

QUARTERLY ACTIVITIES REPORT PERIOD ENDING 30 SEPTEMBER 2021

Highlights

- **Project 98.1% complete (as at 22 October 2021), with product commissioning well underway**
 - **Harvesting of potassium salts continuing with harvested salts delivered to the ROM pad for processing during commissioning and commencement of SOP production**
 - **First batch of SOP produced on 4 October 2021 confirming the process design and continuous commercial production of SOP imminent as commissioning activities are nearing completion**
 - **First sales are already contracted for delivery through the K+S off-take agreement**
 - **Favourable timing with production start-up into a rising SOP price environment (CRU /Argus forecast average price for standard grade SOP (CFR Aust) in 2022 up to US\$617/t)**
 - **Feasibility Study completed during quarter and funding secured (in October 2021) for expansion to 120 ktpa production target at capital expenditure cost of A\$45.3m**
 - **K+S offtake agreement extended to cover increased production at 120 ktpa level and improved payment terms for first 3 years to assist working capital needs**
 - **Debt restructure negotiations with senior lenders progressed during quarter and successfully completed (in October 2021) to provide working capital during ramp-up and expansion to the 120 ktpa production target**
 - **Further growth plans underway to substantially increase SOP production and develop magnesium by-product streams**
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Beyondie Sulphate of Potash Project

During the quarter ending 30 September 2021 the Company continued the development and commissioning activities of the BSOPP. By the end of the quarter the project was 98% complete with respect to the production capability for standard grade SOP. Approximately 127,000 tonnes of SOP equivalent had been pumped from the bore fields and trenches by the end of the period. Harvesting of potassium salts commenced, with a total of 107,000 tonnes of potassium salts delivered to the ROM pad as at mid-September and progressively being used as plant feed during commissioning.

On 26 August 2021 the Company announced that commissioning activities for the Beyondie SOP Project were continuing, with completed plant modules progressively handed over by the construction contractor in accordance with the agreed commissioning plan. Key commissioning milestones included:

- Hydro and vacuum tests on cooling crystalliser successfully completed.
- Hydro testing through flotation successfully completed.
- Water commissioning of process loop circuits was underway with fire, raw, gland, potable and process water headers successfully commissioned.
- The gas power station was operating continuously, with all switchrooms and transformers energised.
- Harvesting of potassium salts was continuing on schedule.
- Construction activities and parallel commissioning activities remained within the capital expenditure budget.
- Several key equipment vendors had attended site to support commissioning activities.

On 16 September 2021 the Company announced that the Beyondie SOP Project had entered the final phases of commissioning, which included the following key milestones:

- Construction of standard grade SOP plant was substantially complete other than punch-list items that were not critical to progressing commissioning.
- Water commissioning was nearing completion.
- Product storage shed and product materials handling infrastructure were almost complete.
- The commencement of production ramp-up remained on track for October 2021.
- Construction activities and commissioning activities remained within the capital expenditure budget.

New 120 ktpa Base Case Production Target for BSOPP

On 18 August 2021 the Company announced that a Feasibility Study had been completed for a production increase to 120 ktpa as a new base case (33% increase over the original 90 ktpa production target). Key highlights included:

- Incremental capital expenditure of \$45.3m, lower capital cost intensity of A\$1,513/t for the incremental 30 ktpa production.
- 120 ktpa production throughput achieved by the final quarter of 2022.
- Unlevered project pre-tax NPV (8%, nominal) of \$484m.
- Extended off-take agreement with K+S to cover increased production at the 120 ktpa level, with improved payment terms for the first three years to reduce working capital needs

The increased production will enable realisation of economies of scale, offsetting various negative macro-economic factors (predominantly the foreign exchange rate in the case of a strengthening Australian dollar, increased shipping & freight costs, and various COVID-19 impacts), while at the same time taking advantage of the recent increase in SOP prices.

