>11,282</b>
1 Jul 20	Grant of performance rights	569,067	-	-	-
23 Jul 20	Grant of unlisted options	-	-	7,500,000	-
19 Dec 20	Grant of unlisted options	-	-	1,000,000	-
19 Dec 20	Grant of performance rights	379,377	-	-	-
19 Dec 20	Performance rights converted to shares	(690,398)	-	-	(548)
31 Dec 20	Expiry of performance rights	(500,000)	-	-	(374)
31 Dec 20	Cancellation of performance rights	(250,000)	-	-	(115)
29 Apr 21	Expiry of options	-	-	(1,000,000)	-
21 Jun 21	Grant of incentive options	-	-	500,000	-
30 Jun 21	Expiry of options	-	-	(1,900,000)	-
30-Jun-21	Cancellation of Performance Rights	(4,237,189)	-	-	(1,597)
Jul 20 to Jun 21	Share based payments expense	-	-	-	4,248
<b>30-Jun-21</b>	<b>Closing balance</b>	<b>13,831,255</b>	-	<b>47,525,000</b>	<b>12,896</b>

**19. RESERVES (continued)**

**(b) Movements in the share-based payments reserve during the past two years were as follows: (Continued)**

		Number of Performance Rights	Number of Performance Shares	Number of Unlisted Options	\$'000s
<b>01-Jul-19</b>	<b>Opening Balance</b>	<b>20,945,016</b>	<b>17,500,000</b>	<b>11,100,000</b>	<b>4,274</b>
1-Jul-19	Unlisted options converted to equity	-	-	-	(142)
1-Jul-19	Issue of Performance Rights	538,324	-	-	-
22-Jul-19	Issue of Performance Rights	500,000	-	-	-
31-Jul-19	Expiry of Performance Rights	(532,516)	-	-	(245)
2-Aug-19	Issue of Unlisted Options	-	-	9,375,000	-
5-Aug-19	Issue of Unlisted Options	-	-	9,000,000	3,411
16-Sep-19	Issue of Performance Rights	3,113,750	-	-	-
14-Oct-19	Issue of Performance Rights	200,000	-	-	-
11-Nov-19	Issue of Unlisted Options	-	-	5,200,000	-
11-Nov-19	Issue of Performance Rights	788,324	-	-	-
11-Nov-19	Performance Rights converted to Shares	(472,500)	-	-	(228)
31-Dec-19	Cancellation of Performance Rights	(400,000)	-	-	(162)
31-Dec-19	Expiry of Performance Shares	-	(7,500,000)	-	-
20-Mar-20	Performance Rights converted to Shares	(4,172,500)	-	-	(2,373)
12-Jun-20	Expiry of Performance Shares	-	(10,000,000)	-	-
30-Jun-20	Cancellation of Performance Rights	(1,947,500)	-	-	(951)
30-Jun-20	Cancellation of Unlisted Options	-	-	(750,000)	(153)
Jul-19 to Jun-20	Share based payments expense excluding cancellation of Performance Rights	-	-	-	7,175
<b>30-Jun-20</b>	<b>Closing balance</b>	<b>18,560,398</b>	<b>-</b>	<b>33,925,000</b>	<b>10,606</b>

**(c) Terms and Conditions of Unlisted Options**

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder to the right to subscribe for one Ordinary Share upon the exercise of each Unlisted Option;
- The Unlisted Options outstanding at the end of the financial year have the following exercise prices and expiry dates:
  - 9,375,000 Unlisted Options exercisable at \$0.85 each on or before 30 June 2023;
  - 1,000,000 Unlisted Options exercisable at \$0.702 each on or before 30 June 2023;
  - 2,400,000 Incentive Options exercisable at \$0.60 each on or before 1 November 2023;
  - 5,250,000 Incentive Options exercisable at \$1.00 each on or before 1 November 2023;
  - 5,000,000 Incentive Options exercisable at \$1.20 each on or before 1 November 2023;
  - 9,000,000 Unlisted Options exercisable at \$0.702 each on or before 4 August 2024; and
  - 15,000,000 Unlisted Options exercisable at \$0.564 each on or before 28 September 2024;
  - 200,000 Incentive Options exercisable at \$0.50 each on or before 1 July 2024; and
  - 300,000 Incentive Options exercisable at \$0.75 each on or before 1 July 2024.
- The Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);

## **19. RESERVES (Continued)**

### **(c) Terms and Conditions of Unlisted Options (Continued)**

- Ordinary Shares issued on exercise of Unlisted Options rank equally in all respects with the Company's existing Ordinary Shares;
- Application will be made by the Company to ASX and to the AIM market of the London Stock Exchange for official quotation of the Ordinary Shares issued upon the exercise of Unlisted Options.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of Unlisted Options will be made by the Company.

