



Market Announcement

20 October 2021

Salt Lake Potash Limited (ASX: SO4) – ASX Query letter

Description

Salt Lake Potash Limited ('SO4') was sent the attached query letter by ASX on 2 August 2021 seeking a response by 6 August 2021. The nature of ASX's queries are apparent from the query letter.

ASX has formed the view that the query letter should be released to the market under Listing Rule 18.7A.

Issued by

Dale Allen

Manager, Listings Compliance (Perth)



2 August 2021

Reference: 37071

Mr Matthew Worner
Company Secretary
Salt Lake Potash Limited

By email: mw@grangeconsulting.com.au

Dear Mr Worner

Salt Lake Potash Limited ('SO4'): General – Aware Query

ASX refers to the following:

- A. SO4's announcement entitled "Institutional Placement to enable final Debt Drawdown" lodged on the ASX Market Announcements Platform ('MAP') and released at 09:22 AM AEST on 24 May 2021 ('Institutional Placement Announcement') disclosing, amongst other things, the following (emphasis added):
- (i) *'Following the Placement and final debt drawdown the Lake Way Project is significantly de-risked with Part IV EPA approvals now received and first SOP production expected in the coming weeks.'*
 - (ii) *'The Lake Way Project is on schedule for first SOP production in June 2021 and first SOP sales very shortly thereafter.'* ('First SOP Production')
 - (iii) *'Commissioning is substantially progressed with 26 of the 34 Plant Process Units now commenced, and 17 of those Process Units now finalised to Practical Completion. Overall plant commissioning is more than 50% complete. The target for full scale production of 245ktpa remains the June quarter of 2022.'*
 - (iv) *'The project capital budget for the initial scope of works has increased A\$5m to at A\$269m as a result of advancing sustaining capital work involving the construction of 271Ha of pre-concentration ponds (A\$2.5m) and associated trench and bore capacity (A\$2.5m) to feed the additional pond acreage. The additional pre-concentration ponds will help to de-risk salt production, with the lending syndicate's Independent Technical Review Report noting "It is clear [that] together with conservative process design criteria, the revised pond system on average will be able to produce in excess of nameplate production, with worst case conditions meeting nameplate."*
- B. SO4's announcement entitled "Production and Commissioning Update" lodged on MAP and released at 09:30 AM AEST on 1 July 2021 disclosing the following:
- (i) *'...first SOP product expected in the weeks ahead.'*
 - (ii) in the CEO Statement: *"The SO4 operations team continues to work towards continuous operation of the process plant to deliver first SOP, expected in the coming weeks."*
- C. The pause in trade ('Pause in Trade') and subsequent trading halt placed on SO4's securities at the request of SO4 on 27 July 2021, pending the finalisation and release of an announcement regarding a material update on SO4's Lake Way Project.
- D. The change in price in SO4's securities from \$0.36 at the close of trading on 24 May 2021 to \$0.31 at the time the Pause in Trade was applied on 27 July 2021.
- E. SO4's announcement entitled "Lake Way Project & Financing Update" lodged on MAP and released at 12:42 AM AEST on 29 July 2021 (the 'Update Announcement'), disclosing the following:

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- (i) *'The Company will be implementing a revised ramp up strategy that involves suspending the initial plant feed programme following the processing of the first 90-110kt of harvest salts, to enable more salts to precipitate before commencing continuous harvesting activities.'* ('Plant Feed Suspension')
- (ii) *'As a result of the revised pond ramp-up schedule and associated delayed plant feed salt availability, forecasted SOP production for FY'22 has been reduced and the Company will require further funding before the end of 2021 to continue operations at Lake Way.'* ('Further Funding Requirement')
- (iii) *'The entire SO4 team is committed to the success of the Lake Way project and has been working tirelessly through the harvest salt pond management system and plant commissioning challenges over the last few weeks.'*
- (iv) *'The reduction in plant feed salt availability is expected to reduce primary SOP production in FY'22 from 165-185kt to 85-105kt ('FY 2022 Full Scale Production Downgrade'). This is the result of three factors:*
- (1) A change in operating methodology for the ramp up period of the pond system has been implemented to manage salt grade variability in the harvest cells.*
 - (2) A reduction in the estimation of available plant feed salt within harvest ponds following bulk sampling.*
 - (3) The re-classification of lower grade inventories that have now been determined as unsuitable for plant feed during the ramp-up period.'* ('Inventory Reclassification')

(together the 'Update Announcement Information').

F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- I. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks SO4 to respond separately to each of the following questions and requests for information:

1. Does SO4 consider its commencement of First SOP Production in June 2021 to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. Did SO4 commence First SOP Production in June 2021 as flagged in the Institutional Placement Announcement?
4. If the answer to question 3 is “no”, please explain the factors which delayed SO4’s achievement of First SOP Production in June 2021.
5. When did SO4 first become aware that it would not commence First SOP Production in June 2021 as scheduled? Please provide details of the time and date.
6. If SO4 first became aware that it would not commence First SOP Production as originally scheduled and advised to the market before the time it requested the Pause in Trade, did SO4 make any announcement prior to the relevant date which disclosed that information?
7. Does SO4 consider the Update Announcement Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
8. If the answer to question 7 is “no”, please advise the basis for that view.
9. Please provide details regarding the time and date that SO4 first become aware of:
 - 9.1 the Plant Feed Suspension;
 - 9.2 the Further Funding Requirement;
 - 9.3 the FY 2022 Full Scale Production Downgrade; and
 - 9.4 the Inventory Reclassification.Please respond to each item separately.
10. If SO4 first became aware of any of the matters listed above in paragraph 9.1 – 9.4 (inclusive) before the time it requested the Pause in Trade:
 - 10.1 Did SO4 make any announcement prior to the relevant date which disclosed any of that information?
 - 10.2 If the answer to question 10.1 is “yes”, please provide details, addressing each item separately.
 - 10.3 If the answer to question 10.1 is “no”, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe SO4 was obliged to release the

information under Listing Rules 3.1 and 3.1A and what steps SO4 took to ensure that the information was released promptly and without delay.

In your answer please address each item separately.

Please ensure all matters listed in paragraph 9.1 – 9.4 (inclusive) are addressed in your response to either question 10.1 or question 10.2.

11. Please confirm that SO4 is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. Please confirm that SO4's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SO4 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 AM AWST on Friday, 6 August 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SO4's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SO4 to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SO4's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in SO4's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SO4's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that SO4's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Dale Allen
Principal Adviser, Listings Compliance (Perth)