SOP Purification Plant Construction Progress (various progress photos taken during the quarter)



Other Activities

On 27 July 2021, the Company reported that it was assessing additional backloading arrangements and depot services following Toll Mining Services' ("Toll") notice that it was presently unable to provide services under its 2019 agreement with Kalium Lakes. While Kalium Lakes continues to address the situation with Toll and has reserved its legal rights, during the quarter it progressed discussions with other haulage providers for SOP product haulage services, and, subsequent to quarter end on 5 October 2021, it announced that it has awarded additional contracts for SOP product haulage services. These arrangements will enable Kalium Lakes to achieve a suitable product delivery logistics solution when production commences.

Subsequent Events

Kalium Lakes reported that on 4 October 2021 it successfully achieved first production of SOP during commissioning at its 100% owned Beyondie Sulphate of Potash Project (BSOPP) in Western Australia.

On 13 October 2021, the Company announced that it had entered into formal binding documentation with its two senior lenders (KfW IPEX-Bank and NAIF) to restructure its existing debt arrangements. The senior lenders have provided an additional liquidity facility of A\$20 million (to replace the existing A\$15 million working capital facility provided by Westpac) which will be available for six months, with the potential to extend for another six months at the discretion of the senior lenders.

The debt restructuring includes a deferral of principal repayments for the first two years of production until 31 March 2024 and a two-year extension to the maturity of senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until March 2033 and, combined with the expansion to the 120 ktpa SOP production rate, will enable the Company to meet its debt service obligations and provide working capital during ramp up.

The debt restructure includes a condition that the Company successfully complete an equity raise by 3 January 2022 of at least \$47.1m (net of costs) to fund the expansion of production to 120 ktpa and for working capital purposes, and that a failure to satisfy this condition will trigger an event of default under the senior lenders' financing arrangements. Immediately after the announcement of the debt restructure, Kalium Lakes announced the launch of a capital raising to meet this requirement, and on 14 October 2021 it announced that it had successfully completed a bookbuild to raise A\$50 million through a two-tranche placement of new fully paid ordinary shares at a price of A\$0.18 per share. The second tranche of the placement will require approval by the shareholders at the Company's forthcoming Annual General Meeting scheduled for 30 November 2021.

On 22 October 2021, the Company announced the launch of a Share Purchase Plan for all eligible shareholders to apply for up to A\$30,000 worth of fully paid ordinary shares in the Company at an issue price of A\$0.18 per share to raise up to A\$10 million. Shareholders are eligible to participate in the SPP offer if they have a registered address in Australia or New Zealand and were on the Company's register at 7.00pm (Sydney time) on Tuesday, 12 October 2021. The SPP offer is not underwritten, and Kalium Lakes may decide to accept applications in whole or in part that result in the SPP raising more or less than A\$10 million in its absolute discretion.

Planned Activities for Next Quarter

The Company's main objectives and planned activities for the remainder of the December 2021 quarter include:

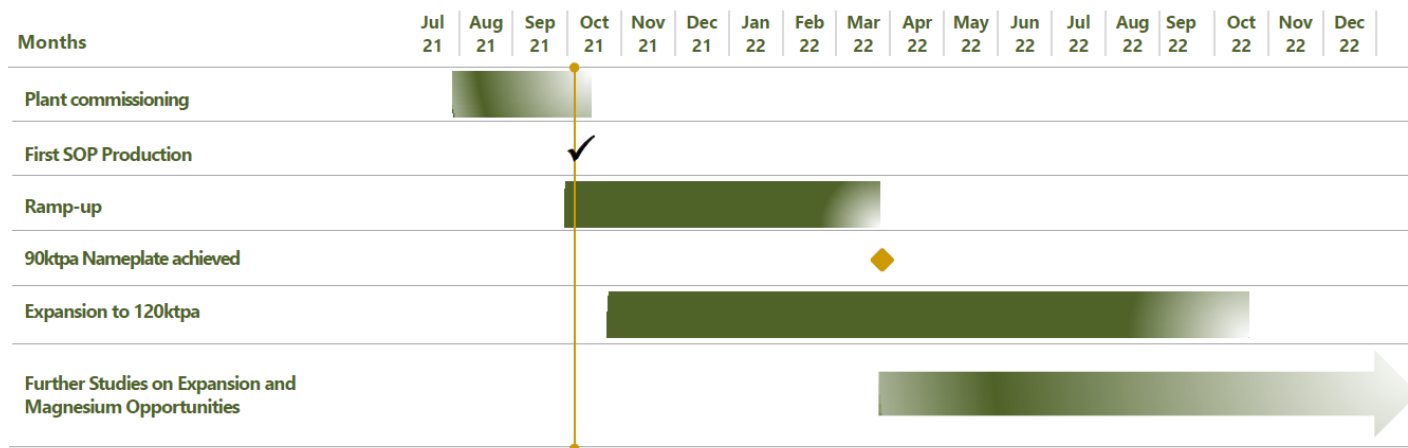
- Continue and complete commissioning activities for the production of standard grade SOP and undertake performance tests in accordance with the Ebtex Gbr agreement.
- Commence commercial production of standard grade SOP .
- Move into operational phase and commence first commercial sales of standard grade SOP under the Company's offtake agreement with K+S.
- Achieve practical completion on the purification plant including the compaction plant for producing granular grade SOP.