### **(d) Terms and Conditions of Performance Shares**

As a result of performance hurdles not being met during the 30 June 2020 Financial Period, all 17,500,000 outstanding Performance Shares on issue at the beginning of that financial year expired. Each tranche of Performance Shares were converted to four Fully Paid Ordinary shares upon cancellation. As two tranches expired in the 12 month period, a total of eight shares were issued.

### **(e) Terms and Conditions of Performance Rights**

The Performance Rights are granted based upon the following terms and conditions:

- Each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights have the following expiry dates:
  - (a) 2,822,500 Performance Rights subject to the Plant Construction Milestone, requiring completion of the Lake Way Plant in a ready state to complete commissioning, expiring on 1 November 2021;
  - (b) 3,600,000 Performance Rights subject to the Plant Commissioning Milestone, including production of a commercial quantity of sulphate of potash, expiring on 1 November 2022;
  - (c) 3,950,000 Performance Rights subject to the Nameplate Capacity Milestone (minimum 200,000 tonnes per annum) expiring on 1 November 2023;
  - (d) 1,300,000 Performance Rights subject to the Schedule Advancement Milestone, requiring meeting the timeline of various stages of the brine extraction process, expiring on 31 December 2021;
  - (e) 1,400,000 Performance Rights subject to the Reduce Capex Milestone, requiring identification of capex savings during the construction and commissioning phases, expiring on 31 December 2021;
  - (f) 758,755 Performance Rights subject to the Short-term Income Milestone, requiring employees to remain employed with the Group over the year, expiring on 31 December 2021 (as set out in employment contracts of certain key management personnel);

Except for the short-term income milestone performance rights, none of the milestones above were achieved during the year.

- Ordinary Shares issued on conversion of Performance Rights rank equally in all respects with the Company's existing Ordinary Shares;
- Application will be made by the Company to ASX AIM market of the London Stock Exchange for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of Performance Right holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of Performance Rights will be made by the Company.

## 20. STATEMENT OF CASH FLOWS

### Reconciliation of the Loss after Tax to the Net Cash Flows from Operations

	2021 \$'000s	2020 \$'000s
Net loss for the year	(5,310)	(15,681)
<b>Adjustment for non-cash income and expense items</b>		
Depreciation	409	410
Share based payment expense	433	6,505
FX movement on equity settled transactions	-	(11)
Deferred tax asset recognition	(1,923)	(19,657)
Unrealised/realised foreign exchange movements	(5,722)	(1,187)
Impairment of inventory	5,120	-
Remeasurement of amortised cost of royalty liability	(4,039)	-
Change in rehabilitation estimate	-	(411)
Loss on disposal of asset	-	11
Interest expense unwind from leasing	-	5
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	3,542	(3,033)
Increase in inventory	(3,585)	(1,535)
Increase in other payables	(1,087)	(4,939)
Increase in provisions	-	149
<b>Non-operating activity transactions</b>	-	975
<b>Net cash outflow from operating activities</b>	<b>(12,162)</b>	<b>(38,399)</b>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**21. EARNINGS PER SHARE**

	2021 \$'000s	2020 \$'000s
<i>The following reflects the income and share data used in the calculations of basic and diluted earnings per share:</i>		
Net loss attributable to the owners of the Company used in calculating basic and diluted earnings per share excluding abnormal items	(5,310)	(15,681)

	Number of Shares 2021	Number of Shares 2020
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	630,205,588	288,733,430

**(a) Non-Dilutive Securities**

As at balance date, 47,525,000 Unlisted Options (which represent 47,525,000 potential Ordinary Shares) and 13,831,255 Performance Rights (which represent 13,831,255 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

**(b) Conversions, Calls, Subscriptions or Issues after 30 June 2021**

The Company has issued no Ordinary Shares and no Unlisted Options or Performance Rights since 30 June 2021.

There have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

**22. RELATED PARTIES**

**(a) Subsidiaries**

Name	Country of Incorporation	% Equity Interest	
		2021 %	2020 %
<b>Ultimate parent entity of the Group:</b>			
Salt Lake Potash Limited	Australia		
<b>Subsidiaries of Salt Lake Potash Limited:</b>			
Australia Salt Lake Potash Pty Ltd	Australia	100	100
Piper Preston Pty Ltd	Australia	100	100
Irve Holdings Pty Ltd	Australia	100	100
Irve Developments Pty Ltd	Australia	100	100
Two Lake Holdings Pty Ltd	Australia	100	100
Two Lake Developments Pty Ltd	Australia	100	100
SO4 Fertiliser Holdings Pty Ltd	Australia	100	100
SO4 Fertiliser Developments Pty Ltd	Australia	100	100

**(b) Transactions with Related Parties**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with Key Management Personnel, including remuneration, are included at Note 23.



