

ASX Release

Thursday 13 September 2018

Kalium Lakes progressing discussions for Financial Support from the Australian Government's Northern Australia Infrastructure Facility

Kalium Lakes Limited (KLL) is pleased to advise that the Australian Government's Northern Australia Infrastructure Facility (NAIF) has indicated it will investigate the potential for it to provide debt finance for the Beyondie Sulphate Of Potash Project (Beyondie SOP Project) and associated infrastructure of benefit to nearby pastoral stations, resource companies and indigenous communities.

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

After several positive discussions KLL has received written confirmation that the NAIF Board has considered a Strategic Assessment Paper for the Beyondie SOP Project and has consented to the NAIF Executive continuing its investigation of the Project. ([Website Link: NAIF Application and Approval Procedure](#))

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



From left: NAIF Executive Director - Origination, Peter Ross; Kalium Lakes CFO, Chris Achurch; and NAIF Director – Origination, Patrick Leung visit one of the remote radio monitored bores – Beyondie SOP Project

The NAIF funding would allow KLL to bring forward into Stage 1 the construction of a A\$29 million, 78 km lateral gas pipeline to connect to the Goldfields Gas Pipeline, which would result in an operating cost reduction of approximately A\$30-33 per tonne. The infrastructure package would potentially also include upgrades to the 78 km unsealed road connecting the Beyondie SOP Project site to the Great Northern Highway, gas fired power generators, new communication infrastructure and an airstrip.

Managing Director, Brett Hazelden, commented: “We are enthusiastic about this relationship, which has been developing since initial discussions in late 2017, as agriculture infrastructure is a key focus for NAIF. Kalium Lakes hopes that by working together we can achieve a successful funding outcome given the Beyondie SOP Project’s strong connection with the Australian agriculture sector.

“Australia currently imports 100% of its SOP and a positive investment decision would continue to reinforce KLL’s aim of becoming the first sulphate of potash producer in Australia, providing a fertiliser product which plays a significant role in improving agricultural yields and productivity,” he said.

About NAIF

NAIF was established on 1 July 2016 by the Northern Australia Infrastructure Facility Act 2016 (NAIF Act) and is a corporate Commonwealth entity. The objective of the NAIF Act is to provide financial assistance to the States of Queensland, Western Australia and the Northern Territory for the construction of infrastructure to benefit northern Australia. The NAIF may approve loans to 30 June 2021 which total A\$5 billion in aggregate (with loan tenors of up to the longest term of Commonwealth borrowings).

Compliance Statement

The information in this document that relates to Exploration Targets, Exploration Results, Mineral Resources, Ore Reserves and Production Targets have been extracted from the report(s) listed below.

- 3 October 2017: Pre-Feasibility Study with Maiden Ore Reserve Confirms Low Cost, Long Life and High Margin Beyondie SOP Project. (Including the attachment, JORC (2012) and NI 43-101 Technical Report, compiled by German Potash Experts and Competent Persons, K-UTECH AG Salt Technologies (K-UTECH)).
- 3 May 2018: BFS Exploration Drill Program Complete.
- 27 July 2018: Scoping Study Completed with Maiden Resource and Exploration Target for the Carnegie Potash Project

The report(s) are available to be viewed on the website at: www.kaliumlakes.com.au

Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Ore Reserve Estimates, Exploration Targets or Production Targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Cautionary Statement Regarding Forward-Looking Information

Statements regarding plans with respect to the Company’s mineral properties may contain forward looking statements. Statements in relation to future matters can only be made where the Company has a reasonable basis for making those statements. This announcement has been prepared in compliance with the current JORC Code 2012 Edition and the current ASX Listing Rules. The Company believes it has a reasonable basis for making the forward-looking statements on 3 October 2017, including any production targets, based on the information contained in the announcement and in particular the JORC 2012 and NI 43-101 Technical Report.

All statements, trend analysis and other information contained in this document relative to markets for Kalium Lakes, trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect” and “intend” and statements that an event or result “may”, “will”, “should”, “could” or “might” occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Kalium Lakes does not undertake any obligation to update forward-looking statements even if circumstances or management’s estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.

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Corporate Profile

Kalium Lakes Limited is an exploration and development company, focused on developing the **Beyondie Sulphate Of Potash Project** in Western Australia with the aim of producing Sulphate of Potash (SOP) for the domestic and international markets. The Beyondie SOP Project comprises 15 granted exploration licences, two mining leases and several miscellaneous licence covering an area of approximately 2,400 square kilometres. This sub-surface brine deposit will supply an evaporation and processing operation located 160 kilometres south east of Newman.

The results of the Pre-Feasibility Study (PFS), announced on 3 October 2017, confirmed that the Project, is technically and financially robust. The key outcomes of the PFS are:

- Indicated Resource of 4.37 Mt @ 14,000 mg/l SOP at a cut-off grade of 3,500mg/l K and an Inferred Resource of 13.74 Mt @ 12,788 mg/l SOP at a cut-off grade of 3,500mg/l K.
- Maiden Probable Reserve of 2.66 Mt @ 14,210 mg/l SOP at a cut-off grade of 3,500mg/l K based solely within the Stage 1 Approval Footprint, which represents ~21% of total lake surface area within the tenement package.
- Development base case of 150 ktpa SOP, with the option to incrementally phase the project, through a ramp up from 75 ktpa to 150 ktpa SOP, to minimise operational and financial risks.
- Development base case pre-tax NPV10 of A\$388M, IRR of 28.7%, average EBITDA of A\$83 Mpa, EBITDA margin of 62%, a payback period of 3.7 years and Life of Mine (LOM) free cash flows of more than +A\$1B, based on an initial 21 year LOM and a USA\$500/t SOP sales price @ A\$/A\$US exchange rate of 0.75.
- Estimated LOM Operating Cash Cost of A\$244-253/t SOP FOB Geraldton or Fremantle Port. This places the BSOPP in the lowest quartile cost of global SOP production.
- Pre-production Capital Cost of A\$220 million including a 78 kilometre gas pipeline for the base case or A\$124 million for the phased ramp-up scenario.
- Potential additional revenue associated with recovery of magnesium by-products which have not been included in the current financial outcomes.

The Carnegie Joint Venture (CJV) is focussed on the exploration and development of the **Carnegie Potash Project** (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna. The CJV comprises one granted exploration licences (E38/2995) and five (5) exploration licence applications (E38/2973, E38/2982, E38/3297, E38/5296 and E38/3295) covering a total area of approximately 3,081 square kilometres.

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

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

KLL is the manager of the CJV and will leverage its existing Intellectual Property to fast track work. The JV Companies have endorsed proceeding to a staged Pre-Feasibility Study, with an initial focus on securing tenure and access to all required tenements.

Kalium Lakes Limited

ABN: 98 613 656 643
ASX: KLL
Ordinary Shares on Issue: 169,793,465

Board of Directors:

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

Chief Financial Officer and Joint Company Secretary:

Christopher Achurch

Joint Company Secretary:

Gareth Widger

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