- Hold the Company's Annual General Meeting at which the shareholders will be asked to approve (amongst other items) the issue of the Tranche 2 Placement Shares which form part of the A\$50m equity capital raise.

Project Timeline

The Company continues to successfully manage the project delivery in line with commitments made and remains on track to meet all key milestones.

Construction Timeline



Business Development

An internal analysis of the Company's published Resources and existing Mine Plan options (provided previously in ASX announcements) indicates the potential for substantially increased production scenarios that will maximise the value of the resource endowment. This increased throughput would be sourced from the total previously announced Resources and focusses on the eastern tenements being brought forward in the Mine Plan.

Internal studies are also ongoing to review options for realising value from magnesium which is a by-product of the SOP production process. If realised, this will provide opportunities for additional revenue streams and reduce Kalium Lakes' SOP unit operating cost base. Following the commencement of SOP production, the Company plans to devote further resources to investigate this opportunity.

Corporate Activities

Board and Senior Management

As announced during the period, Mr Antony Beckmand ceased his employment as Chief Financial Officer and Company Secretary.

Mr Jason Shaw was announced as Chief Financial Officer and commenced employment with the Company on 5 July 2021. Mr Shaw was subsequently appointed as an additional Company Secretary with effect from 1 October 2021.

Cash Holdings

The Company had A\$15.2 million of unrestricted cash on hand and \$2.6 million of restricted cash on hand as at 30 September 2021. The Company also has A\$6.2 million remaining in undrawn financing facilities (from a total financing equivalent of A\$177.4 million).

Payments to Related Parties

During the quarter the Company paid Salaries and Wages of \$0.06 million to its Directors. Also, \$1.01 million was paid to a company related to a Director for construction and salt harvesting and haulage services under contracts previously awarded following arm's length tender processes.

Securities on Issue

The Company had 839,161,349 ordinary shares on issue as at 30 September 2021.

The following list details the other securities on issue at the end of the quarter:

- 10,375,000 performance rights
- 1,182,639 options exercisable at \$0.55 each, expiring 16 June 2022
- 1,750,000 options exercisable at \$0.625 each, expiring 16 June 2022
- 29,896,480 nil exercise price options expiring 16 June 2023
- 5,000,000 options exercisable at \$0.3583 each, expiring on 30 June 2025

Interests and Resources - Beyondie Sulphate of Potash Project (100% Owned): Tenement Interests