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**23. KEY MANAGEMENT PERSONNEL**

**(a) Details of Key Management Personnel**

The KMP of the Group during or since the end of the financial year were as follows:

**Directors**

Mr Ian Middlemas	Chairman
Mr Tony Swierczuk	Executive Director
Mr Matthew Bungey	Non-Executive Director
Mr Peter Thomas	Non-Executive Director (appointed 19 October 2020)
Mr Philip Montgomery	Non-Executive Director (appointed 19 October 2020)
Ms Rebecca Morgan	Non-Executive Director (appointed 22 June 2021)
Mr Bryn Jones	Non-Executive Director (resigned 4 May 2021)
Mr Mark Pearce	Non-Executive Director (resigned 19 October 2020)

**Other KMP**

Mr Isak Buitendag	Chief Executive Officer (appointed 13 September 2021)
Mr Stephen Cathcart	Project Director – Technical
Mr Stuart Fraser	Chief Financial Officer (appointed 15 July 2021)
Mr Bruce Franzen	Company Secretary (appointed 12 August 2021)
Mr Shaun Day	Chief Financial Officer (resigned 18 December 2020)
Mr Clint McGhie	Company Secretary (resigned 28 April 2021)

Unless otherwise disclosed, the KMP held their position from 1 July 2020 until the date of this report.

	2021	2020
	\$	\$
Short-term employee benefits	1,333,148	1,120,640
Post-employment benefits	108,356	92,301
Share-based payments	447,453	4,219,683
<b>Total compensation</b>	<b>1,888,957</b>	<b>5,432,624</b>

**(b) Loans from Key Management Personnel**

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2021 (2020: Nil).

**(c) Other Transactions**

No other related party transactions were entered into in the 2021 Financial year (2020: Nil).

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**24. PARENT ENTITY DISCLOSURES**

	2021 \$'000s	2020 \$'000s
<b>(a) Financial Position</b>		
<b>Assets</b>		
Current assets	11,876	10,641
Non-current assets	255,326	132,201
<b>Total assets</b>	<b>267,202</b>	<b>142,842</b>
<b>Liabilities</b>		
Current liabilities	2,590	67,288
Non-current liabilities	529	759
<b>Total liabilities</b>	<b>3,119</b>	<b>68,047</b>
<b>Equity</b>		
Contributed equity	405,076	209,612
Accumulated losses	(147,831)	(145,422)
Share Based Payments Reserve	6,838	10,606
<b>Total equity</b>	<b>264,083</b>	<b>74,796</b>
<b>(b) Financial Performance</b>		
Profit/(Loss) for the year	(2,862)	376
<b>Total comprehensive loss</b>	<b>(2,862)</b>	<b>376</b>

**(c) Other information**

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 28 for details of contingent assets and liabilities.

## **25. SHARE-BASED PAYMENTS**

### **(a) Recognised Share-based Payment Expense**

From time to time, the Group provides incentive Unlisted Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

In the current and prior year, the Company has granted shares in lieu of payments to key consultants in accordance with the terms of engagement.

During the past two years, the following equity-settled share-based payments have been recognised:

	<b>2021</b>	<b>2020</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Expenses arising from equity-settled share-based payment transactions relating to incentive options and performance rights	192	6,062
Expenses arising from equity-settled share-based payment transactions for previously issued performance rights that vested but could not be exercised due to share trading restrictions	241	431
Expenses arising from equity-settled share-based payment transactions to suppliers and consultants	-	12
<b>Total share-based payments recognised during the year</b>	<b>433</b>	<b>6,505</b>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**25. SHARE-BASED PAYMENTS (Continued)**

**(b) Summary of Unlisted Options and Performance Rights Granted as Share-based Payments**

The following Unlisted Options and Performance Rights were granted as share-based payments during the past two years:

Series	Issuing Entity	Security Type	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
<b>2021</b>							
Series 73	Salt Lake Potash Limited	Options	7,500,000	23-Jul-20 – 4-Aug-20 <sup>1</sup>	23-Jul-24	0.52	0.245
Series 74	Salt Lake Potash Limited	Options	200,000	20-Nov-20	1-Nov-23	0.60	0.169
Series 75	Salt Lake Potash Limited	Options	200,000	20-Nov-20	1-Nov-23	0.60	0.169
Series 76	Salt Lake Potash Limited	Options	300,000	20-Nov-20	1-Nov-23	1.00	0.097
Series 77	Salt Lake Potash Limited	Options	300,000	20-Nov-20	1-Nov-23	1.00	0.097
Series 78	Salt Lake Potash Limited	Rights	569,067	1-Jul-20	31-Dec-21	-	0.536
Series 79	Salt Lake Potash Limited	Rights	379,377	20-Nov-20	31-Dec-21	-	0.525
Series 80	Salt Lake Potash Limited	Options	200,000	21-Jun-21	1-Nov-23	0.50	0.169
Series 81	Salt Lake Potash Limited	Options	300,000	21-Jun-21	1-Nov-23	0.75	0.097
<b>2020</b>							
Series 51	Salt Lake Potash Limited	Options	300,000	22-Jul-19	1-Nov-23	0.6	0.354
Series 52	Salt Lake Potash Limited	Options	9,000,000	2-Aug-19	4-Aug-24	0.7	0.379
Series 53	Salt Lake Potash Limited	Options	1,000,000	11-Nov-19	30-Jun-23	0.7	0.316
Series 54	Salt Lake Potash Limited	Options	300,000	22-Jul-19	1-Nov-23	1	0.239
Series 55	Salt Lake Potash Limited	Options	1,500,000	16-Sep-19	1-Nov-23	1	0.296
Series 56	Salt Lake Potash Limited	Options	100,000	14-Oct-19	1-Nov-23	1	0.291
Series 57	Salt Lake Potash Limited	Options	400,000	22-Jul-19	1-Nov-23	1.2	0.201
Series 58	Salt Lake Potash Limited	Options	1,500,000	16-Sep-19	1-Nov-23	1.2	0.252
Series 59	Salt Lake Potash Limited	Options	100,000	14-Oct-19	1-Nov-23	1.2	0.246
Series 60	Salt Lake Potash Limited	Rights	250,000	24-Jun-19	1-Nov-23	-	0.79
Series 61	Salt Lake Potash Limited	Rights	288,324	1-Jul-19	31-Jul-20	-	0.745
Series 62	Salt Lake Potash Limited	Rights	500,000	22-Jul-19	31-Dec-20	-	0.748
Series 63	Salt Lake Potash Limited	Rights	113,750	16-Sep-19	31-Jul-20	-	0.862
Series 64	Salt Lake Potash Limited	Rights	750,000	16-Sep-19	1-Nov-20	-	0.862
Series 65	Salt Lake Potash Limited	Rights	750,000	16-Sep-19	1-Nov-21	-	0.862
Series 66	Salt Lake Potash Limited	Rights	750,000	16-Sep-19	1-Nov-22	-	0.862
Series 67	Salt Lake Potash Limited	Rights	750,000	16-Sep-19	1-Nov-23	-	0.862
Series 68	Salt Lake Potash Limited	Rights	100,000	14-Oct-19	31-Dec-21	-	0.8
Series 69	Salt Lake Potash Limited	Rights	100,000	14-Oct-19	31-Dec-23	-	0.8
Series 70	Salt Lake Potash Limited	Rights	288,324	11-Nov-19	31-Jul-20	-	0.816
Series 71	Salt Lake Potash Limited	Rights	250,000	11-Nov-19	1-Nov-22	-	0.816
Series 72	Salt Lake Potash Limited	Rights	250,000	11-Nov-19	1-Nov-23	-	0.816

**Note:**

<sup>1</sup> This is considered to be the service period for arranging the SFA facility.

## 25. SHARE-BASED PAYMENTS (Continued)

### (c) Summary of Unlisted Options Granted as Share-based Payments (Cont.)

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options granted as share-based payments at the beginning and end of the financial year:

Unlisted Options	2021 Number	2021 WAEP	Restated 2020 Number	Restated 2020 WAEP
<b>Opening balance</b>	32,050,000	\$0.77	11,100,000	\$0.84
Granted by the Company during the year	9,000,000	\$0.56	14,200,000	\$0.81
Forfeited/cancelled/lapsed/exercised	-	-	(750,000)	\$0.50
Granted	-	-	7,500,000	\$0.52
<b>Outstanding at end of year</b>	41,050,000	\$0.72	32,050,000	\$0.77
<b>Exercisable at end of year</b>	20,000,000	\$0.54	12,100,000	\$0.55

The following table illustrates the number and weighted average exercise prices (WAEP) of Performance Rights granted as share-based payments at the beginning and end of the financial year:

### (d) Summary of Performance Rights Granted as Share-based Payments

Performance Rights	2021 Number	2021 WAEP	2020 Number	2020 WAEP
<b>Outstanding at beginning of year</b>	18,560,398	-	20,945,016	-
Granted by the Company during the year	948,444	-	5,140,398	-
Forfeited/cancelled/lapsed/converted	(1,940,398)	-	(7,525,016)	-
<b>Outstanding at end of year</b>	17,568,444	-	18,560,398	-

### (e) Weighted Average Remaining Contractual Life

At 30 June 2021, the weighted average remaining contractual life of Unlisted Options on issue that had been granted as share-based payments was 2.39 years (2020: 3.32 years) and of Performance Rights on issue that had been granted as share-based payments was 1.18 years (2020: 2.52 years).

### (f) Range of Exercise Prices

At 30 June 2021, the range of exercise prices of Unlisted Options on issue that had been granted as share-based payments was \$0.50 to \$1.20 (2020: \$0.60 to \$1.20). Performance Rights have no exercise price.