Tenement	Name	Holder	State	Status	Grant Date	Interest
Exploration Licences						
E 52/3956	TBA	KLP	WA	Pending	TBA	100%
E 52/3957	TBA	KLP	WA	Pending	TBA	100%
E69/3306	Yanneri-Terminal	KLP	WA	Granted	17-3-2015	100%
E69/3309	10 Mile Beyondie-	KLP	WA	Granted	17-4-2015	100%
E69/3339	West Central	KLP	WA	Granted	22-6-2015	100%
E69/3340	White	KLP	WA	Granted	22-6-2015	100%
E69/3341	West Yanneri	KLP	WA	Granted	11-8-2015	100%
E69/3342	Aerodrome	KLP	WA	Granted	22-6-2015	100%
E69/3343	T Junction	KLP	WA	Granted	22-5-2015	100%
E69/3344	Northern	KLP	WA	Granted	22-5-2015	100%
E69/3345	Wilderness	KLP	WA	Granted	22-5-2015	100%
E69/3346	NE Beyondie	KLP	WA	Granted	11-8-2015	100%
E69/3347	10 Mile South	KLP	WA	Granted	11-8-2015	100%
E69/3348	North Yanneri-Terminal	KLP	WA	Granted	11-8-2015	100%
E69/3349	East Central	KLP	WA	Granted	22-6-2015	100%
E69/3351	Sunshine	KLP	WA	Granted	31-8-2015	100%
E69/3352	Beyondie Infrastructure	KLP	WA	Granted	31-8-2015	100%
E69/3594	10 Mile West	KLP	WA	Granted	26-07-2019	100%
Miscellaneous Licences						
L52/162	Access Road	KLI	WA	Granted	30-3-2016	100%
L52/186	G N Hwy Access Road	KLI	WA	Granted	30-5-2018	100%
L52/187	Comms Tower 2	KLI	WA	Granted	30-5-2018	100%
L52/193	Kumarina FW 2	KLP	WA	Granted	13-8-2018	100%
L69/28	Access Road Diversion	KLI	WA	Granted	7-8-2018	100%
L69/29	Access Road Village	KLI	WA	Granted	7-8-2018	100%
L69/30	Comms Tower 1	KLI	WA	Granted	30-5-2018	100%
L69/31	Sunshine Access Road	KLP	WA	Granted	7-8-2018	100%
L69/32	10MS FW A	KLP	WA	Granted	14-8-2018	100%
L69/34	10MS FW B	KLP	WA	Granted	14-8-2018	100%
L69/35	10MS FW C	KLP	WA	Granted	17-12-2018	100%
L69/36	10MS FW D	KLP	WA	Granted	17-12-2018	100%
L69/38	Access Road "S" Bend	KLI	WA	Granted	30-1-2019	100%
L69/40	10 Mile Airstrip	KLI	WA	Granted	8-2-2019	100%
L69/46	TBA	KLP	WA	Granted	8-2-2021	100%
L69/47	TBA	KLP	WA	Pending	TBA	100%
L69/48	TBA	KLP	WA	Granted	27-7-2021	100%
L69/41	10 Mile Village	KLI	WA	Granted	8-2-2019	100%
Mining Leases						
M69/145	10 Mile	KLP	WA	Granted	6-6-2018	100%
M69/146	Sunshine	KLP	WA	Granted	6-6-2018	100%
M69/148	10 Mile West	KLP	WA	Pending	TBA	100%
Gas Pipeline						
PL117	Gas Pipeline	KLI	WA	Granted	7-11-2018	100%

Dora / Blanche (100% Owned): Tenement Interests

The Company has applied for exploration licences that could, if granted, introduce the Dora/Blanche Prospect as a new prospective area for potassium exploration.

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E45/4436	Dora	Rachlan	WA	Application	-	100%
E45/4437	Blanche	Rachlan	WA	Application	-	100%

Note: Kalium Lakes Potash Pty Ltd (KLP) entered into a declaration of trust with Rachlan Holdings Pty Ltd (Rachlan) where Rachlan will hold for the benefit of KLP certain exploration licence applications and deal with the applications as directed by KLP (including transferring title).