### (g) Weighted Average Fair Value

The weighted average fair value of Unlisted Options granted as share-based payments by the Group during the year ended 30 June 2021 was \$0.223 (2020: \$0.342) and of Performance Rights granted as share-based payments was \$0.53 (2020: \$0.83).

## 25. SHARE-BASED PAYMENTS (Continued)

### (h) Option and Performance Right Pricing Models

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Binomial option valuation model taking into account the terms and conditions upon which the Unlisted Options were granted. The fair value of Performance Rights granted is estimated as at the date of grant based on the underlying share price (being the five day volume weighted average share price prior to issuance).

The table below lists the inputs to the valuation model used for share options and Performance Rights granted by the Group in the current year:

#### 2021

Inputs	Series 73	Series 74 & 75	Series 76 & 77
<b>Options</b>			
Exercise price	\$0.52	\$0.60	\$1.00
Grant date share price	\$0.55	\$0.52	\$0.52
Dividend yield <sup>1</sup>	-	-	-
Volatility <sup>2</sup>	57%	56%	56%
Risk-free interest rate	0.29%	0.11%	0.11%
Grant date	23-Jul-20 – 4-Aug-20 <sup>4</sup>	20-Nov-20	20-Nov-20
Expiry date	23-Jul-24	1-Nov-23	1-Nov-23
Expected life of option <sup>3</sup>	4.02 years	2.95 years	2.95 years
Fair value at grant date	\$0.245	\$0.169	\$0.097

Inputs	Series 80	Series 81
<b>Options</b>		
Exercise price	\$0.50	\$0.75
Grant date share price	\$0.38	\$0.38
Dividend yield <sup>1</sup>	-	-
Volatility <sup>2</sup>	54%	54%
Risk-free interest rate	0.17%	0.17%
Grant date	21-Jun-21	21-Jun-21
Expiry date	1-Jul-24	1-Jul-24
Expected life of option <sup>3</sup>	3.03 years	3.03 years
Fair value at grant date	\$0.107	\$0.066

#### Notes:

<sup>1</sup> The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

<sup>2</sup> The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

<sup>3</sup> The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

<sup>4</sup> This is considered to be the service period for arranging the SFA financing facility

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**25. SHARE-BASED PAYMENTS (Continued)**

**(h) Option and Performance Right Pricing Models (Continued)**

Inputs	Series 78	Series 79
Milestones	Short Term	Short Term
<b>Performance Rights</b>		
Exercise price	-	-
Grant date share price	\$0.535	\$0.52
Grant date	1-Jul-20	20-Nov-20
Expiry date	31-Dec-21	31-Dec-21
Expected life <sup>1</sup>	1.50 years	1.11 years
Fair value at grant date <sup>2</sup>	\$0.536	\$0.525

**Notes:**

<sup>1</sup> The expected life of the Performance Rights is based on the expiry date of the performance rights as there is limited track record of the early conversion of performance rights.

<sup>2</sup> The fair value of Performance Rights granted is estimated as at the date of grant based on the underlying share price (being the closing share price at the date of issuance).

**26. AUDITORS' REMUNERATION**

As a result of work in relation to and required for the 30 June 2021 period, the auditor of Salt Lake Potash Limited, Ernst and Young, has charged the following fees:

	2021	2020
	\$	\$
Fees to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group	142,480	76,298
Fees for other assurance services	52,000	-
Fees for other services including tax and other advisory services	170,113	36,996
	364,593	113,294



## **27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **(a) Overview**

The Group's principal financial instruments comprise receivables, payables, finance leases, borrowings, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Group's financial assets and liabilities are held at amortised cost.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks and actively monitors and assesses the risk and exposure profile of the Group.

### **(b) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	<b>2021</b>	<b>2020</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Financial assets</b>		
Cash and cash equivalents	69,441	7,030
Trade and other receivables	1,986	4,032
Security deposits	32,708	76
<b>Total Financial Assets</b>	<b>104,135</b>	<b>11,138</b>

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise interest accrued and GST refunds due. Where possible the Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2021, none (2020: none) of the Group's receivables are past due.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2021 the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$'000s	6-12 Months \$'000s	1-5 Years \$'000s	≥5 Years \$'000s	Total \$'000s
<b>2021 Group</b>					
<b>Financial Liabilities</b>					
Other payables	19,878	-	-	-	19,878
Interest bearing loans	7,452	24,696	164,480	-	196,628
Lease liabilities	3,384	3,374	23,417	48,119	78,294
Royalty liabilities	-	482	10,503	54,480	65,465
	30,714	28,552	198,400	102,599	360,265
<b>2020 Group</b>					
<b>Financial Liabilities</b>					
Trade and other payables	27,552	4	-	-	27,556
Lease liabilities	699	699	4,872	1	6,271
Interest bearing loans	65,569	-	-	-	65,569
Royalty liabilities	-	208	9,317	48,912	58,437
	93,820	911	14,189	48,913	157,833

### (d) 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 the market interest rates. At 30 June 2021 the Company held cash of \$69.441 million, had secured and fully drawn down US\$138million of the SFA (refer to Note 14) (2020: US\$45million of Stage 1 Facility) and had leases and a royalty obligation. The Group's exposure to risk of changes in market interest rates to financial liabilities is limited as the interest rates on these liabilities is fixed.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of deposits affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase / decrease in interest rate	Effect on profit before tax \$'000s
<b>2021</b>	+0.25%	174
	-0.25%	(174)
<b>2020</b>	+0.25%	18
	-0.25%	(18)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's loan denominated in US dollars and deposits held in US dollars and GB pounds. The Group's US dollar denominated loan will form a natural hedge once sales commence, as future revenues will also be in US dollars.

The Company is investigating the potential use of hedging and/or derivative instruments that it could apply against short term foreign capital requirements of the Group. The Group will also consider longer term hedging for the conversion of US dollar revenue to meet AUD operational expenses.

#### *Foreign currency sensitivity*

The following tables demonstrate the sensitivity to a reasonably possible change in USD and GBP exchange rates, with all other variables held constant.

	Change in USD rate	Effect on profit before tax \$000s	Effect on pre-tax equity \$000s
<b>2021</b>	+5%	6,120	6,120
	-5%	(6,764)	(6,764)
<b>2020</b>	+5%	3,120	3,120
	-5%	(3,448)	(3,448)

	Change in GBP rate	Effect on profit before tax \$000s	Effect on pre-tax equity \$000s
<b>2021</b>	+5%	(485)	(485)
	-5%	536	536
<b>2020</b>	+5%	-	-
	-5%	-	-

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(f) Changes in liabilities arising from financing activities**

	1-Jul-20 \$'000s	Cashflows \$'000s	Foreign Exchange Movement \$'000s	New Lease Liability \$'000s	Disposal \$'000s	Other \$'000s	30-Jun-21 \$'000s
<b>2021</b>							
<i>Current</i>							
Interest bearing loans and liabilities	56,074	(43,294)	-	-	-	1,770	14,550
Lease liabilities	1,332	(1,332)	-	2,694	-	-	2,694
Convertible notes	-	15,000	-	-	-	(15,000)	-
Royalty liabilities	139	-	-	-	-	311	450
Non interest bearing loans and liabilities	7	(2)	-	-	-	-	5
<i>Non Current</i>							
Interest bearing loans and liabilities	-	150,329	3,357	-	-	8,782	162,468
Lease liabilities	4,421	(315)	-	34,925	-	-	39,031
Royalty liabilities	16,581	-	-	-	-	10,278	26,859
Non-interest bearing loans and liabilities	5	(5)	-	-	-	-	-
	78,559	120,381	3,357	37,619	-	6,141	246,057

	1-Jul-19 \$'000s	Cashflows \$'000s	Foreign Exchange Movement \$'000s	New Lease Liability \$'000s	Disposal \$'000s	Restated Other \$'000s	Restated 30-Jun-20 \$'000s
<b>2020</b>							
<i>Current</i>							
Interest bearing loans and liabilities	-	66,600	(1,031)	-	-	(9,496) <sup>1</sup>	56,073
Lease liabilities	12	(411)	-	1,526	(8) <sup>3</sup>	213 <sup>2</sup>	1,332
Royalty liabilities	-	-	-	-	-	139	139
Non interest bearing loans and liabilities	7	(7)	-	-	-	7 <sup>2</sup>	7
<i>Non Current</i>							
Lease liabilities	27	-	-	4,668	(27) <sup>3</sup>	(248) <sup>2</sup>	4,420
Royalty liabilities	-	-	-	-	-	16,581	16,581
Non interest bearing loans and liabilities	12	-	-	-	-	(7) <sup>2</sup>	5
	58	66,182	(1,031)	6,194	(35)	7,189	78,557

**Notes:**

<sup>1</sup> Indicates the transaction and establishment fees net of interest amortisation.

<sup>2</sup> Indicates the effect of reclassification of non-current portion of non interest bearing loans and leases to current due to the passage of time and the accrued but not yet paid lease liabilities.

<sup>3</sup> Indicates the reduction in liability as a result of the disposal of the lease liability.

## **27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

### **(g) Capital Management**

The Group manages its capital to ensure that entities in the Group are able to continue as a going concern and maintain a robust capital base sufficient to fund future development of its projects. The Board can manage the capital structure by a number of means including return of capital to shareholders, issuing share capital, obtaining debt funding and selling assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and debt capital markets to fund the development and commissioning of the Lake Way Project.

The Lenders have placed certain financial conditions on the Group that must be met while the Syndicated Facility Agreement is in place.