Carnegie Potash Project (Joint Venture): Tenement Interests

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

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

Tenement	Tenement Name	Holder	State	Status	Grant Date	Interest
E38/2995	Carnegie East	KLP	WA	Granted	31-7-2015	70%
E38/2973	Carnegie Central	Rachlan	WA	Application	-	70%
E38/2982	Carnegie West	Rachlan	WA	Application	-	70%
E38/3295	Carnegie South West	KLP	WA	Application	-	70%
E38/3296	Carnegie South East	KLP	WA	Application	-	70%
E38/3297	Carnegie North	KLP	WA	Application	-	70%
E38/3547	Burnside	KLP	WA	Application	-	70%

Beyondie Sulphate of Potash Project: JORC Measured Mineral Resources (inclusive of the ore reserves)

Aquifer Type	Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	278	0.47	131	0.17	46	7,463	0.35	19,097	0.89	6,624	0.31	16.64	0.77
Alluvium	122	0.31	38	0.12	15	2,432	0.04	10,556	0.15	4,379	0.06	5.42	0.08
Palaeovalley Clay	935	0.36	333	0.06	58	4,628	0.27	14,495	0.84	4,130	0.24	10.32	0.60
Sand and Silcrete	270	0.33	88	0.21	56	5,665	0.32	17,394	0.97	5,090	0.28	12.63	0.71
Fractured and Weathered Sandstone	1,371	0.16	219	0.08	110	6,241	0.68	18,909	2.07	6,553	0.72	13.92	1.53
Fractured / Weathered Bedrock	773	0.24	186	0.10	76	5,404	0.41	15,138	1.15	5,814	0.44	12.05	0.92
Total Resources	3,749		995		361	5,718	2.06	16,853	6.08	5,701	2.06	12.75	4.60

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

Beyondie Sulphate of Potash Project: JORC Indicated Mineral Resources (inclusive of the ore reserves)

Aquifer Type	Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	651	0.46	297	0.12	77	7,379	0.57	20,972	1.62	6,521	0.51	16.46	1.27
Lake Surface Leaching	N/a	N/a	N/a	N/a	80	5,373	0.43	16,986	1.36	3,632	0.29	11.98	0.96
Alluvium	1,240	0.35	438	0.13	155	4,852	0.75	13,618	2.12	4,088	0.64	10.82	1.68
Palaeovalley Clay	1,396	0.34	478	0.07	100	6,043	0.61	16,540	1.66	5,395	0.54	13.48	1.35
Sand and Silcrete	221	0.32	70	0.21	45	4,210	0.19	14,103	0.64	4,390	0.20	9.39	0.43
Fractured and Weathered Sandstone	5,081	0.16	826	0.08	406	6,135	2.49	16,998	6.91	6,109	2.48	13.68	5.56
Fractured / Weathered Bedrock	5,727	0.23	1,297	0.05	288	5,998	1.73	16,688	4.80	5,137	1.48	13.38	3.85
Total Resources	14,316		3,406		1153	5,875	6.77	16,577	19.11	5,319	6.13	13.10	15.11

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

Beyondie Sulphate of Potash Project: JORC Inferred Mineral Resources

Aquifer Type	Volume (10 ⁶ m ³)	Total Porosity (-)	Brine Volume (10 ⁶ m ³)	Specific Yield (-)	Drainable Brine Volume (10 ⁶ m ³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	Mg (mg/L)	Mg Mass (Mt)	SOP Grade (kg/m ³)	K ₂ SO ₄ Mass (Mt)
Lake Surface Sediments	272	0.47	128	0.13	35	11,735	0.41	31,405	1.11	7,969	0.28	26.15	0.92
Alluvium	1,352	0.43	579	0.11	153	5,884	0.90	17,939	2.75	5,899	0.90	13.11	2.01
Palaeovalley Clay	14,508	0.35	5,086	0.03	466	5,898	2.75	17,929	8.35	6,171	2.87	13.14	6.12
Sand and Silcrete	608	0.31	190	0.21	128	5,435	0.70	16,611	2.13	5,569	0.71	12.11	1.55
Weathered / Fractured Bedrock	5,350	0.21	1,149	0.03	154	7,791	1.20	24,625	3.78	6,263	0.96	17.36	2.67
Total Resources	22,091		7,132		936	6,363	5.96	19,357	18.12	6,127	5.74	14.18	13.27

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

Beyondie Sulphate of Potash Project: Exploration Target *

Geological Layer	Maximum Thickness (m)	Coverage (km²)	Sediment Volume (10 ⁶ m³)	Total Porosity (-)	Total Stored Brine (10 ⁶ m³)	Specific Yield (-)	Drainable Brine (10 ⁶ m³)	K Grade (mg/L)	K Mass (Mt)	SO ₄ Grade (mg/L)	SO ₄ Mass (Mt)	Mg Grade (mg/L)	Mg Mass (Mt)	K ₂ SO ₄ Mass (Mt)
Alluvium	6	157	942	0.4	377	0.10	94	2,000	0.2	6,100	0.6	2,300	0.2	0.4
Palaeovalley Clay	30	1,148	34,440	0.45	15,498	0.04	1,378	1,800	1.2	5,500	3.8	2,100	1.4	5.5
Basal Sands	7	108	756	0.35	265	0.18	136	1,600	0.2	5,000	0.7	1,900	0.3	0.5
Weathered Sandstone	10	253	2,530	0.15	380	0.06	152	3,500	0.5	10,500	1.6	4,200	0.6	1.2
Total					16,519		1,760	1,942	2.1		6.7		2.5	7.6
Alluvium	12	157	1,884	0.5	942	0.18	339	3,500	1.2	9,600	3.3	3,900	1.3	2.6
Palaeovalley Clay	50	1148	57,400	0.55	31,570	0.06	3,444	3,300	7.6	9,100	20.9	3,700	8.5	25.3
Palaeochannel Sand	15	108	1,620	0.45	729	0.25	405	3,200	1.0	8,700	2.6	3,500	1.1	2.9
Weathered Sandstone	30	299	8,972	0.25	2,243	0.10	897	6,000	5.4	18,000	16.1	7,200	6.5	12.0
Total					35,484		5,085	3,782	15.2		42.9		17.4	42.9

*The BSOPP Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource for the Exploration Target. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource.

Note: SOP grade calculated by multiplying Potassium (K) by a conversion factor of 2.23. Errors are due to rounding.

Beyondie Sulphate of Potash Project: Proved Ore Reserves

Aquifer Type	Drainable Brine Volume (10 ⁶ m³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	K ₂ SO ₄ (SOP) Grade (kg/m³)	K ₂ SO ₄ (SOP) Mass (Mt)
Production Bores	115.5	6,207	0.71	17,945	2.05	13.83	1.58
Total Proved Ore Reserves	115.5	6,207	0.71	17,945	2.05	13.83	1.58

Note: errors are due to rounding

Beyondie Sulphate of Potash Project: Probable Ore Reserves

Aquifer Type	Drainable Brine Volume (10 ⁶ m³)	K (mg/L)	K Mass (Mt)	SO ₄ (mg/L)	SO ₄ Mass (Mt)	K ₂ SO ₄ (SOP) Grade (kg/m³)	K ₂ SO ₄ (SOP) Mass (Mt)
Lake Sediments	208.2	4,755	0.99	13,699	2.85	10.60	2.21
Production Bores	82	6,713	0.56	18,867	1.57	14.69	1.24
Total Probable Ore Reserves	290.2	5,306	1.55	15,129	4.42	11.82	3.45

Note: errors are due to rounding

Beyondie Sulphate of Potash Project: Ore Reserves Summary

Category	Drainable Brine Volume (10 ⁶ m³)	K (mg/L)	K Mass (Mt)	SO ₄ Mass (Mt)	K ₂ SO ₄ (SOP) Mass (Mt)
Proved Ore Reserve	115.5	6,207	0.71	2.05	1.58
Probable Ore Reserve	290.2	5,306	1.55	4.42	3.45
Total Ore Reserve	405.7	5,565	2.26	6.47	5.03

Note: errors are due to rounding

Compliance Statement and Competent Persons Statements

The information in this ASX announcement that relates to the Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target is based upon information compiled by Mr Adam Lloyd, a competent person who is an employee of Kalium Lakes. Mr Lloyd is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and the activity which is being undertaken to qualify as a Competent Person for reporting of Exploration Results, Mineral Resources, Ore Reserves and Exploration Targets as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Certain information in this document is extracted from the ASX announcement titled "BSOPP Feasibility Study Complete – New 120ktpa Base Case" dated 18 August 2021 that relates to Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target and is based upon information compiled by Mr Adam Lloyd.

Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the ASX announcement and, in the case of Exploration Results, Mineral Resource estimate, Ore Reserve estimate and Exploration Target, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Kalium Lakes confirms that the form and context in which the Competent Person's findings are presented have not materially been modified from the original market announcement. Mr Lloyd consents to the inclusion in this document of the matters based upon his information in the form and context in which it appears.

Forward looking statements

Certain information in this document refers to the intentions of Kalium Lakes, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Kalium Lakes' actual results, performance or achievements to differ from those referred to in this document. Accordingly Kalium Lakes and its affiliates and their directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of these events referred to in the document will actually occur as contemplated. Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, revenue, exchange rates, potential growth of Kalium Lakes, industry growth or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Kalium Lakes. Actual results, performance, actions and developments of Kalium Lakes may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, Kalium Lakes and any of its affiliates and their directors, officers, employees, agents, associates and advisers:

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- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

*** ENDS ***

This announcement was approved and authorised for release by the Chief Executive Officer of Kalium Lakes Limited.

Kalium Lakes Limited



ABN: 98 613 656 643
ASX: KLL



Board of Directors:

Stephen Dennis	Non-Executive Chairman
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director
Sam Lancuba	Non-Executive Director



Contact Details:

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Chief Executive Officer

Rudolph van Niekerk

Chief Financial Officer:

Jason Shaw

Company Secretaries:

Gareth Widger
Jason Shaw

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace Perth, WA 6000
Tel: (within Australia): 1300 850 505
Tel: (outside Australia): +61 3 9415 4000

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Kalium Lakes Limited

ABN

98 613 656 643

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(12,453)	(12,453)
	(c) production (capitalised opex)	(1,769)	(1,769)
	(d) staff costs	(2,637)	(2,637)
	(e) administration and corporate costs	(635)	(635)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	7	7
1.9	Net cash from / (used in) operating activities	(17,487)	(17,487)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(97)	(97)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(97)	(97)

3.	Cash flows from financing activities		-
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,033	1,033
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	1,033	1,033

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period ¹	34,206	34,206
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,487)	(17,487)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(97)	(97)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,033	1,033

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	128	128
4.6	Cash and cash equivalents at end of period	17,783	17,783
¹ Cash at the beginning of the period at item 4.1 above is equal to the cash balance presented in the audited Financial Statements as at 30 June 2021. This balance excludes \$610,000 of cash which is held as collateral for bank guarantees that was reclassified from cash (as presented in the previous quarter's Appendix 5B) to a non-current asset in the audited Financial Statements as at 30 June 2021.			

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000 ²
5.1 Bank balances	15,200	31,711
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Restricted cash)	2,583	2,495
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,783	34,206
² Cash at the end of the quarter for the previous quarter is equal to the cash balances presented in the audited Financial Statements as at 30 June 2021. This balance excludes \$610,000 of cash which is held as collateral for bank guarantees that was reclassified from cash (as presented in the previous quarter's Appendix 5B) to a non-current asset in the audited Financial Statements as at 30 June 2021.		

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
1,094
-

Directors fees, salaries & wages - \$0.08 million

Construction, harvesting and haulage of harvested and waste salt services - \$1.01m (incl. GST). Payments were made to Smoothy Cattle Co Pty (\$0.30m) and K19 Mining Pty Ltd (\$0.71m). Smoothy Cattle Co Pty and K19 Mining Pty Ltd are related to Brent Smoothy who is a Director of the Company.