There were no changes in the Group's approach to capital management during the year.

### **(h) Fair Values**

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 30 June 2021 and 30 June 2020 the carrying value of the Group's financial assets and liabilities are reasonable approximations of their fair value.

## **28. CONTINGENT ASSETS AND LIABILITIES**

### **(i) Contingent Assets**

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2021 financial year.

### **(ii) Contingent Liability**

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2021 financial year.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**



**29. COMMITMENTS**

Management have identified the following material commitments for the Group as at 30 June 2021 and 30 June 2020 which have not been recognised as liabilities.

	2021 \$'000s	2020 \$'000s
<b>Commercial commitments</b>		
Within one year	-	12,448
Later than one year but not later than five years	-	8,930
	-	21,378

	2021 \$'000s	2020 \$'000s
<b>Exploration commitments</b>		
Within one year	6,234	5,198
Later than one year but not later than five years	16,457	15,111
	22,691	20,309

**30. EVENTS SUBSEQUENT TO BALANCE DATE**

- (i) The Company issued 2,805,000 shares to Directors on 10 August 2021 as part of a placement on 24 May 2021. The shares applied for in the placement by Directors were subject to shareholder approval which was granted on 13 July 2021.
- (ii) Stuart Fraser was appointed as CFO on 15 July 2021.
- (iii) Mr Tony Swierczuk resigned as CEO & Managing Director on 27 August 2021. He remains on the Board as an executive director.
- (iv) Bruce Franzen was appointed as Company Secretary on 12 August 2021.
- (v) The Company announced a revised ramp up strategy that includes suspension of the initial plant feed program to enable more salts to precipitate before commencing continuous harvesting activities. SO4 also announced that, as a result of this delay in production, the Company will require further funding before the end of 2021 to continue operations at Lake Way.
- (vi) Mr Isak Buitendag was appointed as CEO on 13 September 2021.
- (vii) As at the date of signing this report the Company was in the process of raising further capital via a share placement and rights issue planned to be completed in October/ November 2021.

Other than as noted above, as at the date of this report there are no matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2021, of the Consolidated Entity;
- The results of those operations, in financial years subsequent to 30 June 2021, of the Consolidated Entity; or
- The state of affairs, in financial years subsequent to 30 June 2021, of the Consolidated Entity.

## DIRECTORS' DECLARATION



In accordance with a resolution of the Directors of Salt Lake Potash Limited:

1. In the opinion of the Directors:
  - (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited are in accordance with the Corporations Act 2001, including:
    - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
    - (ii) section 297 (giving a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group); and
  - (b) subject to matters stated in note 1(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(a) to the financial statements.
3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Tony Swiericzuk', with a long horizontal stroke extending to the right.

**Tony Swiericzuk**  
**Executive Director**

30 September 2021.





**Building a better  
working world**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000, Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## **Auditor's independence declaration to the directors of Salt Lake Potash Limited**

As lead auditor for the audit of the financial report of Salt Lake Potash Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Salt Lake Potash Limited and the entities it controlled during the financial year.

Ernst & Young

T S Hammond  
Partner  
30 September 2021

## Independent auditor's report to the members of Salt Lake Potash Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Salt Lake Potash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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, the 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:

- a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. 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 (including Independence Standards) (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### 1. Impairment indicators for mine development assets

#### Why significant

As at 30 June 2021, the Group's statement of financial position includes mine development assets of \$345,980,000.

Australian Accounting Standards require the Group to assess whether there are any indicators that mine development assets may be impaired. If an indicator exists, the Group must estimate the recoverable amount of the cash generating unit ("CGU") to which those assets relate.

At 30 June 2021, the Group concluded that there were impairment indicators for the CGU relating to the Lake Way project, to which the mine development assets relate.

The Group undertook impairment testing at 30 June 2021 and determined that no impairment existed for the CGU. Accordingly, no impairment expense was recorded. The key assumptions, judgements and estimates, used in the Group's impairment assessment of mine development assets are disclosed in Note 12.

The assessment of indicators of impairment and the impairment testing process is complex and highly judgemental and is based on assumptions which are impacted by expected future performance and market conditions. The recoverable amount of the CGU is also sensitive to changes in the key assumptions, judgements and estimates used. Accordingly, this matter was considered to be a key audit matter.

#### How our audit addressed the key audit matter

In performing our audit procedures, we:

- ▶ Evaluated the Group's consideration of internal and external sources of information in assessing whether indicators of impairment existed.
- ▶ Involved our valuations, modelling and economics specialists to assist in the impairment assessment for the audit. Specifically, we evaluated the discounted cash flow model and other data supporting the Group's impairment assessment. In doing so, we:
  - ▶ considered future production profiles compared to reserves and current approved budgets
  - ▶ evaluated commodity prices with reference to analyst reports, broker consensus and other available information
  - ▶ assessed the discount rate, inflation rate and foreign exchange rates used in the impairment model
  - ▶ compared future operating and development expenditure to current approved budgets and ensured variations from previous budgets were in accordance with our expectations based upon other information obtained throughout the audit
  - ▶ assessed the impact of changes to key assumptions on the recoverable amount of the CGU
  - ▶ tested the mathematical accuracy of the discounted cash flow model and the sensitivity analysis
- ▶ Assessed the adequacy of the associated financial report disclosures, which are included in Note 12.