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	177,444 ¹	170,816
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	177,444	170,816
7.5	Unused financing facilities available at quarter end	6,227	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

¹ Debt Facilities available (all secured):

Lender	Borrower	Facility Limit	Facility Limit AUD	Drawn (Principal & Capitalised Interest) AUD	Unused Facility ⁴ AUD	Maturity Date ⁵
KfW/Euler Hermes	Kalium Lakes Potash (KLP) (Facility A) ²	EUR €32,487,268	AUD \$52,066,272	AUD \$48,233,152	AUD \$3,431,387	31 March 2033
KfW	Kalium Lakes Potash (Facility B) ³	USD \$37,000,000	AUD \$51,378,533	AUD \$49,981,672	AUD \$1,396,861	31 March 2033
NAIF	Kalium Lakes Potash (Facility C)	AUD \$26,000,000	AUD \$26,000,000	AUD \$25,276,681	AUD \$723,319	31 March 2033
NAIF	Kalium Lakes Infrastructure (KLI)	AUD \$48,000,000	AUD \$48,000,000	AUD \$47,324,525	AUD \$675,475	31 March 2036
			AUD \$177,444,805	AUD \$170,816,030	AUD \$6,227,042	

² Facility A is an EUR denominated loan facility. The facility limit and unused facility has been converted to AUD at the 30 September 2021 AUD:EUR spot rate of 0.62. When the loan is drawn it is immediately converted into USD at the EUR:USD spot rate in existence at the time of the drawdown. Upon conversion from EUR to USD on draw-down, the loan balance is denominated in USD and interest accrues in USD. Repayments of this facility have been made in the prior financial year, which are connected to the close-out of currency hedges that were in place in connection with EUR denominated drawdowns made under this facility. These repayment amounts are unable to be redrawn and therefore are not included in the unused facility amount shown in the table. The USD loan balance has been converted to AUD at the 30 September 2021 AUD-USD spot rate of 0.72.

³ Facility B is a USD denominated loan facility. The USD facility limit, loan balance and unused facility has been converted to AUD at the 30 September 2021 AUD-USD spot rate of 0.72.

⁴ As part of the debt restructure with the senior lenders which was completed on 12 October 2021, the senior lenders have provided a liquidity facility of AUD \$20 million which is a general purpose facility that is available for six months, with the potential to extend for another six months at the discretion of the senior lenders. The liquidity facility is available be used for short-term working capital purposes during production ramp-up.

⁵ Following the debt restructure with the senior lenders which was completed on 12 October 2021, the principal repayments for all facilities have been deferred for two years and commence on 31 March 2024. The maturity dates for the KLP Facilities A, B and C were extended to 31 March 2033 and the maturity date for the KLI facility is 31 March 2036.

The weighted average interest rate across all facilities is 3.20% per annum.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(17,487)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(17,487)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	17,783
8.5	Unused finance facilities available at quarter end (Item 7.5)	6,227
8.6	Total available funding (Item 8.4 + Item 8.5)	24,010
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.37

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes.

The Company has almost completed the construction of its project and successfully achieved first production during commissioning in October 2021. It has forecast commercial production and first sales in the quarter ended 31 December 2021 and the ramp up of production in the quarters after that. It will also commence capital expenditure activities to expand its production target to 120 ktpa in the quarter ended 31 December 2021.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes.

The Company successfully entered into formal binding documentation with its two senior lenders on 12 October 2021 to restructure its debt facilities including:

- The deferral of all senior principal repayments for the first two years of production until 31 March 2024;
- A two-year extension to the maturity of the senior loans owed by its wholly owned subsidiary, Kalium Lakes Potash Pty Ltd (representing approximately 72% of the total senior facilities) until 31 March 2033; and
- An additional A\$20m liquidity facility for general working capital purposes for six months with potential to extend for another six months (at the discretion of the senior lenders).

On 14 October 2021 the Company announced the successful completion of a A\$50m equity capital raising for working capital purposes during production ramp up and to fund the expansion of its production target to 120 ktpa.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes.

The Company is confident that it will continue its operations and meet its business objective on the following basis:

- Achievement of first production on 4 October 2021 and forecast commercial production and first commercial sales in the quarter ended 31 December 2021;
- The successful restructure of its debt facilities and completion of a A\$50m equity capital raising (refer to item 2 above) which will provide working capital during production ramp up and to fund the expansion of its production target to 120 ktpa.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.