## 2. Royalty liabilities

### Why significant

As disclosed in Note 16, at 30 June 2021, the Group has recognised current royalty liabilities of \$450,000 and non-current royalty liabilities of \$26,860,000.

Further, and as disclosed in Note 1(c), following a review of the mandate letter with Taurus Funds Management ("Taurus") and the terms of the Bridge Facility Agreement ("Bridge Facility") and the Syndicated Facility Agreement ("SFA") relating to the interest bearing loans, the Group has adjusted the accounting for royalty rights granted as consideration for services rendered by Taurus in establishing each loan facility which had been incorrectly accounted for in prior periods.

The royalty rights represent financial liabilities which are initially measured at fair value and treated as a transaction cost associated with the Taurus facilities. The royalty liabilities are subsequently measured at amortised cost. In determining the royalty liabilities, the Group has used cashflows consistent with its impairment modelling discounted using a market-based discount rate determined at the inception of the liability.

Given the size of the balance, the complexity of prior period adjustment workings and the judgmental nature of estimating the future cashflows, this matter was considered to be a key audit matter.

### How our audit addressed the key audit matter

In performing our audit procedures, we:

- ▶ Obtained and read the agreements relating to the Bridge Facility and SFA, including the associated royalty deeds.
- ▶ Assessed the accounting treatment for the royalty liabilities, both on initial recognition and on subsequent remeasurement at balance date.
- ▶ Agreed the cashflows used in the determination of the royalty liabilities at inception to the Group's approved budget as at that date.
- ▶ Assessed, with the assistance of our valuation specialists, the discount rate applied at the inception of the royalty liability.
- ▶ Agreed the cashflows used in the remeasurement of the royalty liabilities at balance date to the cashflows used in the Group's impairment modelling.
- ▶ Assessed the calculations in respect of the prior period error.
- ▶ Assessed the adequacy of the associated financial report disclosures, including the disclosures relating to the prior period error.

## 3. Deferred tax assets

### Why significant

As disclosed in Note 4, as at 30 June 2021, the Group has recognised deferred tax assets relating to tax losses and temporary differences of \$25,847,000.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. The Group's ability to recognise deferred tax assets is dependent upon the availability of tax losses and deductible temporary differences based on the taxation legislation of the relevant jurisdiction and on an assessment of the future profitability of the Group. In addition, as the Group has a history of recent losses, there must be convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised.

Given the size of the balance, the complexity of taxation legislation and the judgmental nature of determining whether future taxable profits are probable, we consider this a key audit matter.

### How our audit addressed the key audit matter

In performing our audit procedures, we:

- ▶ Assessed, with the assistance of our taxation specialists, the tax losses and deductible temporary differences that are available for use against future taxable profits as at 30 June 2021.
- ▶ Assessed, with the assistance of our valuation specialists, the Group's assessment of whether there is convincing evidence that future taxable profit will be available against which the deferred tax asset can be utilised, with reference to the Group's forecasts in the impairment model for the Lake Way project.
- ▶ Assessed the adequacy of the associated financial report disclosures.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our 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, with the exception of the Remuneration Report and our related assurance opinion.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

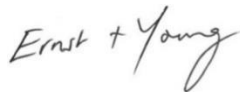
### Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Salt Lake Potash Limited for the year ended 30 June 2021, 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.



Ernst & Young



T S Hammond  
Partner  
Perth  
30 September 2021



## CORPORATE GOVERNANCE

Salt Lake Potash Limited (**Salt Lake** or **Company**) believes corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built. The Board of Salt Lake has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company.

These documents are available in the Corporate Governance section of the Company's website, [www.so4.com.au/corporate\\_governance](http://www.so4.com.au/corporate_governance). These documents are reviewed at least annually to address any changes in governance practices and the law.

This Corporate Governance Statement (**Statement**), which is current as at 30 June 2021 and has been approved by the Company's Board, explains how Salt Lake complies with the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations – 4th Edition*' published in February 2019 (**ASX Principles and Recommendations**) in relation to the year ended 30 June 2021.

In addition to the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations – 4th Edition*' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures; including the:

- the scale of operations of the Company, which currently undertakes mineral exploration and development activities, however it is noted that the Company aims to be in production in 2022;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively moderate market capitalisation and economic value of the entity; and
- direct shareholder feedback.